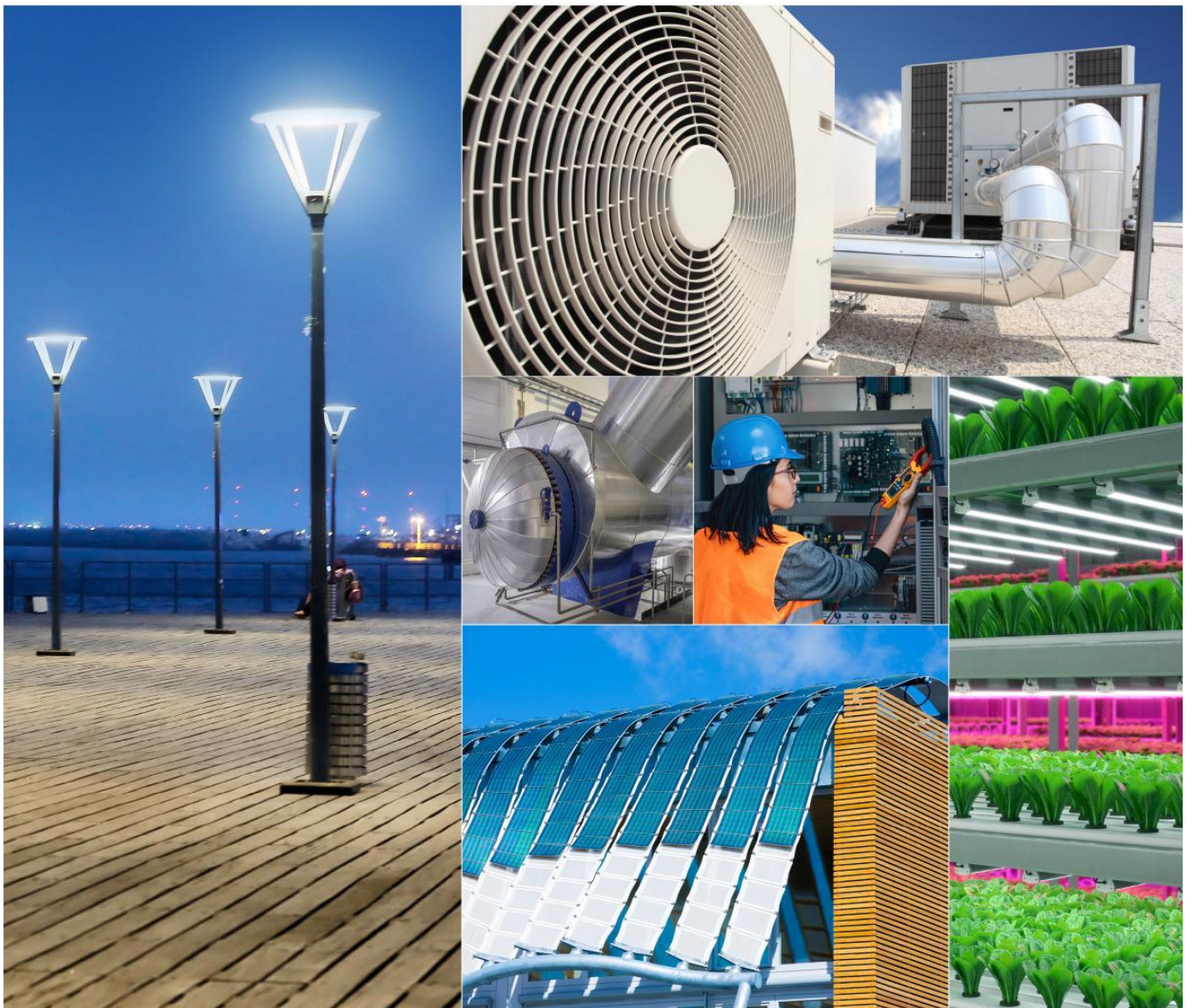


AQUILA ENERGY EFFICIENCY TRUST PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022



Contents

Your Company at a Glance	3
Highlights	3
STRATEGIC REPORT	
Chair's Statement	4
Investment Adviser's Report	7
Environmental, Social and Governance	30
Investment Policy	33
Key Performance Indicators	36
Risk Management	38
Section 172 Report	45
Other information	48
GOVERNANCE	
Directors' Report	50
Corporate Governance Statement	57
Directors' Remuneration Report	66
Report of the Audit and Risk Committee	71
Statement of Directors' Responsibilities	75
FINANCIAL STATEMENTS	
Independent Auditors' Report	76
Consolidated Statement of Profit or Loss and Comprehensive Income	84
Company Statement of Profit or Loss and Comprehensive Income	85
Consolidated Statement of Financial Position	86
Company Statement of Financial Position	87
Consolidated Statement of Changes in Equity	88
Company Statement of Changes in Equity	89
Consolidated Statement of Cash Flows	90
Company Statement of Cash Flows	91
Notes to the Financial Statements	92
OTHER INFORMATION	
Alternative Performance Measures	121
Glossary	123
Company Information	125

YOUR COMPANY AT A GLANCE

Investment Objective

Aquila Energy Efficiency Trust Plc (the “Company” or “AEET”) seeks to generate attractive returns, principally in the form of income distributions by investing in a diversified portfolio of energy efficiency investments.

Management

The Company has appointed FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) as its Alternative Investment Fund Manager (“AIFM”) to provide portfolio and risk management services. The AIFM is part of the Apex Group.

The AIFM has appointed Aquila Capital Investmentgesellschaft mbH as its Investment Adviser (“Aquila Capital” or “Investment Adviser”). The Investment Adviser is part of the Aquila Group, which was founded in 2001. Since its inception it has undertaken a range of advisory mandates, mostly focused on renewable energy infrastructure, including energy efficiency.

The Board comprises four non-executive Directors, all of whom are independent of the Investment Adviser, from relevant and complementary backgrounds offering experience in the management of listed funds, as well as in the energy efficiency and infrastructure sectors.

Capital Structure

As at 31 December 2022 the Company’s share capital comprised 100,000,000 ordinary shares of £0.01 each (“Ordinary Shares”) (31 December 2021: 100,000,000). The Ordinary Shares are admitted to trading on the Main Market of the London Stock Exchange and are listed on the premium segment of the Official List.

Highlights (Consolidated figures¹)

	As at 31 December 2022	As at 31 December 2021
Financial information		
NAV per Ordinary Share (pence) ²	95.23	97.38
Ordinary Share price (pence)	71.00	95.75
Ordinary Share price discount to NAV ² (%)	(25.4)	(1.7)
Dividends per Ordinary Share (pence) ³	3.5	-
Net assets (in £ million)	95.23	97.38
Ongoing charges ² (%)	2.6	0.9
Performance summary		
	% change	% change
NAV total return per Ordinary Share ²	0.1	(0.6)
Share price total return per Ordinary Share ²	(23.5)	(4.3)

¹ During the year under review, as a result of the development of the portfolio of investments, the actual investments made and the structure of those investments, many of which were receivables purchase investments with fixed rates of return, the Committee determined that this required judgement and re-assessment of the Company’s investment entity status for the year ended 31 December 2022. As a result of this re-assessment, which identified that fixed rate of return investments constituted a substantial proportion of the pipeline of investments and resultant actual investments, the Committee determined that as from 1 January 2022 the Company was no longer an investment entity. Accordingly, the Company consolidates its subsidiaries at 31 December 2022. For more information, please see note 2 of the financial statements. The Company and its subsidiaries are together referred to as the “Group” in this report.

² These are Alternative Performance Measures (“APMs”) for the year ended 31 December 2022. Definitions of these APMs and other performance measures used, together with how these measures have been calculated, are on page 121.

³ Dividends declared relating to the year under review. Two dividends were paid during 2022 and a third one was paid in 2023 (in respect of the period from 1 October 2022 to 31 December 2022) of 1.25 pence per Ordinary Share.

CHAIR'S STATEMENT

On behalf of the Board, I am pleased to present the annual report (the "Annual Report") for Aquila Energy Efficiency Trust plc for the year ended 31 December 2022.

Investment Performance

The Company's NAV as at 31 December 2022 was £95.23m (£97.38m as at 31 December 2021). The principal contributor to the decrease in NAV was the payment of £2.25m in respect of two dividends in the six months ended 31 December 2022. These payments were not fully covered by earnings and were partly paid out of distributable reserves. The Company's share price has recorded total returns of minus 23.5% in sterling terms. The disappointing share price performance has yet to reflect the increasing level of commitments that has been achieved. The Company's share price has been at a significant discount to NAV since January last year with the discount widening with the impact of a higher interest rate environment.

Changes following the investment strategy review

The Board instigated a number of actions, following the investment strategy review in April 2022, to provide additional assurance to investors that measures were in place to support an accelerated pace of commitments and deployment of capital. A greater focus was placed on a smaller number of geographies, larger transactions, the establishment of partner relationships with a number of Energy Service Companies ("ESCOs") and an increase in dedicated resources by the Investment Adviser.

As part of this strategic review, it was agreed that a continuation vote would be put to Shareholders at a general meeting of the Company. This was held on 28 February 2023 (as further detailed below).

The Investment Adviser also agreed, as a result of the strategy review, to amend the original Investment Advisory Agreement such that any advisory fees payable to the Investment Adviser would be calculated on committed capital (funds contractually committed for deployment) rather than on the Net Asset Value of the Company, in order to ensure greater alignment of incentives for deployment. This revised fee basis was applied to all fees charged by the Investment Adviser from the date of the Company's Initial Public Offering ("IPO") in June 2021. This has had the effect of lowering the investment advisory fees by £0.3 million for the period from IPO to 31 December 2022.

Update on Deployment

As at 31 May 2022, £19.7 million of the Company's IPO proceeds had been committed for investment and approximately £15.7 million had been deployed, as disclosed in the Company's annual report for the period ended 31 December 2021. As at 31 December 2022, the total amounts committed and deployed were £96.7 million and £61.2 million respectively. Additional commitments of £7.3 million were made in the period up to 28 February 2023. However, the total amount committed as at 31 March 2023 was £98.7 million, a net increase of £2.0 million because the Company was able to withdraw from certain commitments. Amounts deployed as at 31 March 2023 increased to £62.2 million¹. Since the date of the Continuation Vote, the Company has not entered into any new commitments and its investing activity is solely in respect of funding legal commitments to existing investments, with the aim of protecting the future returns from those existing investments and realisations.

Dividends

The Company targeted and paid a dividend of 3.5 pence per Ordinary Share for the year to 31 December 2022. Following consultation with Shareholders undertaken in April 2022, it was decided to pay this dividend largely out of capital. For the year to 31 December 2023, the Board was targeting a dividend of 5.0 pence per Ordinary Share. However, following the failure of the Continuation Vote, the Board has reviewed the dividend policy of the Company and future dividends will only be paid from net income, and after reviewing cash flow forecasts, and only in respect of six month periods not quarterly periods. Therefore, the next dividend declaration will be in respect of the six month period ended 30 June 2023.

General Meeting held in February 2023

The consultation with Shareholders in April 2022 indicated that the majority of Shareholders were supportive of the continuation of the Company. However, in order to provide Shareholders with the opportunity to review performance on commitments and deployment, it was agreed to hold a Continuation Vote in February 2023. Although the IPO proceeds had been substantially committed at that point, the continuation resolution proposed at the meeting on 28 February 2023 failed to pass, primarily, the Board understands, because of the relatively small size of the Company (and consequential lack of liquidity in the shares) and the discount to Net Asset Value at which the Company's shares trade.

A special resolution had been proposed to amend the Company's articles of association (the "Articles"), to revise the date of the subsequent continuation vote, which otherwise was and is required to be held by 30 June 2023. This vote required the support of 75% of those voting but was also not approved by Shareholders. As such, and in accordance with the Company's Articles, a further continuation vote is required to be held at the Company's Annual General Meeting ("AGM") in June 2023.

In response to the failed Continuation Vote, the Board is also proposing, at the AGM, along with the subsequent continuation vote, an amendment to the Company's Investment Policy whereby the Company is placed into a managed run-off (the "Managed Run-Off"). This resolution (the "Continuation Managed Run-Off Resolution") seeks to acknowledge and reflect the views expressed by Shareholders in the February 2023 Continuation Vote, whilst the Board continues to consider strategic solutions in respect of the Company's assets to realise maximum value for Shareholders in the shortest possible time, recognising the inherent difficulties in the construct of the portfolio, including the number of individual investments, multiple geographies and long tenors. The Continuation Managed Run-Off Resolution is described in greater detail in the Notice of Annual General Meeting, which can be found on the Company's website.

As announced on 15 March 2023, the Board appointed Stifel Nicolaus Europe Limited ("Stifel") as sole financial adviser and sole corporate broker, with immediate effect.

Board changes

The Board is now at full strength with the appointments of David Fletcher and Janine Freeman. David Fletcher is a highly experienced Non-executive Director and Audit Chair and was appointed as our new Chair of the Audit and Risk Committee ("ARC") and as Chair of the Remuneration Committee in April 2022. Janine Freeman is an experienced, senior energy industry executive and Non-executive Director with over 20 years' of involvement in the energy industry. Janine was appointed as a member of the Company's Audit and Risk, Nomination, Remuneration and Management Engagement Committees in November 2022. Biographical summaries for all the Directors of the Company can be found on pages 58 and 59.

The need for Energy Efficiency

The Board continues to believe that energy efficiency is the natural partner to renewable energy in achieving the European goal of net zero emissions by 2050. The more efficient use of energy is one of the main pillars of the energy transition away from fossil-based methods of energy production and consumption. The reduction of daily energy consumption is, conceptually, Europe's greatest energy resource. As part of the REPowerEU plan set out in May 2022, the energy efficiency target for 2030 was increased from 9% to 13% compared to 2020 reference levels. Energy efficiency must become part of our everyday lives, to consume less energy and consume it better. Efficiency protects businesses and consumers against increases in energy prices, is better for the environment and it improves the competitiveness of our economies. Increasing energy efficiency also ensures reduced dependence on energy imports, thereby improving energy security.

AEET was launched in recognition of the opportunities, both economic and social, that are available from investing in energy efficiency. In terms of implementation to date, energy efficiency thus far lacks the focus and attention that renewables have received. We believe this continues to be an area with significant growth potential and opportunities, both currently and for the foreseeable future.

Having explained why we believe investment in energy efficiency is important, I would like to express my thanks to my fellow Directors and the team who have supported the Company over what has been a challenging time since IPO in June 2021. This includes the Investment Adviser, the AIFM and our other advisors. I would be personally disappointed if the UK market sees the disappearance of an investment vehicle, which was established to provide funding to support the goal of reducing energy consumption and to play a part in the achievement of the goal of net zero.

Annual General Meeting ("AGM")

The Company's AGM will be held on 14 June 2023 at 2.00pm at the offices of Apex Listed Companies Services (UK) Limited located at 6th Floor, 125 London Wall, London, England, EC2Y 5AS. Further details can be found at the AGM Notice. Shareholders are encouraged to attend the AGM. Proxy voting figures will be made available shortly after the AGM on the Company's website where Shareholders can also find the Company's AGM Notice, Annual Report, factsheets and other relevant information.

Miriam Greenwood OBE DL

Chair of the Board

30 April 2023

^[1] Reflecting 31 December 2022 valuation in local currency (Euro), with investments at cost since then, translated into £, where relevant, at €0.8853: £1.00. The Company's next NAV per share will be published in respect of 30 June 2023.

INVESTMENT ADVISER'S REPORT

Investment Adviser's Background

The Company's AIFM, FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited), has appointed Aquila Capital Investmentgesellschaft mbH as the Investment Adviser to the AIFM in respect of the Company.

The Investment Adviser offers advice on potential energy efficiency investments in line with the Company's Investment Policy. Aquila Capital Investmentgesellschaft mbH is part of Aquila Group, an experienced and long-term investor in real asset investments. Founded in 2001 by Dieter Rentsch and Roman Rosslenbroich, Aquila Group currently manages and/or advises assets worth around €14.7 billion on behalf of institutional investors worldwide (as at 31 December 2022). Daiwa, one of Asia's largest investors, is a minority shareholder in the Group.

By investing in clean energy and sustainable infrastructure, Aquila Capital contributes to the global energy transition and strengthens the world's infrastructure backbone. Aquila Capital initiates, develops, and manages these essential assets along their entire value chain and lifetime. Aquila Capital's primary objective is to generate performance for its clients by managing the complexity of essential assets.

Currently, Aquila Capital manages wind energy, solar photovoltaics ("PV") and hydropower assets with a generating capacity of more than 17 Gigawatts ("GWs"). Additionally, 2.0 million square metres of real estate and green logistics projects have been completed or are under development. Aquila Capital also invests in energy efficiency, carbon forestry and data centres. Aquila Capital has been carbon neutral since 2006. Sustainability has always been part of the company's value system and is an integral part of its investment strategies, processes and the general management of its assets. The company has around 700 employees from 56 nations, operating in 17 offices in 16 countries worldwide.

Investment Advisory Team

Alex Betts - Senior Investment Manager: Alex Betts has over 30 years' experience in private equity and 15 years in resource efficiency and has invested in a range of industries, geographies and stages. Based in London, he joined Aquila Capital from Adaxia Capital Partners ("Adaxia"). Prior to Adaxia Alex was a member of the private equity team at Climate Change Capital ("CCC"), which span out into Adaxia. Prior to CCC he was Head of Royal Dutch Shell's corporate venture capital unit and a former partner of Montagu Private Equity. He is British and graduated in Classics from Oxford University.

Bruno Derungs - Senior Investment Manager: Bruno Derungs has over 25 years' experience in private equity and 21 years in resource efficiency and has invested in a range of industries, geographies and stages. Based in Zurich, he joined Aquila Capital from Adaxia. Bruno is a former member of the private equity team at CCC, principal at SAM Private Equity, managing director of ATV, a Swiss-based venture capital fund and consultant with Bain & Company. He holds a master's degree in electrical engineering from the ETH in Zurich and an MBA from Columbia Business School in New York. He is Swiss and speaks English, German, Italian and French.

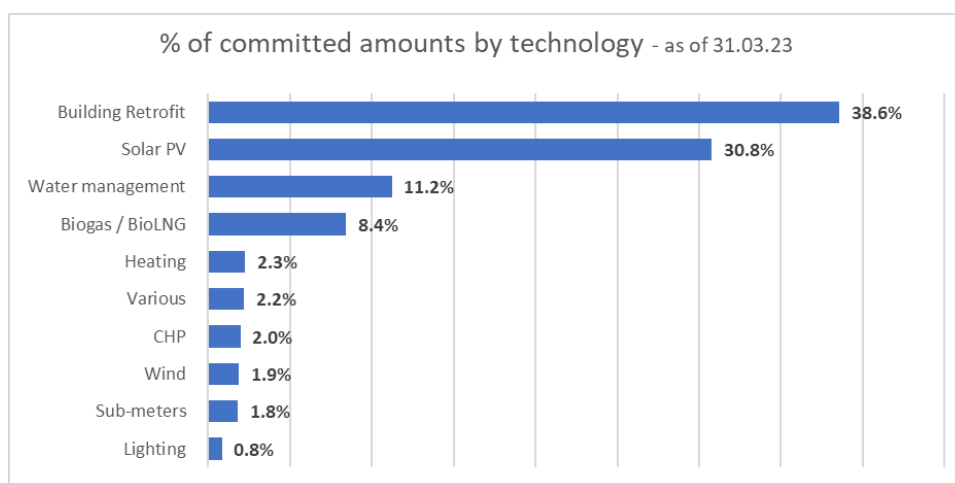
Franco Hauri - Senior Investment Manager: Franco Hauri has over 20 years' of experience in private equity with 15 years in resource efficiency of which the last five years have been focused on investing in energy efficiency projects. Based in Zurich, he joined Aquila Capital from Adaxia. Franco is a former member of the private equity team at CCC, an Investment Adviser at NanoDimension, a venture capital firm investing in nanotechnology, and a consultant with Bain & Company. Franco holds an MBA from Harvard Business School and a master's degree in finance, accounting & controlling from the University of St. Gallen (HSG). He is Swiss and speaks English, German, Italian, Spanish and French.

Investment Activity

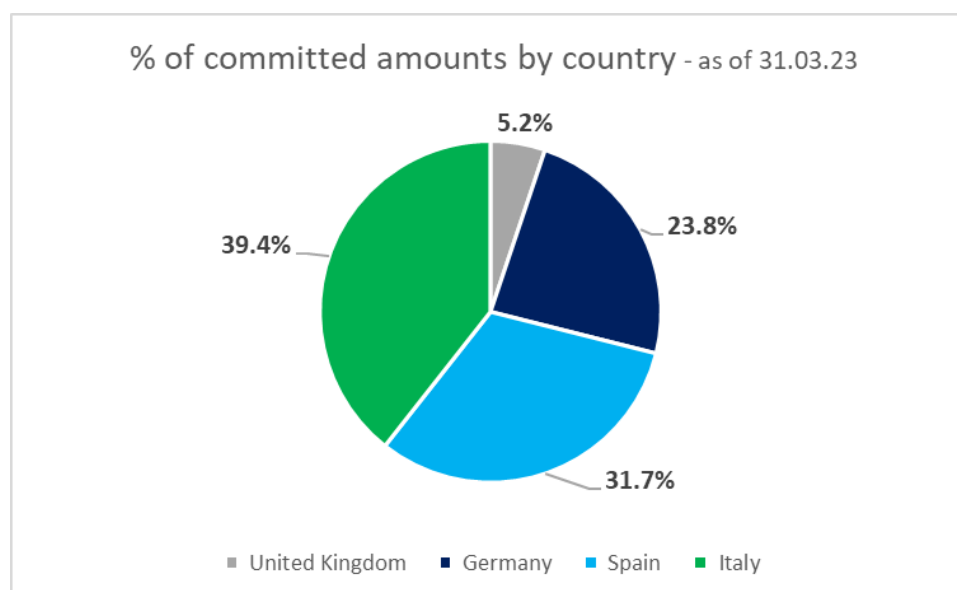
During 2022, the Company made substantial progress in executing its strategy to invest in energy efficiency projects. As at the year-end, the Company had entered into commitments to invest £96.7 million of which the total deployed in investments were £61.2 million. As at 31 March 2023, the total commitments had increased to £98.7 million and the income generating capital deployed since IPO increased to £62.2 million.

The Company's portfolio is characterised by projects with (i) a low technology risk through the use of proven technologies; (ii) medium to long term contracts providing for predictable cash flows; and (iii) counterparties with good creditworthiness. As at 31 March 2023, the portfolio of 38 investments was diversified across geographies (Italy, Spain, Germany and the United Kingdom), technologies, counterparties and ESCO partnerships.

Projects by Technology



Projects by Country



The majority of the Company's forecast project cash flows, approximately 69%, are investment grade, as assessed by using both the Investment Adviser's credit analysis and external agencies. In projects which are non-investment grade, there are typically additional protections; these include the ability to export power to a grid

and to extend the maturity of a contract with the ESCOs in question and the underlying counterparty to recover missed payments. The latter is possible because the Company's financing agreements are of a shorter duration than the useful life of equipment installed and, in many cases, of a shorter duration than the contract between the ESCO and the counterparty.

The Company's portfolio also benefits from a combination of fixed and variable return payments. While approximately 67% of the total investment value provides a fixed rate of return from contractual cash flows, approximately 33% by investment value has variable cash flows linked to power production and power prices, or inflation indexation. In many cases, these variable return investments have downside protections, for example, minimum contractual returns, which reduce the risk of lower than forecast cash flows.

This portfolio of investments is forecast to achieve an unleveraged, average yield of 8% per annum, which the Board believes is attractive given the credit quality of the portfolio.

The Company's investments provide funding to third parties to enable capital expenditure for energy efficiency projects. Rather than owning the assets installed in these projects, the Company has structured its investments as purchases of receivables, largely from contracted cash flows. The Investment Adviser has recommended this approach to reduce the costs of managing numerous special purpose vehicle ("SPVs") companies. Accordingly, the assets are owned by SPVs of the ESCOs that develop the projects. These SPVs contract to provide energy efficiency services to clients and receivables from these contracts are transferred to the Company, which takes a security interest in the assets together with undertakings and performance guarantees from the ESCOs themselves.

In Italy and Germany, the Company and its subsidiary, Attika Holdings Limited ("AHL" or "Attika"), purchases notes, which entitle the noteholders to the receivables, while in Spain and the United Kingdom, Attika purchases receivables from the projects direct. The use of notes is driven by the respective legal and regulatory frameworks in Italy and Germany.

All of the investments in Italy have been made by the Company through purchasing notes issued by an Italian special purpose vehicle ("SPV") established under securitisation laws in Italy. This SPV has made the respective capital investments in energy efficiency projects in consideration return for which receivables have been transferred to it. The receivables are the payments due from the purchase of tax credits in the case of the Superbonus investments and from operating leases and energy services agreements in the case of the investments developed by Noleggio Energia and CO-VER. The notes issued by the SPV entitle the Company to the economic return from the receivables and are structured to provide a fixed interest rate amounting to a 3% p.a. return on capital and variable interest to capture the return above 3% p.a.

In Germany, Attika has purchased notes issued by special purpose subsidiaries of the four ESCOs with which Attika has invested. These notes provide for a fixed rate of interest, repayment of capital and, in certain cases, a variable rate of interest, which provides the economic return from the receivables.

Investments in Italy

Investments in Italian "Superbonus" projects

In December 2021, the Company entered into commitments to finance two clusters of "Superbonus" energy efficiency projects for apartments and other residential buildings in Italy amounting to £16.8 million. "Superbonus" is an incentive measure introduced by the Italian government through Decree "Rilancio Nr. 34" on 19 May 2020, which aims to make residential buildings (condominiums and single houses) more energy efficient through improvements to thermal insulation and heating systems. When qualifying measures are completed, ESCOs delivering the measures are awarded a tax credit equal to 110% of the cost of the measures. These tax credits can then be sold to banks, insurance companies and other corporations and, thus, projects can be financed without the need for a financial contribution from landlords.

The projects which the Company committed to finance in 2021 are being managed by two ESCOs, Enerstreet and Enerqos Energy Solutions, and entail commitments of £10.7 million and £6.1 million respectively. The projects involve a range of energy efficiency measures including insulation, the replacement of heating systems with more efficient solutions, and energy efficient windows.

During 2022 the Company entered into three other commitments, totalling £16.7 million, to finance Superbonus projects, another £8.71 million project with Enerqos Energy Solutions and two projects, totalling £7.95 million, with Sol Lucet, an Italian ESCO. These investments are structured in a very similar way to the first Superbonus investments, using almost identical documentation, to provide for a contractual return of 8% p.a. These projects are being managed by Sol Lucet S.r.l., an energy services company which, since 2013, has successfully installed renewable energy plants with a generating capacity of 17.0 Megawatts peak ("MWp") as well as Combined Heat and Power ("CHP") plants producing 3.2 Megawatts electric ("MWe"). Sol Lucet is currently managing solar PV plants with a generating capacity of 14.0 MWp. The tax credits, which these projects are designed to generate, will be acquired by Credit Agricole, which has a short-term rating of A+ from S&P ("Standard & Poor's").

As at 31 December 2022, £32.95 million had been committed to Superbonus projects and were earning a contracted rate of return. Of this, £24.28 million had been deployed in cash. The balance of the commitments is forecast to be deployed before the end of October 2023. These projects, which are being delivered in a series of stages, generate tax credits which exceed the cost of the Company's investments. Six companies have agreed to purchase these tax credits, including four banks: BNP Paribas, Credit Agricole, Intesa Sanpaolo and Monte dei Paschi di Siena along with Assicurazioni Generali, one of the largest global insurance companies and Enel X, a subsidiary of Enel, Italy's largest utility company. The purchasers of the tax credits have S&P credit ratings of A+, AA-, BBB, B+, A+ and BBB+ respectively, with the lower rated bank being majority owned by the Italian state. The proceeds from the sale of the tax credits are forecast to redeem these investments before the end of January 2024. The investments are structured to deliver contracted returns of 8-9% per annum from the expected project start dates. This means that the investment commitments become income generating from the dates set out in the investment documentation and not from the date of cash deployment.

Solar PV Investments for self-consumption in Italy

The Company has committed £3.6 million to six rooftop Solar PV projects in Italy with an aggregate capacity of 3.6MWp. As at 31 December 2022, £2.5m had been deployed into four operational projects. The balance of the commitment will be deployed when the two other plants have become operational, which is expected to be achieved by the end of May 2023. These projects enable companies to reduce their energy expenses and CO₂ emissions and avoid grid losses through the self-consumption of the electricity produced.

Projects with Noleggio Energia

Five projects in which the Company has invested have been developed by the ESCO, Noleggio Energia, which was established in 2017 and is an Italian company that specialises in providing operating leases for energy efficiency and renewable energy projects for commercial and industrial clients in Italy. These projects are all structured as the purchase of receivables from operating leases with maturities of seven or ten years and all use very similar documentation. Noleggio Energia has transferred to SPV the monthly receivables from these operating lease agreements, which provide for fixed rates of return ranging between 7.2% p.a. and 9.4% p.a.

The first investment of £0.31 million which the Company made in Italy was completed at the end of June 2021 to finance a rooftop solar PV project with a capacity of 238 kilowatt peak ("kWp") located in Lombardy for the Italian food product manufacturer Galletti di Galletti Aurelio e C. snc ("Acetificio Galletti"). Acetificio Galletti is a family-owned business founded in 1871 and is a renowned producer of vinegars, dressings, pickles, and other food products. It has an investment grade credit rating (B1.2/BBB) from the credit ratings agency Cerved.

The second investment of £0.12 million was completed at the end of December 2021 to finance a rooftop solar PV project with a capacity of 127 kWp in Veneto for Enofrigo SpA. Enofrigo SpA, founded in 1978, is an Italian designer and manufacturer of wine cabinets and both hot and cold food display units for bars, restaurants, small supermarkets, and larger retail chain stores. Enofrigo SpA now serves more than 5,000 clients in more than 100 countries. Its Cerved credit rating is B2.1, equivalent to BB+.

The third investment of £1.32 million was committed to at the end of March 2022 to finance a 1MWp rooftop solar PV project in Lombardy for the engineering company, Tecnocryo SpA. The project, which included the refurbishment of the roof, was completed in August 2022 and is operational. Tecnocryo has been trading since

1992 and focuses on the design and realisation of machines for handling cryogenic fluids. The company has a Cerved credit rating of B2.1, equivalent to BB+, which is just below investment grade.

The other two projects with Noleggio Energia are under construction. In September 2022, the Company committed £0.35 million to a 443 kWp rooftop Solar PV project installed on the production facilities of Ali Group, a foodservice equipment manufacturer in Veneto, Northern Italy. Ali Group is an Italian corporation that was founded in 1963, it is one of the largest and most diversified global leaders in the food service equipment industry. The company has a Cerved credit rating of A2.1, equivalent to A+. In December 2022 the Company committed £0.82 million to an 876 kWp rooftop Solar PV project installed on the production facilities of Orlandi, a nonwovens manufacturer in Lombardy, Northern Italy. Since its establishment, the company has expanded its product offering, which now includes applications for a wide variety of sectors including medical, hygiene, home furnishing, industrial/household wipes and more. The company has a Cerved credit rating of B1.1, equivalent to BBB+/BBB-.

Project with CO-VER Power Technologies

In January 2022, the Company refinanced the acquisition of an existing rooftop solar PV plant in Ascoli Piceno (Central Italy) with a generating capacity of 902 kWp. The investment is based on the purchase of receivables generated by an energy service contract between the leading Italian engineering firm CO-VER Power Technologies ("CO-VER") and its subsidiary Futura APV S.r.l. ("Futura"). The contract governs the management of an operating roof-mounted solar PV plant until April 2028. Thereafter, the investment is based on a feed-in-tariff for an additional six years, aggregating to a 12-year tenor. The investment is forecast to generate a return ranging between 7.0% and 7.3% p.a.

CO-VER has a successful 20-year history in developing industrial projects in the areas of energy storage systems, co/tri-generation plants and renewable energies. Futura, which was established in 1981, specialises in the design and construction of overhead and floor conveyors and is the owner of the PV plant, which benefits from feed in tariffs payable by Gestore dei Servizi Energetici ("GSE"). GSE is a joint stock company managed by the Italian government which is responsible for promoting and developing the growth of renewable assets in Italy. GSE has a credit rating of BBB+ from the Italian government.

Investments in Spain

In line with its pan-European investment strategy, the Company, through its wholly owned subsidiary, Attika, had as at 31 December 2022 committed £32.6 million across ten Spanish projects, nine of which are Solar PV projects and one of which is a buildings energy efficiency project. The capital deployed as at 31 December 2022 was £4.9 million. Since 31 December 2022, the Company has committed to a further three projects with three new project developers. Due to various changes, including a withdrawal from one commitment, the Company's total commitments to investments in Spain as at 31 March 2023 were £31.5 million of which £6.0 million had been deployed. The balance of the commitments is expected to be largely deployed during 2023 at construction completion of relevant projects.

Solar PV investments in Spain

The market in Spain presents continuing and favourable prospects, particularly in the solar photovoltaic sector. The Company has committed capital to finance the development of ten solar PV installation projects throughout Spain with eleven project developers. Most of these projects have been structured under Power Purchase Agreements ("PPA") with maturities of up to 18 years and have variable revenues, which are often subject to production risk, power price fluctuation or inflation. In addition, excess production beyond the on-site demand may be injected into the grid. These variable revenue risks are mitigated by conducting technical due diligence prior to making commitments and by contracted prices within the PPAs.

Notable investments include:

- £9.6m commitment for a group of five Solar PV installations with a total capacity of 12MWp, three of which are ground mounted, for a major battery manufacturer and other industrial businesses, which have a blended S&P equivalent rating of BBB+/BBB-;
- £6.2m commitment to finance an 8MWp ground-mounted solar PV project, with revenues generated through off-site Power Purchase Agreements to commercial clients around Borja (Zaragoza), which have a blended S&P equivalent rating of BB-;
- £2.9m for a 3.83MWp roof mounted solar PV plant for an insulation material manufacturer located near Tarragona, which has a S&P equivalent rating of BBB+/BBB-;
- £1.7m commitment to finance Solar PV plant and battery projects developed by a major European technology manufacturer and to be deployed at sites of the leading owner and operator of wellness centres in Spain, which has a S&P equivalent rating of BBB+/BBB-; and
- £0.9m commitment to fund a Solar PV project for self-consumption, developed by a Valencia based ESCO, for a leading Spanish ceramic tiles manufacturer, which has a S&P equivalent rating of BBB+/BBB-.

Since 31 December 2022, the Company has successfully completed a £3.5 million commitment to invest in ground mounted solar PV plants for self-consumption for four farms operated by a Spanish agricultural company with a capacity of approximately 4MWp. In addition, two smaller commitments of £0.7 million and £0.6 million were completed to finance groups of projects across Spain. Both transactions mark the start of new relationships with the respective project developers.

The credit ratings of the counterparties of the Spanish Solar PV investments have been rated as the S&P equivalent of between BB and BBB+/BBB-. These investments also have, in many cases, the benefit of being able to generate revenues from selling power to the grid if there are payment issues with the counterparty.

Buildings Energy Efficiency investments in Spain

The Spanish Government has established incentive schemes to promote buildings energy efficiency measures, including the "Programa de Rehabilitación Energética de Edificios" ("PREE"). PREE is a EUR402.5 million incentive scheme across the Spanish jurisdiction and is designated to promote and reward energy efficiency improvements for condominiums and buildings improving their energy rating by at least one energy class. Under this scheme the Company has committed £4.2 million to fund the refurbishment of condominiums, which is being managed by a leading ESCO specialised in designing and implementing energy efficiency and renewable energy projects in Spain. The investment cash flows are based on the purchase of receivables generated by the underlying energy saving contracts between the ESCO and the so-called "Comunidad de Proprietarios", the legal entities which represent each of the owners of the apartments in a residential building. The receivables have been rated as the S&P equivalent of A+/A.

Investments in Germany

As at 31 December 2022 the Company, through Attika, had made four investments in Germany through note subscriptions for a total commitment of £23.4 million of which £19.4 million had been deployed, across a variety of four technologies including smart metering technologies, water management solutions, heat pumps and Bio-LNG.

£1.8 million Investment in Comgy GmbH & Co KG ("Comgy")

In April 2022, the Company purchased a note for £1.8 million with a tenor of ten years issued by Comgy. The note is structured to provide a fixed return of in excess of 10% p.a. through a fixed interest rate of 6.5% p.a., repayments and a variable interest component, which takes account of the contracted cash flows through to the maturity of the investment. Comgy is a wholly owned subsidiary of Comgy GmbH, active in the German sub-metering market. Comgy provides metering equipment, billing and Operations and Maintenance ("O&M") services mainly to housing companies with an average rating comparable to an S&P rating of BBB+/BBB. The note is secured on sub-metering contracts, including equipment rental and billing as well O&M services with tenors of between five and ten years.

£8.3 million for the purchase and upgrade of a biogas plant in Northern Germany

In October 2022, the Company made an £8.3 million commitment to fund the acquisition of a biogas plant and an investment into liquefaction equipment by one of Germany's leading biogas development companies with more than 20 years' experience in the sector. The investment is structured as a note purchase. The terms of the note provide for the payment of interest at a fixed rate of 5% p.a. plus a variable return, which is equivalent to 8% of revenue generated by the asset company, capped at EUR1.3 million across eight years. Liquefaction of the biogas produced makes the resulting Bio-LNG eligible for greenhouse gas certificates under German energy law. These certificates are frequently resold on the secondary market to companies within carbon-intensive industries under pressure to comply with emission regulations and as a result Bio-LNG is gaining popularity in the transportation market. The structure of this investment benefits from an extensive security package including a pledge over the assets and land, a parent company guarantee and step-in rights. The parent company was deemed to have an S&P rating of BB-. However, once the plant becomes operational, scheduled in September 2023, the underlying credit risk will shift to the counterparties purchasing the Bio-LNG and associated carbon credits, which are likely to be more highly rated businesses.

£11.0 million investment for water management solutions

In December 2022, the Company invested £11.0 million to acquire receivables due under water management service agreements for condominiums and multi-family homes in Germany, mainly managed by large property managers. As with the Company's other German investments, the investment is structured through a note purchase which provides for a fixed interest rate of 8% p.a., to be paid out on a quarterly basis over a ten year period. The developer's water management solutions consist of hardware and software detecting user behaviour and optimizing the temperature management of the house or condominium's waterflow, resulting in significant energy cost reductions for tenants. The counterparties comprise a large number of property management companies and have been evaluated with a weighted average S&P equivalent rating of BBB+.

£2.2 million junior loan purchase

The Company has purchased a subordinated note from a SPV set up by one of Germany's fast-growing heat pump companies. The note investment was purchased in December 2022 for a total price of £2.2 million, and is structured to pay a fixed annual interest rate of 7.5% p.a. The proceeds from this investment are being applied by the developer in its roll out of heat pumps across Germany. The note is subordinated to a loan from a large German Bank and consists of approximately 11% of the total loans issued by the SPV. The investment has a planned maturity of 15 years and benefits from a first rank guarantee from the SPV's parent company up to the nominal amount of the loan and includes covenants related to the minimum cash balance of the SPV as an additional security buffer. The cash flows due to the SPV are from German households, who are deemed to have an S&P equivalent rating of A+/A.

Investments in the United Kingdom

As at 31 December 2022 the Company, through Attika, had committed and deployed £4.1 million and £3.6 million respectively into investments in the United Kingdom comprising investments in CHP, Lighting and Wind Power projects. These investments were made with five different ESCOs.

CHP Investments

The Company has invested in CHP projects in the UK for a total investment value of £1.9 million developed by three separate ESCOs. The CHP projects are with a major convention centre, a hotel and a food producer, Vale of Mowbray. The convention centre and hotel have credit ratings of S&P equivalents of BBB+/BBB- and BB+/BB respectively. The Vale of Mowbray project is on hold because the company has entered into administration. The amount of £0.9 million has been invested in the project with the majority of the capital applied to acquire the CHP equipment, which is not yet onsite. The result of the administration is that the site was acquired in March 2023 by a cold storage logistics business with whom discussions are due to be held regarding utilisation of CHP at the site. Ega Energy, the ESCO developing the Vale of Mowbray project, has identified other clients who may use the CHP equipment. The Investment Adviser believes that its contractual arrangements with Ega Energy protect the value of the investment made to date.

Wind Power Investments

The Company has invested £2.0 million (£1.6 million at 31 December 2022) in five operational small wind farms in the UK, managed by a UK ESCO, which benefit from feed-in and export tariffs and provide onsite power for self-consumption. The Company's investments are structured to receive an agreed share of net revenues from these projects, which have remaining lives of approximately 10 years. The Company's investment income is dependent on the levels of power production, feed in tariff rates, which benefit from Retail Price Index ("RPI") indexation, and export tariff rates which are typically renegotiated annually, less direct operating costs such as rent, insurance and operational & maintenance costs, which are managed by the ESCO. The weighted average credit rating of the revenue streams for these projects are S&P equivalent ratings of BBB+/BBB- with the feed in tariff revenues being deemed to be UK Government risk, rated AA, and export tariffs payable by the utilities currently contracted being deemed to be sub-investment grade. However, it would be possible to replace the current utilities should they fail to pay amounts due.

Lighting Investments

Following an investment of £0.3 million in December 2021, the Company has invested an additional £0.1 million in operational lighting projects developed by a Northern Ireland based lighting services company, Lumenstream Limited. The Company's investments are structured as purchases of receivables under five-year lighting contracts with industrial companies and a leisure business. The weighted average credit rating of the receivables in this portfolio of projects is rated at an S&P equivalent of BBB+/BBB-.

Since 31 December 2022, the Company has committed and invested £0.9 million across two projects with two additional ESCOs providing lighting as a service for a variety of counterparties with contract maturities of up to ten years. These counterparties have a weighted average credit rating of an S&P equivalent of BBB+/BBB-.

Investments completed after 31 December 2022

A summary of the investments the Company has made since the year-end is set out below:

Description	Receivables	Term	Technology	Status	Country	Committed	Deployed
	Weighted Avg. Credit rating	years				£'000	£'000
Purchase of receivables generated by an operating lease linked to a solar PV in self-consumption installation for a Spanish agricultural company	BBB+ / BBB-	10	Solar PV	Construction	Spain	3,490	-
Purchase of receivables from PPA agreements for two solar PV plants in self-consumption in Spain	BB+ / BB-	14 / 15	Solar PV	Operating	Spain	616	605
Purchase of receivables generated from grid sales and PPA agreements by financing four solar PV plants in self-consumption in Spain.	BBB+ / BBB-	18	Solar PV	Construction	Spain	725	142
Acquisition of receivables of FiTs and export tariffs generated from an operating wind turbine in Scotland.	BBB+ / BBB-	12	Wind	Operating	United Kingdom	331	331
Purchase of receivables generated from the installation and operation of metering and LED projects with eleven different counterparties in the UK.	BBB+ / BBB-	5-7	Lighting / Metering	Construction	United Kingdom	457	404
Financing the installation of a roof mounted solar PV plant for self-consumption in Central Italy.	BB+ / BB	10	Solar PV	Construction	Italy	857	-
Purchase of receivables generated from the installation of a roof mounted solar PV plant for self-consumption in Northern Italy.	A-	5	Solar PV	Construction	Italy	513	-
Purchase of receivables generated from refinancing the installation of LED lighting projects for 15 different clients in the UK.	BBB+ / BBB-	5-10	Lighting	Operating	United Kingdom	456	456

Summary of all Investments that have Committed Capital as at 31 March 2023

Description	Receivables	Term	Technology	Status	Country	Committed	Deployed
	Weighted Avg. Credit rating	years				£'000	£'000
Receivables (fixed) from a 238 kWp rooftop Solar PV project installed at the production facilities of a food manufacturer in Lombardy.	B	7	Solar PV	Operating	Italy	314	314
Receivables (fixed) from a 127 kWp Solar PV project installed on the production facilities of a manufacturer in Veneto.	BBB+ / BBB-	7	Solar PV	Operating	Italy	120	120
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus scheme, which supports the energy efficiency retrofits (insulation, more efficient heating etc.) of residential buildings.	B+	2	Building Retrofit	Construction	Italy	6,137	4,783
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus scheme, which supports energy efficiency retrofits (insulation, more efficient heating etc.) of residential buildings.	A	2	Building Retrofit	Construction	Italy	10,668	10,164
Receivables (fixed with RPI) from lighting as a service contracts with 6 UK companies.	BBB+ / BBB-	5	Lighting	Operating	United Kingdom	390	390
Receivables (fixed/variable) from a 901.6 kWp rooftop Solar PV project at a site in Ascoli Piceno (Central Italy).	BBB+ / BBB-	12	Solar PV	Operating	Italy	740	740
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus scheme, which supports the energy efficiency retrofits (insulation, more efficient heating etc.) of residential buildings.	AAA / AA-	2	Building Retrofit	Construction	Italy	1,601	1,601
Receivables (fixed) from a 1,000 kWp rooftop Solar PV project to be installed at a manufacturer's production facility in Lombardy.	BB+ / BB	10	Solar PV	Operating	Italy	1,325	1,325

Description	Receivables	Term	Technology	Status	Country	Committed	Deployed
	Weighted Avg. Credit rating	years				£'000	£'000
Receivables (fixed) from sub-metering hardware and services contracts with landlords of multi-occupancy buildings.	BBB+ / BBB-	9	Sub-meters	Operating	Germany	1,821	1,821
Receivables (fixed) from CHP Energy Services Agreement with a major conference centre in Wales.	BBB+ / BBB-	6	CHP	Operating	United Kingdom	200	200
Receivables (fixed) from CHP Energy Services Agreement with food manufacturer.	BB+ / BB	7	CHP	Construction	United Kingdom	1,396	951
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus scheme, which supports the energy efficiency retrofits (insulation, more efficient heating etc) of residential buildings.	BBB+ / BBB-	2	Building Retrofit	Construction	Italy	8,714	6,529
Receivables (PPA with fixed price) from a 3,830 kWp rooftop Solar PV project to be installed at a facility in Tarragona (North of Spain).	BBB+ / BBB-	15	Solar PV	Construction	Spain	2,947	1,468
Purchase of receivables generated through a PPA from three solar PV plants in self-consumption for a poultry producer.	BB-	15	Solar PV	Construction	Spain	286	235
R Receivables (fixed) from CHP Energy Services Agreement with a hotel	BB+ / BB	8	CHP	Operating	United Kingdom	433	425
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus scheme, which supports the energy efficiency retrofits (insulation, more efficient heating etc.) of residential buildings.	BB+ / BB	2	Building Retrofit	Construction	Italy	6,356	6,356
Purchase of receivables from five solar PV plants in self-consumption in Spain. The revenues are generated through PPAs with multiple counterparties.	BBB+ / BBB-	15-18	Solar PV	Construction	Spain	9,605	666

Description	Receivables	Term	Technology	Status	Country	Committed	Deployed
	Weighted Avg. Credit rating	years				£'000	£'000
Purchase of receivables generated through an off-site PPA from a ground-mounted solar PV plant in Zaragoza between a Spanish developer and different clients.	BB-	15	Solar PV	Construction	Spain	6,321	1,559
Purchase of receivables (fixed) generated by two operating lease agreements between a Spanish developer and two counterparties in Spain.	BB-	10 & 12	Solar PV	Construction	Spain	155	155
Receivables (fixed) from a 443 kWp rooftop Solar PV project installed on the production facilities of a foodservice equipment manufacturer in Veneto, Northern Italy.	A-	7	Solar PV	Construction	Italy	345	345
Purchase of receivables generated by Power Purchase Agreements ("PPA") between a Spanish developer and a Spanish ceramic tiles manufacturer.	BBB+ / BBB-	15	Solar PV	Construction	Spain	966	764
Acquisition of receivables of FITs and export tariffs generated from 3 operating wind turbines in the UK, of which the generated energy is used for self-consumption & for export to the grid.	BBB+ / BBB-	10.6	Wind	Operating	United Kingdom	484	484
Subscription for a note for the refinancing of an operating bio-gas plant in north-eastern Germany and an upgrade to a Bio-LNG ¹ facility. The note provides for a fixed return plus an agreed share of revenues from the Facility.	BB-	8.25	Biogas / BioLNG	Operational (Phase 2 construction)	Germany	8,283	4,440
Receivables (PPA with fixed price) from six rooftop solar PV projects used for self-consumption, to be installed at six different locations in Cordoba and Granada in Spain.	BB+ / BB-	15	Solar PV	Construction	Spain	324	282

¹ Bio-LNG is a highly sustainable version of liquefied natural gas (LNG), with almost the exact same chemical makeup. It is produced during the anaerobic digestion (AD) process, which breaks down organic matter (such as food or animal waste) in an oxygen-free tank to produce methane-rich biogas.

Description	Receivables	Term	Technology	Status	Country	Committed	Deployed
	Weighted Avg. Credit rating	years				£'000	£'000
Receivables (fixed) from solar PV plant in self-consumption for a total installed capacity of 875.6kWp located at the site of nonwovens manufacturer in Lombardy, Northern Italy.	BB+ / BB	10	Solar PV	Construction	Italy	821	-
Receivables from service agreements related to the water management between the developer and condominiums and multi-family homes, mainly managed by large property managers via a note structure.	BBB+ / BBB-	10	Water management	Operating	Germany	11,067	10,989
Purchase of receivables generated by 2 Energy Saving Contracts ("ESC") between the developer and five Spanish condominiums located in the proximity of Madrid, Guadalajara and Gerona, as well as subsidies generated under the incentive scheme.	A+ / A	15	Building Retrofit	Construction	Spain	4,330	211
Acquisition of receivables of FiTs and export tariffs generated from an operating wind turbine in Scotland.	BBB+ / BBB-	13	Wind	Operating	United Kingdom	1,162	1,162
Subscription for a junior note issued by largest heating installer in Germany, entitling the noteholder to receivables generated through service and maintenance contracts for heat pump systems for the residential sector throughout Germany.	A+ / A	15	Heating	Construction & Operational	Germany	2,240	2,213
Purchase of receivables (fixed) from Solar PV and battery installations for a leading operator of wellness centres in Spain.	BBB+ / BBB-	12	Various	Construction	Spain	1,702	-

Description	Receivables	Term	Technology	Status	Country	Committed	Deployed
	Weighted Avg. Credit rating	years				£'000	£'000
Purchase of receivables (fixed) from solar PV installations for a leading agricultural business engaged in the cultivation of grapevines, cereals, onions, olives, almonds, and peas.	BBB+ / BBB-	10	Solar PV	Construction	Spain	3,490	-
Purchase of receivables from PPA agreements for two solar PV plants in self-consumption for a total installed capacity of 869kWp located around Alicante, Spain.	BB+ / BB	14 & 15	Solar PV	Construction	Spain	616	605
Purchase of receivables generated from grid sales and PPA agreements through the investments financing four solar PV plants in self-consumption with combined capacity of 1.3MWp in Spain.	BBB+ / BBB-	18	Solar PV	Construction	Spain	725	142
Acquisition of receivables of FiTs and export tariffs generated from an operating wind turbine in Scotland.	BBB+ / BBB-	12.37	Wind	Operating	United Kingdom	331	331
Purchase of receivables (fixed) generated from the installation and operation of metering and LED projects with eleven different counterparties in the UK.	BBB+ / BBB-	5 to 7	Various	Construction	United Kingdom	457	404
Financing (fixed payments indexed to CPI) the installation of a roof mounted solar PV plant for self-consumption in Central Italy, with a total installed capacity of approximately 1.0 MWp.	BB+/BB	10	Solar PV	Construction	Italy	857	-
Purchase of receivables (pre-determined fixed payments) generated from the installation of a roof mounted solar PV plant for self-consumption in Northern Italy, with a total installed capacity of ca. 478.8 kWp.	A-	5	Solar PV	Construction	Italy	513	-
Purchase of receivables (fixed) generated from refinancing the installation of LED lighting projects for 17 different clients in the UK. The various operating lease agreements range from five to ten years.	BBB+ / BBB-	10	Lighting	Operating	United Kingdom	456	456

MARKET OUTLOOK

Electricity prices for industrial and residential customers across Europe have increased significantly since the Company's IPO in June 2021. Given this strong upward pressure on energy prices, we have seen a noticeable increase in investment opportunities. From our discussions with ESCOs and other market participants, it is clear that higher power prices compared with those seen prior to the Russia /Ukraine conflict, notwithstanding power prices since retreating to pre-conflict levels are accelerating investments in energy efficiency projects, and the Company is well positioned to benefit from this increased demand for funding of such projects.

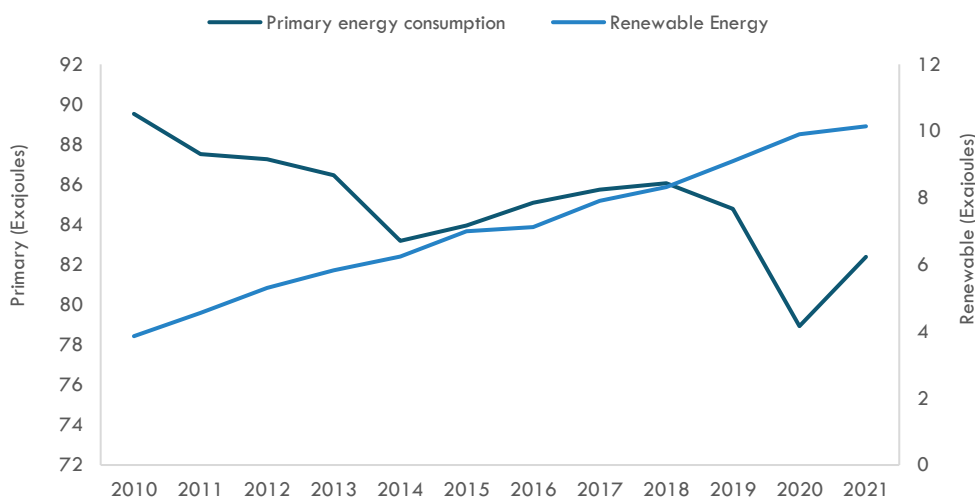
Market Commentary

Introduction

The energy market crisis in 2022, caused by the Russia/Ukraine conflict brought critical issues of energy supply security to the fore. The European region's gas supply remains uncertain, even if the prices are no longer at the same elevated levels. Against this backdrop, the European Commission is deliberating on market reforms to devise better long-term incentives to help manage price and supply volatility. Incentives are also needed for the demand side, essential in balancing the system. Experience shows that investment in energy efficiency infrastructure is essential to delivering on climate-neutral goals.

The interaction between renewable energy and energy efficiency follows a complex relationship. The rising levels of distributed renewable energy penetration in most of the European region effectively displaces a proportional share of primary energy consumption. This assumes that primary energy consumption is measured net of distributed (or behind the meter) energy generation. Conversely carbon-saving measures (including electrification) enhance the scope for renewable energy. The inverse relation is most robust in countries with a high renewable energy share in the total energy mix. The historical trend in primary and renewable energy consumption shows this relationship. In this regard, the step-up in renewable energy projects establishes a strong case for energy efficiency.

Primary Energy Consumption Vis-à-vis Renewable Energy in Europe



Source: BP Energy Statistics 2022

There are steeper targets to build upon the progress in rationalising primary energy consumption. The active policy involvement in addressing immediate energy sector challenges will extend to hastening energy efficiency activities. Energy demand segments such as buildings and space heating/cooling are now attracting maximum attention for investments by public authorities and the private sector.

Policy and Regulatory Developments

Progressively, the European region has coordinated policy and regulatory measures for energy efficiency. Renewable energy targets are part of this framework for the overarching goal of a climate-neutral area by 2050. In September 2022, the European Parliament voted on Energy Efficiency and Renewable Energy

Directives. Renewable energy-based sources are part of an envisaged integrated system in which energy efficiency standards are supposed to operate. The guiding principle of 'Energy Efficiency First' reinforced its place with the recent energy sourcing and pricing challenges. In March 2023, the European Commission approved the provisional agreement for setting higher energy efficiency targets. With this agreement, which requires 1.4% average annual energy savings by member countries during 2024-2030, there is legislative backing for reaching beyond the 'Fit for 55' plan. The annual targets are almost twice those in the original scheme.

While the end-use sectors continue to be buildings, industry and transportation, the focal points include the public sector (regional and local levels) and the companies (energy-intensive large entities). Also significant is the emphasis on energy efficiency financing to enable investment mobilization – the provisions require the promotion of financing schemes and lending products and involve a reporting structure.

The recent developments in the European Union's policy narrative on energy efficiency come after the collective action taken in 2022 to counter supply shocks (through price caps and windfall taxation). The measures also involved voluntary curtailment, most of which was borne by the energy-intensive industrial consumers. While the market intervention measures implemented to achieve these one-off actions may not be required further, there is still a strong case for continuing to reduce primary energy consumption.

The persistent geopolitical challenges and the uncertainty around energy security make it difficult to draw any visible signs of stability. For this reason, in March 2023, the EU Council agreed to a one-year extension of member states' voluntary 15% gas demand reduction. Thus, based on the average consumption between April 2017 and March 2022, member states should reduce their annual natural gas consumption by 15% between April 2023 and March 2024 (compared with the prior year).

Key Measures Introduced for Energy Efficiency

Date	Country / region	Policy / regulatory measures
March 2023	European Union	Final energy consumption target for 2030 raised to 11.7%. This is beyond the targets in the original 'Fit for 55' plan.
March/February 2023	UK	Energy Efficiency Taskforce launched for a 15% reduction in energy demand by 2030. Earlier, a £1.8 billion outlay was announced for energy efficiency initiatives.
October /December 2022	France	Energy Sobriety Plan (October 2022), aiming for a 10% reduction in consumption by 2024, though without binding targets. An enhanced outlay was provided for the MaPrimeRénov retrofit grant scheme due to the encouraging response.
October 2022	Germany	New energy efficiency law in discussions for binding targets at federal and state level from 2024 onwards. Among other sectors to be potential in focus include data centres.
May 2022	European Union	REPowerEU launched as a comprehensive policy about energy transition and energy savings. About 30% of the estimated outlay was on energy efficiency.

Measures introduced across these countries have varied. For most countries, energy efficiency was an urgent requirement in the aftermath of the Russia/Ukraine armed conflict. As a result, both renewable energy and efficiency, in tandem, took the highest priority. The measures so far have been a mix of incentives and related voluntary measures for reducing demand. Progressively, the need is for binding targets along the lines of the European Union's recent step.

Concrete policy measures with binding targets may take more work to implement, although efforts are underway to reach that goal. The German example is one case in point. The country's upcoming energy efficiency law is challenging (such as requiring new residential heating systems to be renewable-based from 2024 onwards) and subject to significant delays. The investor interest is high due to the potential opportunity. In January 2021, The Canadian infrastructure fund Brookfield acquired a majority stake in Thermondo, a German start-up specialised in technology-enabled space heating systems. Similar scope is observed in other markets. In the UK, a Parliamentary report (House of Commons Committee report) pointed out energy efficiency in buildings as among

the glaring gaps in policy implementation. Similar issues exist across European countries regarding energy efficiency objectives against actual implementation through policy measures.

The policy paradigm is an evolving one given the short-term switching costs for households and businesses, e.g. to replace gas boilers with heat pumps. The policy response in the prevailing energy scenario is different from the one the same countries faced earlier as the case of Italy illustrates.

In 2020, during the COVID pandemic, the Italian government implemented the Decreto Rilancio, which introduced the Superbonus 110% scheme. This initiative aimed to stimulate the Italian economy by encouraging property owners, tenants, and others with a legal right to use a property to carry out anti-seismic renovations and energy efficiency improvements on Italian properties. Qualifying work for the Superbonus included the installation of photovoltaic systems and electric vehicle charging stations inside a property, among others.

The Italian Superbonus scheme provided a tax credit of up to 110% of the installation expenses for eligible renovation work. The Legislative Decree Aiuti quater, which is set to become law soon, reduces the Superbonus tax credit from 110% to 90% in 2023, but extends the possibility of applying the discount to invoices or assigning the tax credit in 10 instalments instead of 5. The Superbonus scheme will continue into 2024 and 2025, but the tax credit will decrease to 75% in 2024 and 65% in 2025.

However, the Italian Budget Law 2023 allows condominiums that submitted a CILA (Comunicazione di Inizio Asseverata) before 31 December 2022, to remain eligible for the full 110% Superbonus tax credit. Additionally, single-family properties can also qualify for the full Superbonus tax credit if at least 30% of the renovation work was completed by 30 September 2022, and all of the work was finished by 31 March 2023. None of our projects should be impacted by the change in the regulatory framework since (i) the development of the projects is significantly prior to said change and ii) all the projects should be completed and revised by the various advisors (asseverazione) before the end of the current year.

As a tool, overall² the Italian Superbonus programme had an important impact on the construction sector overall which in turn stimulated GDP growth and job creation. Italy's economic output is estimated to have grown by 3.9% in 2022, driven by domestic demand, in particular housing investment. After contracting by 5.5% in 2020 due to the impact of COVID, investment in construction in the country grew rapidly by 24.6% in 2021. In 2022, the industry continued to expand by approximately 15.4%, with a significant boost from a 25.7% increase in the home renovation sector. According to ANCE, Italy's national builders' association, construction investment reached an estimated €172bn in 2022. This surge in activity marks a reversal of the industry's decade-long decline, which saw a drop of almost a quarter in total construction revenues and almost a third of workers losing their jobs between 2010 and 2020, according to the European Commission.

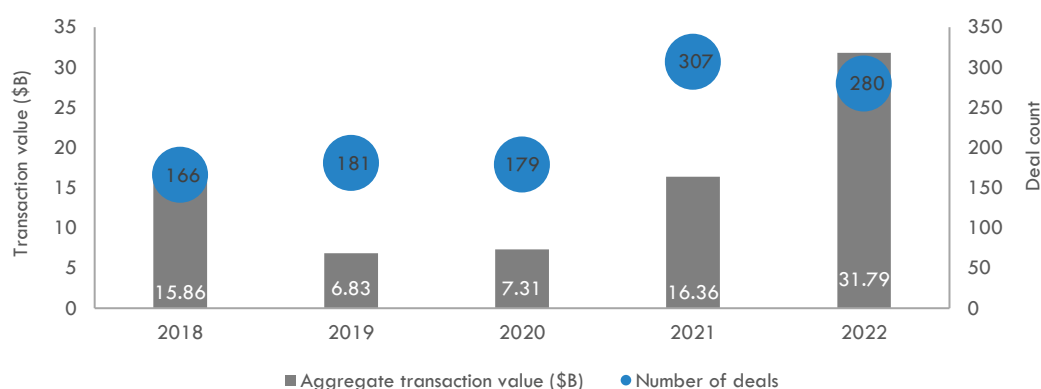
Investment environment

Private sector financing has yet to play a more significant role in facilitating energy efficiency projects. Part of the reason is the impact potential of such projects with social implications and the return potential but the constraints to more capital allocation remain with market fragmentation, scalability and scarcity of dedicated players. Energy efficiency in the residential housing segment is one such area.

There is significant scope for the deployment of private capital in the emerging energy efficiency space. The need is to develop innovative financing models to help adoption. There has been a rise in funding activity in the overall Climate and Sustainability space, with about \$37 billion¹ in dry powder understood to be available for deployment as of March 2023. Of the various investment subsectors, an important one is the buildings sector. A combination of distributed energy resources (such as solar) and energy efficiency (space heating/cooling) systems present an effective means of mitigating emissions in the buildings sector. The investment upside is significant for the near-untapped potential in most of the markets.

¹ The data point of \$37 billion was sourced from a BCG article dated 30 March 2023. BCG's article attributed this data to the Center for Climate-Aligned Finance. <https://www.bcg.com/publications/2023/private-capital-and-climate-opportunity-europe>

PE/VC-backed Investments in Smart Energy, Energy Efficiency and Storage



Source: S&P Global Market Intelligence

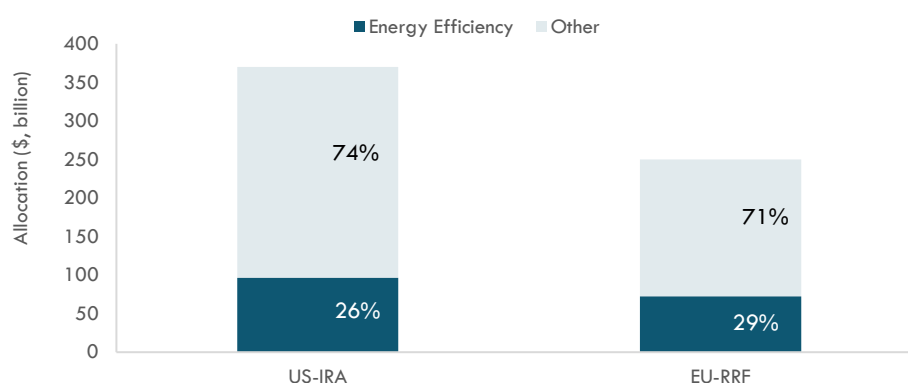
As of November 2022, the energy efficiency sector had seen investment in 280 deals backed by private equity and venture capital worth \$31.79 billion. Comparatively, the total transaction volume for 2021 stood at \$16.36 billion across 307 transactions involving companies in the energy efficiency, energy management, innovative energy, and carbon emission sectors. Investments in this field defied the general downward trend of private equity and venture capital deployment in 2022, reflecting nations and companies racing to meet carbon emission reduction targets through sustainable energy management strategies. As VC and PE capital continues to flow into the sector, it is critical to support this with dedicated lending solutions for asset and working capital finance as banks often face internal organisational issues that limit their capacity to follow the market or increase the costs of energy efficiency funding. These issues include the availability of resources, the need to build capacity among loan officers and develop innovative solutions for energy efficiency financing.

The emergence of dedicated energy efficiency funds in recent years has been notable, but their number and with that competition for projects remains small compared to the market size. This allows them to access a complexity premium for their capital deployed and they also play a significant role in certain markets due to their in-depth understanding of energy efficiency risk characteristics.

While several funds have also reported initial difficulties in deploying their capital, many have crossed this hurdle and have now established proven models to successfully deploy capital across and expanding the range of energy efficiency sectors such as building retrofit, Building Management System improvements, heating as a service, and storage, among others. These funds are in fact specialised financial players with a strong knowledge of the market, creating a reliable source of capital for such projects and support the development of dedicated service providers.

In the larger global context, the European region's funding commitments towards energy would need to rise by a significant margin. A recent and notable example for comparison comes from the US legislation, the Inflation Reduction Act ("IRA"). The latter has been in focus for its generous incentives to attract projects. Under the Recovery and Resilience Facility ("RRF"), the European funding devotes a proportionate amount towards energy efficiency projects. In absolute terms, though, there is a stark difference. The US IRA allocates about \$96 billion in energy efficiency, which is 33% higher than the \$73 billion allocated by the EU RRF.

Budget Allocation in the US Inflation Reduction Act and EU Recovery and Resilience Facility



Source: IEA

Energy Price/Cost Summary View

The steadily rising wholesale power price through 2021, and its unprecedented spike in 2022, triggered a rush towards prioritising energy efficiency at enterprise and policy levels. A significant impact of the price rise was in terms of reduced demand. International Energy Agency (“IEA”) estimates show a 13% decline in the European Union’s gas demand in 2022. It was the steepest fall in the region’s history and was primarily led by the energy-intensive industrial sectors.

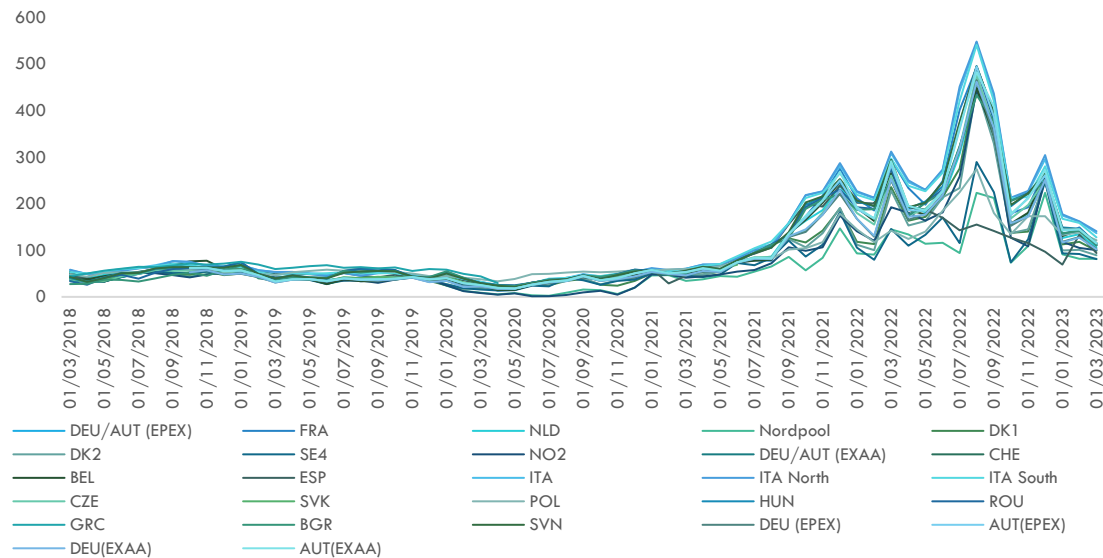
At a policy level, some of the most severe austerity measures were implemented to manage the crisis. The primary energy demand in this context varied across the sectors. The power sector had a net rise in the total demand (additional gas and coal) due to the lack of compensating supply sources (renewable, hydro and nuclear energy). Other sectors, such as process-based energy-intensive industries (such as steel) and households, bore the brunt of energy austerity measures.

Market Intervention by European Countries during 2022

Country	Market intervention during 2022
Spain and Portugal	In April 2022, Spain and Portugal obtained agreement from the European Commission for a €50/MWh cap on the gas price paid by consumers, thereby decoupling gas and electricity markets for a period of up to 12 months.
France	Imposed cap on gas prices for final consumers (though not for wholesale prices) and undertook measures for curbing the regulated prices.
Austria	Windfall energy taxes and revenue caps imposed on utilities and energy producers to claw back profits earned from abnormally high prices. The measures were supposed to be valid until the end of 2023.
Germany	Dual target of reducing gas demand and shielding consumers. The German government had imposed windfall profit tax and activated revenue caps for both consumers across residential, commercial, and industrial segments until April 2024.

Prices have moderated since their peaks of 2022. By February 2023, European gas prices had declined by about 85% since August 2022. Prices are still higher than historically, but the corresponding demand rationalization by industries has helped. Additional factors, such as the abatement in winter demand and a rise in gas storage levels, reinforce the price trend. But the phase of price rises may be far from over. Higher futures contract prices for 2023/2024 indicate persistent supply uncertainties (IEA).

European Wholesale Power Spot Prices



Note: Full explanations of the acronyms in the legend are described in the end notes section of this document
Source: Refinitiv Eikon

Development in Focus: Energy communities

Energy communities consist of various entities such as municipalities, households, public institutions, private businesses, and cooperatives. A significant increase in the number of energy communities is expected to occur in the near future. According to a study conducted by the Politecnico di Milano (Electricity Market Report), it is estimated that by 2025, there will be approximately 40,000 energy communities in Italy, involving 1.2 million households, 200,000 offices, and 10,000 SMEs. In Europe, a federation of energy cooperatives has been established, which includes more than 1.2 million citizens from around 1,900 cooperatives. The European Union's Joint Research Center conducted a study in 2020 that found Germany to have the highest number of energy communities (1,750), followed by Denmark (700) and the Netherlands (500). Energy communities, as per EU legislation, can be structured as an association, cooperative, partnership, non-profit organization, or limited liability company, among others. Participation is voluntary, and the primary goal is to provide environmental, economic, or social benefits to members and the local areas they serve. These communities are considered legal entities and should have equal access to energy markets as other market actors. Due to their strict participation and governance criteria, they receive additional benefits, such as access to financing, support schemes, capacity building, and information.

As the concept of energy communities has emerged from the ground up, EU countries have implemented national policies to support them and related business models. For example, the Netherlands offers regulatory exemptions in licensing requirements for new business models, while Germany applies special rules in auction schemes for renewable energy source support.

Energy communities can engage in a range of activities, including energy production, distribution, supply, consumption, aggregation, storage, energy efficiency services, electromobility, and other energy services for their members or shareholders.

The most common business models for energy communities today include generation and supply, where they supply electricity and gas sourced from local producers is supplied through power purchase agreements or community-owned production capacity to their customers. Another model is collective investments in production installations, where consumers pay a fixed membership fee or variable stake to become members of an energy community that acts as an energy producer. Power purchase agreements are often used in cooperative investments to cover the produced energy and related financial products like green certifications or guarantees

of origin. Collective self-consumption is another model where energy consumers and producers in the same area are linked. However, the ability of members to sell their electricity to other community members and use the off-setting mechanisms of electricity meters may vary based on national regulations.

These models can be combined and are not exhaustive; they are likely linked to the continued growth of C&I and residential solar. As part of the Rooftop Solar Initiative, the European Commission has proposed a solar rooftop mandate for all commercial and public buildings by 2027, and for new residential buildings by 2029. In 2022, the German state of Baden-Wurttemberg implemented its first rooftop solar mandate. With solar mandates becoming a standard for new buildings, architects will now integrate solar PV into their building practices. The industry association SolarPower Europe sees that rooftop solar is primarily limited by installers' capacities, while permitting issues, which affect much more the large-scale systems, are yet to be fixed in most member states and on local levels, as government market interventions are starting to cause insecurity among investors and lending institutions.

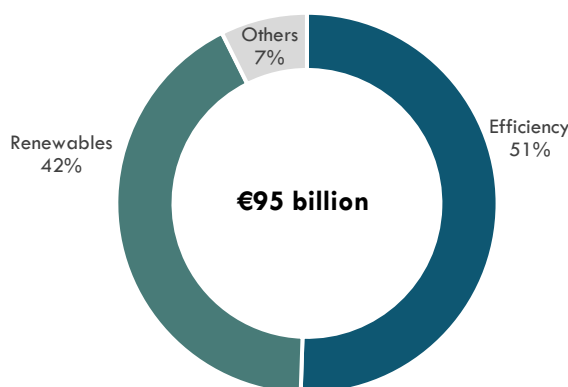
Evidence¹ increasingly suggests that energy community projects have a positive impact on the local economy and job creation, although the magnitude and nature of these effects vary depending on the specific community. As part of the trend towards decentralization of the energy system, energy communities are expected to have significant impacts on the distribution network, but more research is needed to determine the exact positive and negative effects.

On the other hand, research has shown that community projects can increase local acceptance of renewable energy and support for climate action. Additionally, participation in community projects is linked to more energy-efficient behavior, increased knowledge and skills, and stronger social trust and capital to some extent.

Outlook

Global energy supply security remains uncertain for a mix of macroeconomic and geopolitical factors but has worked to act as a headwind for the energy efficiency sector. The stress on the demand-supply balance in natural gas, Europe's critical primary energy resource, could also be accentuated as the region's winter demand is unlikely to be as unseasonably mild as in 2022. The urgency for energy efficiency thus continues. IEA's study indicates a €95 billion funding requirement to bridge the projected gas demand-supply deficit in 2023 through incentivizing faster improvements in energy efficiency, renewable energy integration, electrification of heat sources, and behavioural changes in energy consumption.

IEA's Projected Investment Requirement to Bridge Gas Demand-Supply Gap in 2023



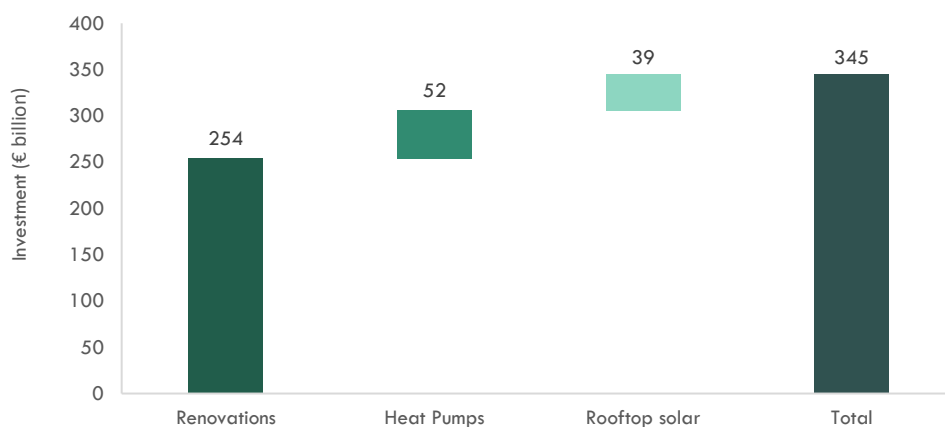
Source: IEA

The investment requirement for energy efficiency for 2023 and beyond is far less than the resources expended to counter the energy crisis. EU region's countries are estimated to have allocated about €681 billion so far (since September 2021) in energy crisis spending. The UK and Norway added to this with another €103 billion and €8 billion, respectively. It is unsustainable for public finances and largely mistargeted as fossil fuel consumption was subsidised. A realignment in budgets is overdue. In the UK, for instance, about a third of the allocated funding for energy-efficient buildings in 2020-2025 was unspent as of February 2023.

With timely investments, the region's built environment could be vital in transforming the landscape. The existing buildings' stock significantly contributes to decarbonisation (35% of energy-related emissions) and rationalisation of primary energy consumption (32% of natural gas consumption). Despite the challenges involved, some major areas of interventions with maximum impact include rooftop solar, replacement of gas boilers with heat pumps, insulation, smart thermostats, and district heating.

McKinsey's projections indicate that to adhere to the 'Fit for 55' and RePowerEU targets, the buildings' renovation rates need to be 15 times the current level of 0.2% per year. The corresponding investment requirements are enormous, translating to an attractive market opportunity if followed through with an actionable plan.

Projected Average Annual Investment Requirement in Europe during 2023-2030



Source: McKinsey

The projected energy efficiency investment and the resulting market size are simply quantified reiterations of the low-hanging untapped opportunity. The ambitious objectives of climate neutrality require a cohesive approach, incorporating multiple lines of action. The measures related to energy efficiency offer the most optimum and cost-effective solutions to address immediate and long-run targets for carbon reduction in businesses and society at large.

¹ Source: <https://cadmus.eui.eu/bitstream/handle/1814/68383/QM-04-20-447-EN-N.pdf?sequence=1>

Acronyms used for Power Market Price Trend

Acronym	Full form
DEU/AUT (EPEX)	European Power Exchange Spot
FRA	France
NLD	The Netherlands
Nordpool	Nord Pool AS
DK1	DK1 price zone (western) of Denmark
DK2	DK2 price zone (eastern) of Denmark
SE4	SE4 price region of Swedish power market
NO2	NO2 price zone of Norwegian power market
DEU/AUT (EXAA)	Energy Exchange Austria
CHE	Switzerland
BEL	Belgium
ESP	Spain
ITA	Italy
ITA North	Northern Italy
ITA South	Southern Italy
CZE	Czech Republic
SVK	Slovakia
POL	Poland
HUN	Hungary
ROU	Romania
GRC	Greece
BGR	Bulgaria
SVN	Slovenia
DEU (EPEX)	EPEX spot price -Germany
AUT(EPEX)	EPEX spot price -Austria
DEU(EXAA)	EXAA spot price -Germany
AUT(EXAA)	EXAA spot price -Austria

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Introduction

The Company's goal is to generate attractive returns for investors by reducing Primary Energy Consumption (“PEC”). AEET seeks to achieve this through investing principally in a diversified portfolio of energy efficiency projects with high-quality counterparties. AEET's investments positively impact the environment by reducing the amount of carbon dioxide produced, by decreasing PEC and by increasing the amount of renewable energy used. The synergies generated by the reduction of PEC and simultaneously using renewable energy sources further decrease CO₂ emissions.

This is reflected across the investment philosophy and approach, including the Company's investment adviser, Aquila Capital Investmentgesellschaft mbH, which is dedicated to the green energy transition. The Company is committed to being a responsible investor, ensuring that environmental, social and governance criteria are incorporated into day-to-day investment decisions as well as generating a positive impact for society. By reducing PEC, the Company often improves life standards for end users, for example, better lights, easier maintenance, reduced danger, security of supply and very importantly, the reduction of emissions like Nitrogen Oxides (“NOX”).

Investment Approach and ESG Approach

AEET's investment approach is focused on investments in energy efficiency projects located primarily in Europe. These assets are predominantly proven operational projects that deliver energy savings for commercial, industrial, and public sector buildings. AEET seeks to invest in projects for the long term with a focus on optimizing and improving the assets' PEC.

Technologies typically include:

- **LED Lighting Systems:** significant reduction of consumed energy (up to 70%) and other positive outcomes: reduced heat emission and therefore less need for ventilation and cooling; better light for workplaces; less maintenance work; reduction in the use of glass (particularly beneficial in food production).
- **LED Street Light Systems:** significant reduction of consumed energy, increased safety (better light, light where needed, choice of light colour); integration of other technologies such as sensing (traffic control), mobile communication systems etc.
- **Solar PV:** increases the level of efficient and locally produced renewable energy. Lower transportation costs, free energy source.
- **Biomass Boilers:** locally consumed; generate energy (heat, cooling and electricity) from renewable sources, very often contributing to local job creation. The exhaust dust needs to be managed and fulfil strict environmental regulations.
- **Combined Heat and Power plants (CHP):** Highly efficient generation of combined energy outputs like electricity and heat or cooling.
- **Electrification of transportation vehicles (batteries) such as trains, trams, buses, ferries, boats etc;** replacement or hybridization of large fossil fuel engines; significant reduction of fossil fuel consumption, other emissions, NOX and Sulphur Oxides (“SOX”); often create a greener and healthier local environment e.g. by electrification of inner-city buses.
- **HVAC/buildings:** Highly efficient heating, ventilation and air conditioning systems. Often a combination of more efficient use of energy while simultaneously increasing wellbeing, effectiveness, and controllability of systems e.g., avoid overheating/cooling of workspace by taking weather conditions into consideration.
- **Smart Metering/Submetering:** Often providing real-time or timely information about personal consumption volume, patterns and costs of energy (heating, electricity, water or gas) to enable energy consumers to

manage usage and costs. Pre-requisite to change consumer behaviour which in itself could reduce energy consumption by up to 20% (e.g. avoiding standby electricity consumption).

Environmental Impact

The Company's investment approach is focused on reducing PEC, which should lead to significant reductions in carbon dioxide emissions. In addition, local production of energy (CHP, Biomass Boilers, Solar PV) reduces transportation energy losses and grid over-utilisation. Smart Meters and other control technologies enable a better visibility and management of energy and therefore represent a basis for energy savings.

All projects are managed within the guidelines of local, regional, and national environmental laws in order to adhere to the Do No Significant Harm ("DNSH") principles. Aquila Capital ensures all required regulations and corresponding approvals are completed prior to the acquisition of the assets (for example, any required planning permissions).

Social Impact

Energy efficiency measures not only reduce PEC but typically also increase the life quality and health aspects for stakeholders, employees, users of public facilities and/or private individuals. This is mainly achieved through advanced solutions for lighting, heating, cooling and ventilation and the associated control units.

All project developers are required to adhere to local, regional, and national health & safety laws, to train and educate employees accordingly to ensure casualties and injuries are avoided.

We incorporate Aquila Capital's ESG policy, which excludes suppliers and manufacturers that do not meet Aquila Capital's criteria (exclusion of sectors/subsectors, companies that use unfavourable labour conditions etc).

For all counterparties a rating exercise is performed (in collaboration with a third-party rating agency) assessing creditworthiness of the client as well as a Know Your Client check being undertaken for the relevant parties involved.

Governmental Impact

All our business partners are required to adhere to the requirements of the national social security and tax authorities.

Where required by local, regional and/or national authorities our business partners need to provide evidence that they adhere to anti bribery and corruption laws.

Due Diligence

The Investment Adviser performs detailed ESG due diligence for each asset prior to investment. The investment management team follows a structured screening, due diligence and investment process which is designed to ensure that investments are reviewed and compared on a consistent basis. Execution of this process is facilitated by the team's deep experience in energy efficiency project investing. As part of this process, the Investment Adviser will, as relevant for each investment, consider:

- ▶ total PEC reduction, and implied greenhouse gas emissions reduced and/or avoided; and/or
- ▶ total energy production from renewable and non-renewable sources.

As part of this due diligence, various risks are assessed and documented including risk of climate change, risk of harm to local biodiversity and other environmental risks. These risks are evaluated as part of the technical, legal and insurance due diligence as applicable. The independent risk management team evaluates the initial evaluation of the investment management team in assessing each asset for acquisition. The Investment Adviser considers the ability for the acquisition to contribute to the UN Sustainable Development Goals and whether it fits within the Principles for Responsible Investment ("PRI").

Governance Framework

AEET benefits from an independent Board of Directors, as well as FundRock Management Company (Guernsey) Limited (part of Apex Group, previously known as Sanne Fund Services UK Limited) as the Alternative Investment Fund Manager (“AIFM”). The Board of Directors supervises the AIFM, which is responsible for making recommendations in relation to investment proposals put forward by the Investment Adviser. The Investment Adviser is fully regulated and supervised by BaFin in Germany.

The Company has established procedures to deal with any potential conflicts of interest in circumstances where Aquila Capital (or any affiliate) is advising both the AIFM (for the Company) and other Aquila Capital managed funds who are counterparties to the Company. In the context of an investment decision, these procedures may include a fairness opinion in relation to the valuation of an investment, which is obtained from an independent expert.

Monitoring of Environmental, Social & Governance Characteristics

After an investment has been made, ongoing monitoring commences at both the portfolio and asset levels by the Investment Adviser. The aim of this ongoing monitoring is to monitor and calculate the energy consumption/reduction and derive the CO₂ reduction from that.

The environmental characteristics of the Company are monitored throughout the lifecycle of investments, including:

- ▶ ongoing monitoring of the PEC based on the energy consumption and derive from that the CO₂ savings, where appropriate, monitoring additional environment and ESG relevant developments both at the portfolio and asset level; and
- ▶ annual reporting, including ESG aspects, to relevant stakeholders including ad-hoc reporting of any material. and urgent issues identified in the monitoring process.

AEET has been awarded the Green Economy Mark from the London Stock Exchange. The Green Economy Mark identifies London-listed companies and funds that generate between 50% and 100% of total annual revenues from products and services that contribute to the global green economy.

INVESTMENT POLICY

As at the date of this Annual Report, the Company's investment policy (including defined terms) is as set out in its IPO prospectus dated 10 May 2021.

The Company will seek to achieve its investment objective through investment in a diversified portfolio of Energy Efficiency Investments (as defined below) located in Europe, with private and public sector counterparties. The Company will predominantly invest in (i) energy efficiency investments including the installation, in the built environment, transportation industry and other sectors of the economy, of proven technologies and solutions such as energy efficient lighting, smart building and metering services, cogeneration plants, heating, ventilation and air conditioning (HVAC) systems, efficient boilers, solar photo voltaic plants, batteries, other energy storage solutions, electric vehicles and associated charging infrastructure as well as (ii) in the acquisition of majority or minority shareholdings in companies with a strategy that aligns with the Company's investment objective, such as developers, operators or managers of energy efficiency projects ("Equity Investments") ("Energy Efficiency Investments"). These investments seek to reduce primary energy consumption, reduce CO₂ emissions and in many cases deliver economic savings and other benefits to the counterparties including improved air quality. The Company will not invest in fossil fuel extraction or mineral extraction projects. The capital value of the investment portfolio will be supplemented and supported through reinvestment of excess cash flows, asset management initiatives and the use of leverage.

The Energy Efficiency Investments will typically include long term contracts, which entitle the Company or its subsidiaries to receive stable, predictable cash flows payable by the counterparties, who will benefit from the use of the installed equipment during a contractual period typically ranging from five to fifteen years.

The Company will make Energy Efficiency Investments in operational, ready-to-build or under construction assets. The Company may, when making Equity Investments, through such investments, indirectly hold investments that are in the development phase.

In respect of each type of investment, the Company will seek to diversify its commercial exposure by contracting, where practicable, with a range of different equipment manufacturers, project developers and other service providers, as well as off-takers.

Whilst the Company will seek to diversify its commercial exposure by investing in a diversified mix of technologies, the assets of the Company may be predominantly concentrated in a small number of proven technologies.

Investments may be acquired from a single or a range of vendors and the Company may also enter into joint venture or co-investment arrangements alongside one or more co-investors, including Aquila Managed Funds.

The Company will acquire controlling and, opportunistically, non-controlling interests in Energy Efficiency Investments and may use a range of investment instruments in the pursuit of its investment objective, including but not limited to equity, mezzanine or debt investments.

In circumstances where the Company does not hold a controlling interest in the relevant investments, the Company will secure its rights through contractual and other arrangements, to, inter alia, ensure that the Energy Efficiency Investment is operated and managed in a manner that is consistent with the Company's Investment Policy.

Investment restrictions

The Company aims to achieve diversification principally through investing in a range of portfolio assets across a number of distinct geographies and a mix of technologies. The Company will observe the following investment restrictions when making investments:

- ▶ no more than 20 per cent. of its Gross Asset Value will be invested in any single asset;
- ▶ no more than 20 per cent. of its Gross Asset Value will be invested in Energy Efficiency Investments with the same Counterparty;
- ▶ following full investment of the Net Issue Proceeds, the Company's portfolio will comprise no fewer than ten Energy Efficiency Investments;

- ▶ no investments will be made outside of Europe; and
- ▶ no more than 7.5 per cent. of its Gross Asset Value, in aggregate, will be invested in Equity Investments, and at all times such investments will only be made with appropriate share holder protections in place.

The Company will hold its investments directly or through one or more SPVs and the investment restrictions will be applied on a look-through basis.

The Company complies with the investment restrictions set out below and will continue to do so for so long as they remain a requirement of the FCA:

- ▶ neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of the Group as a whole;
- ▶ the Company must at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy; and
- ▶ not more than 15 per cent. of the Gross Asset Value at the time an investment is made will be invested in other closed- ended investment funds which are listed on the Official List.

Currency and hedging

The Company does not intend to use hedging or derivatives for investment purposes. The functional currency of the Company is sterling. With many of its investment assets in euros the Company uses a series of regular forward foreign exchange contracts to provide protection against movements in the sterling exchange rate. Under these arrangements the Company is required to provide £5 million in cash as collateral for these forward foreign exchange contracts. Following the failure of the Continuation vote the Company is currently reviewing the strategic options for realising value for shareholders. The Board will consider the appropriateness of the current hedging arrangements and the cash collateral as part of the review of strategic options and In light of the cash requirements of the Company.

Borrowing policy

The Company may make use of long-term debt on both a limited recourse and full recourse basis to finance the acquisition or construction of Energy Efficiency Investments and for working capital purposes. Gearing will be employed at the level of the Company, at the level of any intermediate wholly owned subsidiary of the Company or at the level of the relevant SPV, and any limits set out in this document shall apply on a look-through basis. In addition, the Company may make use of short-term debt, such as a revolving credit facility, to assist with the acquisition of or investment in suitable opportunities as and when they become available. Aggregate gearing, whether via long-term or short-term debt, will not exceed 50 per cent. of Gross Asset Value, calculated at the time of drawdown. The Company will target aggregate gearing, whether via long term or short-term debt, of 35 between 40 per cent. of Gross Asset Value, but in any event will not exceed 50 per cent. of Gross Asset Value, in each case calculated at the time of drawdown.

Debt may be secured with or without a charge over some or all of the Group's assets depending on the optimal structure for the Group and having consideration to key metrics including lender diversity, cost of debt, debt type and maturity profiles. Intra-group debt between the Company and subsidiaries will not be included in the definition of borrowings for these purposes.

In circumstances where the above limits are exceeded as a result of gearing of one or more Energy Efficiency Investments in which the Company has a non-controlling interest, the borrowing restrictions will not be deemed to be breached. However, in such circumstances, the matter will be brought to the attention of the Board who will determine the appropriate course of action.

Cash management

Cash held pending investment in Energy Efficiency Investments or for working capital purposes will either be held in cash or invested in cash, cash equivalents, near cash instruments, bearer bonds and/or money market instruments ("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 Equivalents position. For the avoidance of doubt, the restrictions set out above in relation to investing in UK listed closed-ended investment companies do not apply to money market type funds.

Changes to and compliance with the Investment Policy

As required by the Listing Rules, any material changes to the Company's Investment Policy as set out above will require the approval of Shareholders by way of an ordinary resolution at a general meeting and the approval of the FCA.

Compliance with the above restrictions will be measured at the time of investment and non-compliance resulting from changes in the price or value of assets following investment will not be considered as a breach of the investment restrictions.

In the event of a breach of the investment guidelines and the investment restrictions set out above, the AIFM shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

Following the unsuccessful Continuation Vote, the Directors are proposing amendments to the Company's Investment Policy in a resolution at the Annual General Meeting of Shareholders on 14 June 2023. For more information, please see the Chair's Statement on pages 4 to 6.

KEY PERFORMANCE INDICATORS

The Board measures the Company's success in achieving its investment objective by reference to the Key Performance Indicators ("KPIs") described below:

Deployment of IPO proceeds

In the Company's IPO prospectus published on 10 May 2021, it was stated that the proceeds would be significantly deployed or committed to acquire suitable assets within twelve months from IPO (2 June 2022). As announced on 21 April 2022, the Investment Adviser revised this target to the end of December 2022.

The Company achieved its revised target to substantially commit the gross proceeds raised through its IPO by the end of 2022. As at 31 May 2022, £19.7 million of the Company's IPO proceeds had been committed for investment and approximately £15.7 million had been deployed. As at 31 December 2022, the total amounts committed and deployed were £96.7 million and £61.2 million, respectively. Commitments continued to increase at a steady pace in 2023 until the continuation vote on 28 February 2023 ("Continuation Vote"). The total amounts committed and deployed as at 31 March 2023 were £98.7 million and £62.2 million, respectively, taking into account the timing of the realisation of funds from the Italian Superbonus investments.

To meet its target total dividend in each financial year

As disclosed in the Company's IPO prospectus published on 10 May 2021, the Company was targeting a dividend of a minimum of 3.5 pence per Ordinary Share in relation to the financial year ended 31 December 2022, and a minimum of 5 pence per Ordinary Share in relation to the financial year ending 31 December 2023, with the aim of increasing this dividend progressively over the medium term. The Company did not intend to pay a dividend in the first financial period to 31 December 2021, whilst it was deploying the IPO Proceeds.

As previously announced on 21 April 2022 and in subsequent dividend declaration announcements, the Board did not expect that this stated dividend target would be fully covered by earnings, due to slower than anticipated deployment. However, the Board decided that it would retain the 2022 dividend target and meet any earnings shortfall through paying out of distributable reserves. Accordingly, the Board declared three interim dividends totalling 3.5 pence during the financial year ended 31 December 2022 (for the period ended 31 December 2021: Nil).

Following the failure of the Continuation Vote on 28 February 2023, the Board has reviewed the dividend policy of the Company and future dividends will be paid from net income after taking into account cash flow forecasts, and only in respect of 6 monthly periods, rather than quarterly periods. Further details are set out in the Chair's Statement.

Discount of share price to NAV

The Board monitors the price of the Company's shares in relation to their NAV and the premium or discount at which they trade. The share price closed at a 25.6% discount to the NAV as at 31 December 2022.

Between 31 January 2022 and 21 April 2022, the Board performed an Investment Strategy Review and throughout the year 2022 was engaging very closely with the Company's major Shareholders. On 28 February 2023 the Company held a General Meeting when the Continuation Vote did not pass. For more details, please see the Chair's Statement on pages 4 to 6. The Company has shareholder authority to buy back shares, if appropriate.

Maintenance of a reasonable level of ongoing charges

The expenses of managing the Group are carefully monitored by the Board. The Board receives and reviews management accounts which contain an analysis of expenditure which are reviewed at quarterly Board meetings. The Board reviews the ongoing charges on a quarterly basis and considers these to be reasonable in comparison to its peer group of investment trust corporates.

Based on the Group's average net assets during the year ended 31 December 2022, the Group's ongoing charges figure calculated in accordance with the AIC methodology was 2.6% (Period from IPO to 31 December 2021: 0.9%).

RISK MANAGEMENT

Principal risks and uncertainties

During the year under review, the Company has carried out a robust assessment of its principal and emerging risks and the procedures in place to identify any emerging risks are described below.

Procedures to identify principal or emerging risks:

The Board regularly reviews the Company's risk matrix, with a focus on ensuring that the appropriate controls are in place to mitigate each risk. The experience and knowledge of the Board is important, as is advice received from the Board's service providers, specifically the AIFM, which is responsible for the risk and portfolio management services and outsources the portfolio management to the Investment Adviser.

1. Investment Adviser: the Investment Adviser provides a report to the Board on a quarterly basis or such other period as required on industry trends, insight into future challenges in the energy efficiency sector including the regulatory, political and economic changes likely to impact the sector;
2. Alternative Investment Fund Manager: following advice from the Investment Adviser and other service providers, the AIFM maintains a register of identified risks including emerging risks likely to impact the Company;
3. Broker: provides advice periodically specific to the Company on the Company's sector, competitors and the investment company market whilst working with the Board and Investment Adviser to communicate with Shareholders;
4. Company Secretary: briefs the Board on forthcoming legislation/ regulatory change that might impact on the Company; and
5. Association of Investment Companies ("AIC"): The Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and regulatory issues.

Procedure for oversight

Audit and Risk Committee: Undertakes a review at least twice a year of the Company's risk matrix and a formal review of the risk procedures and controls in place at the AIFM and other key service providers to ensure that emerging (as well as known) risks are adequately identified and, so far as is practicable, mitigated.

Principal risks

The Board considers the following to be the principal risks faced by the Company along with the potential impact of these risks and the steps taken to mitigate them.

Principal Risks	Potential Impact/Description	Mitigation
Portfolio		
Counterparty / Credit	The risk that the Company allocates funds to a Counterparty that defaults on its obligations. This could impact the financial performance of the Company and its ability to meet dividends as well as achieving its intended goals and returns for its investors.	The Company seeks to invest mostly, although not exclusively, in projects where the counterparties have an investment grade or near investment grade rating. The Investment Adviser uses third party credit rating service providers to support its credit risk assessments. Continued monitoring of the investments and the associated counterparties/service providers, including the use of credit rating data providers, allows the Investment Adviser to identify and address these risks early. The Investment Adviser seeks to mitigate credit risks, for example, in the case of Solar PV investments, by the counterparty having the opportunity to sell electricity to the grid or other customers where possible. The Investment Adviser also seeks to structure investments whereby contracts can be adapted/extended to accommodate periods of payment defaults. Diversification of counterparties and service providers ensures any impact is limited. In addition, a diversified portfolio provides further mitigation.
Concentration Risk	The risk that the concentration of investments in a limited number of countries, counterparties, geographical markets, tenure and currencies could expose the Company to unnecessary fluctuations in a narrow range of markets. This risk could negatively impact the Company's performance and ability to meet strategic targets.	The AIFM and the Investment Adviser continuously monitor the existing portfolio and any proposed investments (in advance of completion) against the Company's portfolio concentration limits and investment policy. This mitigates the risk by ensuring that concentration limits and asset diversification limits are observed. As at 31 March 2023, the Company had no substantial geographic exposure to any one country (with assets principally in Italy, Spain, Germany and the UK).
Environmental / Social/ Governance ("ESG")	Failure to adequately consider ESG implications when making and monitoring investments could lead to reputational risk: exposure to greenwashing claims and potentially have an adverse impact on the portfolio's ability to achieve its targeted returns.	The Investment Adviser performs detailed due diligence on ESG for each asset prior to recommendation. General standards including IFS Performance Standards, IFC Environmental Health and Safety Guidelines ("EHS") and Equator Principles as well as local health and safety and social laws are reviewed on a regular basis for all assets depending on the location and development status of each asset.

Economic and Markets		
Discount Management	Market sentiment moves share price to a discount which would make it more difficult for the Company to issue new equity. The Ordinary Shares may trade at a discount to Net Asset Value and not be liquid, resulting in Shareholders being unable to realise their investments through the secondary market at Net Asset Value or at market price. Loss of market confidence in the Board /Investment Adviser.	The Company's Broker monitors the market for the Company's shares and reports at quarterly Board meetings. The Company has the authority, if appropriate, to purchase Ordinary Shares in the market with the result of, amongst other things, enhancing the Net Asset Value per Ordinary Share. The Board and Broker maintains engagement with Shareholders and ensures good market information is available to investors. Following the unsuccessful Continuation Vote in February 2023, the Board, with its advisers, is considering strategic options to maximise value for Shareholders. For more information following the Continuation Vote not passing, please see the Chair's Statement at pages 4 to 6.
Interest Rates/ Inflation	Changes to interest rates may impact the valuation of the investment portfolio by impacting the valuation discount rate. This in turn may have an adverse impact on the attractiveness of returns. In addition, inflation and interest rate movement can affect the spread between, amongst other things, the income on the Company's assets and the value of its interest-earning assets and its ability to realise gains from the sale of assets. The current energy geopolitical crisis in Europe is driving increasing energy prices and volatility which is likely to have an impact on performance.	The Company's investments, which provide in many cases for fixed returns, are not significantly exposed to inflation and interest rate movements because the income streams from investments are not subject to significant deductions for operating costs associated with the investments. While there may be O&M costs these are not a high percentage of revenues and so any inflationary pressures on such costs are not expected to have a significant impact. Furthermore, the Company has not taken on indebtedness to finance its investments and so there is no risk of the costs of indebtedness negatively impacting the revenues from investments. Were the Company to take on indebtedness it may use derivative instruments such as futures, options and swaps to protect the Company from fluctuations in interest rates. The Investment Adviser manages the correlation of cash flows to inflation and resilience to the economic environment. The Investment Adviser seeks to incorporate RPI adjustments in investment documentation where possible. In addition, investing in energy efficiency assets can in some cases provide an effective protection against inflation, as many such assets benefit from rising electricity prices with no burden on the cost side in relation to the use of resources.

Exchange Rates	The Company holds investments in currencies other than British Pounds. Changes in foreign currency rates may therefore impact the value in Sterling between the time at which the investment is made and the time of receipt of the return on any such investment. The implementation of forward foreign exchange contracts can result in a cash settlement at the maturity of the contract or a margin call from the Company to the bank counterparty for the forward foreign exchange contract and vice versa with the amount depending on the movement in foreign exchange rates.	The Company maintains the majority of uninvested cash in its base currency (GBP or £). For any non-base currency assets, the Investment Adviser can use forward foreign exchange contracts to seek to hedge up to 100% of non-GBP exposure. The Company does not intend to use hedging or derivatives for investment purposes but may use derivative instruments such as forwards, options, future contracts and swaps to hedge currency, inflation, interest rates, commodity prices and/or electricity prices. With many of its investment assets being held in Euros, the Company uses a series of regular forward foreign exchange contracts to provide a level of protection against movements in the Euro: Sterling exchange rate. Under these arrangements the Company is required to provide £5 million in cash as collateral for such forward foreign exchange contracts. Following the failure of the Continuation Vote, the Company is currently reviewing the strategic options for realising value for Shareholders. The Board will consider the appropriateness of the current hedging arrangements and the required cash collateral as part of the review of strategic options and in light of the cash requirements of the Company.
Portfolio Management		
Investment Performance	With investment concentration in the energy efficiency space, which are unquoted investments, changes to regulatory frameworks or poor investment decisions could result in portfolio underperformance and as a result, the target returns not being met over the longer term. This could lead to lack of dividend coverage and/or an inability to pay the target dividend.	The Investment Adviser has a well-defined investment strategy and process in place which is regularly reviewed and monitored by the AIFM and the independent Board of Directors. There is limited development and regulatory risk exposure due to focus on projects with authorisation and project business plans with limited exposure (on an overall portfolio basis) to government subsidies. The Investment Adviser has good experience in renewable sustainability/energy transition and understands and manages the risks closely.

Changes to subsidies or other support mechanisms for the Company's investments	The value of the Company's investments may be adversely affected if subsidies or other support mechanisms, on which such investments may depend, are changed negatively.	Diversification of investments by technology and geography mitigates the impact of any such risks. Many of the investments which the Investment Adviser seeks do not rely on subsidies or other support mechanisms.
Inappropriate Investment Advice	Potential lack of resource, experience or depth in the Investment Adviser's team to source and vet appropriate investments. Possible conflicts with other private Aquila clients and private investing vehicles which Aquila cannot disclose to the Board or the AIFM. The Investment Adviser is dependent on key people to identify, acquire and manage the Company's investments.	The Investment Adviser has substantial resources and is not required to commit all of its resources to the Company. The Company and AIFM are made aware of and review potential conflicts of interest at the time of each investment being made. Conflicts of interest and investment allocation policies are in place and agreed with the Board. The strength and depth of the Investment Adviser's resources mitigate the risk of a key person departure and provides the ability to draw skills from other areas if needed. Investment focus on proven technologies and standardised technical and financial suppliers' due diligence, including an assessment of each supplier's reference projects, reduce the acquisition risks.

Operational		
IT Security	A hacker or third party could obtain access to the Investment Adviser or any other service provider and destroy data or use it for malicious purposes resulting in reputational damage and possible GDPR concern. Data records could be destroyed resulting in an inability to make investment decisions and/or monitor investments.	Service providers have been carefully selected for their expertise and reputation in the sector. Each service provider has provided assurances to both the AIFM and the Company on their cyber policies and business continuity plans along with external audit reviews of their procedures where applicable. The AIFM, Administrator and Board include Cyber Risk in their reviews of counterparties.
Service Provider	The Company has no employees and is reliant on the performance of third party service providers (including the Investment Adviser).	All service providers have contracts with the Company which clearly set out their responsibilities. The Board meets with the Investment Adviser, the AIFM and the Administrator on a regular basis to review their work and monitor their performance. Additionally, through

		the Management Engagement Committee, the Board conducts a formal assessment of each key service provider's performance once a year. To assist its ability to properly oversee the Company's service providers, the Board requires each service provider to notify it as soon as reasonably practicable following any material breach of its contract with the Company.
Financial		
Portfolio Valuation	The principal component of the Company's balance sheet is its portfolio of energy efficiency assets. The Investment Adviser is responsible for preparing a fair market value of the investments where such investments have variable returns. Fair value calculations rely on projections, which involve estimates of the future, which are inherently judgmental. There is a risk that these valuations and underlying assumptions such as discount rates being applied are not a fair reflection of an open market valuation, therefore the investment portfolio could be over or under valued. Investments with fixed returns are measured at amortised cost and subject to expected credit loss provisions, which are based on numerous assumptions and judgments.	The Investment Adviser has experience in undertaking valuations of renewable sustainability/energy transition assets. The AIFM and the Board review and interrogate the valuations and underlying assumptions provided by the Investment Adviser. It should be noted that valuations are held at fair value and at amortised cost and not at net realisable value.
Act of War/ Sanctions	As evidenced with the ensuing war in Ukraine and the various sanctions and restrictions imposed, there is a possibility that there could be supply delays for Operations and Maintenance (O&M), sanction considerations, volatile markets and general uncertainty. More difficult energy markets are expected along with inflationary pressures on inputs. It has also led to short term price increases and more focus on renewable energy infrastructure. Possible change to the world order and globalisation.	The invasion of Ukraine by Russia brings uncertainty to the commodities market and how price levels of modules and other hardware will be impacted directly or indirectly. The Company does not have any direct exposure in Ukraine or Russia, there are also no direct business relationships with counterparties from these countries; therefore, preliminary assessments lead the Company to the conclusion that its investments in Europe are not impacted directly at this time.

Emerging Risks		
The consequences to shareholder value of the unsuccessful Continuation Vote on 28 February 2023	In accordance with the Company's Articles of Association, by 28 August 2023, being 6 months following the date of the Continuation Vote, the Directors will recommend to Shareholders whether the Company will be reconstructed, reorganised or placed into liquidation, having explored all options and having determined the best solution from the perspective of delivering best value to Shareholders. In assessing each of these options, the Directors have ceased new investment activity, other than honouring contracted investment commitments, and are focussed on returning or delivering best value to Shareholders. While such exercise is being carried out, the outcome for both the Company and its Shareholders is uncertain both in terms of financial and timing consequences.	The Directors are fully focused on determining the optimum solution for Shareholders. They are being actively and constructively supported by the Company's advisers and service providers and will engage with Shareholders on the best options for the Company and Shareholders. As set out in the notice (the "Notice") of the AGM, the Company is seeking Shareholder approval to re-organise the Company and put the Company into Managed Run-Off (as defined in the AGM Notice), necessitating a change to the Company's current Investment Objective and Investment Policy. In addition, the Board, with its advisers, will continue to consider other strategic solutions in respect of the Company's assets which have the potential to deliver greater Shareholder value than the Managed Run-Off.
Potential banking sector instability	The Company's cash deposits might be adversely affected. The Company does not have any borrowings.	The Company has reviewed its banking arrangements and its portfolio of investments to determine if there was any exposure to this emerging risk. No direct exposures were identified. Cash deposits are held with highly rated banks and the Company reviews the credit rating of its deposit holding banks on a regular basis.

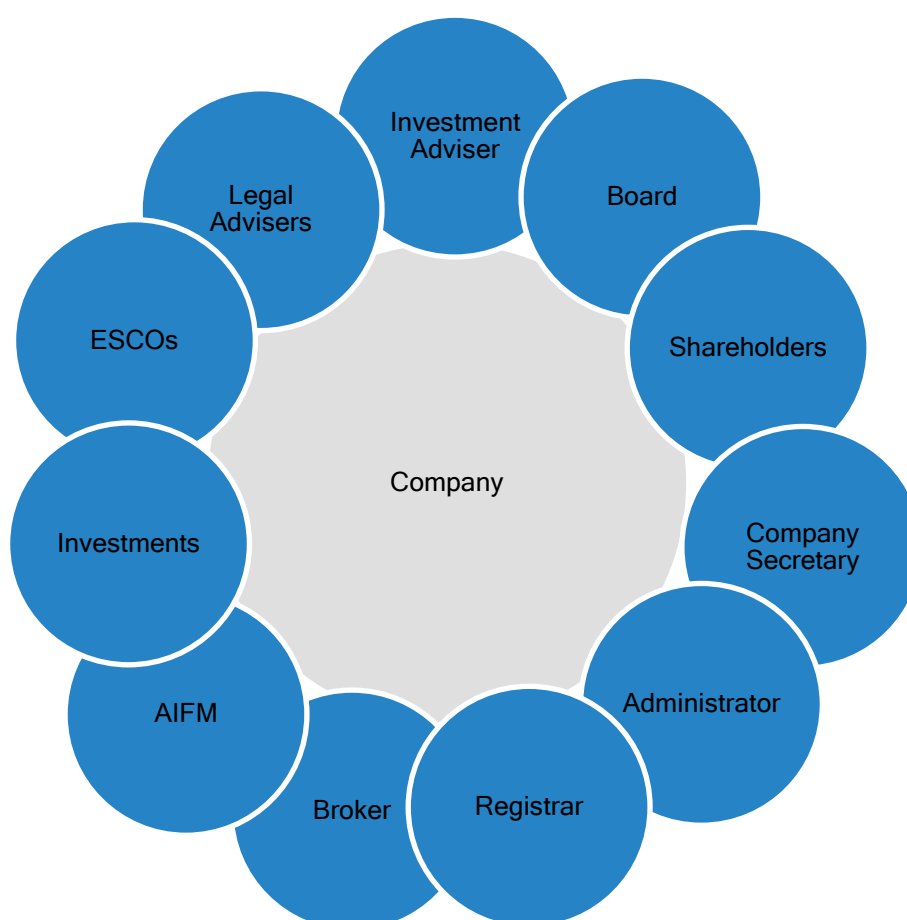
SECTION 172 REPORT

In accordance with section 172 of the Companies Act 2006 (the “Act”), the Board has a duty to promote the long-term success of the Company for the benefit of its Shareholders as a whole and, in doing so, the Board is required to consider the likely consequences of its actions over the long-term and on other stakeholders and the environment.

The Directors are required to describe how they have had regard to matters set out in section 172 of the Act.

Employees and stakeholders

As an externally managed investment company, the Company does not have any employees. Its main stakeholders are as set out in the diagram below which explains the relationship between the Company and each of its stakeholders. The Company’s stakeholders are the Board, Shareholders, Investment Adviser, AIFM, Administrator, Company Secretary, Broker, Legal Adviser and its Registrar. The Board believes the best interests of the Company are aligned with its stakeholders as all parties aim to ultimately benefit from achieving the Company’s investment objectives in compliance with regulatory, legal, ethical and commercial standards.



Company's Operating Model

The Company was listed on the main market of the London Stock Exchange on 2 June 2021. The Company can hold investments directly or through subsidiaries.

Engagement with Key Service Providers

The Board has identified that its key service providers are the Company's AIFM, Administrator, Corporate Secretary, Brokers, Legal Adviser, Registrars, PR Consultants and Investment Adviser.

In order to ensure strong working relationships, the Company's key service providers are invited to attend the regular Board meetings to present their respective reports. The Board seeks to maintain constructive relationships with the Company's key service providers on behalf of the Company through regular communications, meetings and the provision of relevant information and update meetings. This enables the Board to exercise effective oversight of the Company's activities.

On at least an annual basis, the Board has committed to undertake a thorough evaluation of each of its service providers during which it considers their performance against the terms of their engagement, including each service provider's fees to ensure that each remain competitive within the market. Additionally, on an annual basis the Board reviews the internal reports produced on behalf of those service providers that are key to the Company's day-to-day administration (the AIFM, Administrator and Registrar) to ensure that there have been no failings in their systems or procedures considered relevant to the Company's operations.

The Investment Adviser is the most significant service provider to the Company and a description of its role can be found on page 51. The Board receives regular reports from the Investment Adviser, discusses the portfolio at each Board meeting and maintains a constructive dialogue between meetings. The Investment Adviser's remuneration is charged only on committed capital (being the sum of funds actually invested and funds committed for investment in Energy Efficiency Investments) and is taken in shares in the Company which aligns the Investment Adviser's interests with those of the Company's Shareholders.

Engagement with Shareholders

Shareholders' views are considered by the Board at their quarterly meetings and assist in the Board's decision-making process.

During the Investment Strategy Review described in the Chair's Statement at pages 4 to 6 and following the General Meeting held on 28 February 2023, the Board and the Company's Broker engaged constructively with major Shareholders and a number of meetings took place where Shareholders' expectations were communicated to the Board.

In addition, and in order to help the Board in its aim to act fairly between the Company's members, the Board seeks to ensure effective communication is provided to all Shareholders. The Board encourages Shareholders to attend the Annual General Meeting on 14 June 2023 at which the Board and representatives of the Investment Adviser will be available to meet Shareholders in person and to answer questions. The Annual Report has been issued to Shareholders and will be available to view on the Company's website (www.aquila-energy-efficiency-trust.com) as are the Company's factsheets and press releases.

Board Decisions

Acquisitions

The Board was presented with each investment opportunity identified by the Investment Adviser, unless these fell under the authority delegated to the AIFM to approve investments within certain agreed criteria ("Delegated Authority"). These had undergone a process of analysis and challenge by the AIFM, including considerations relating to environmental, social and governance issues. The Board considered each approved proposal against the Company's investment objective, investment policy and strategy.

As at 31 December 2022, the total amounts committed and deployed were £96.7 million and £61.2 million, respectively. Further details for these acquisitions can be found at the Investment Adviser's report on pages 7 to 29.

Board Changes

Laura Sandys and Lisa Arnold resigned from the Board on 28 January 2022. David Fletcher was appointed on 29 April 2022 and Janine Freeman was appointed on 2 November 2022.

Decisions following year-end

Acquisitions

Following the year-end, additional commitments of £7.3 million were made in the period up to 28 February 2023. However, the total amount committed as at 31 March 2023 was £98.7 million, a net increase of £2.0 million because the Company was able to withdraw from certain commitments. Amounts deployed as at 31 March 2023 increased to £62.2 million.

Appointment of new Broker

The Board appointed Stifel Nicolaus Europe Limited ("Stifel") as sole financial adviser and sole corporate broker, with effect from 15 March 2023.

Continuation Vote

Following the Company's investment strategy review in April 2022, the Board announced that the Company's first continuation vote following its initial public offering in June 2021 would be brought forward from 2025, to February 2023. Accordingly, the Company held a General Meeting on 28 February 2023, when the Shareholders had the opportunity to vote on an ordinary resolution on the continuation of the Company. This resolution was unsuccessful.

In response to the failed Continuation Vote, the Board is also proposing, at the AGM, along with the subsequent continuation vote, an amendment to the Company's Investment Policy whereby the Company is placed into a Managed Run-Off. This resolution seeks to acknowledge and reflect the views expressed by Shareholders in the February 2023 Continuation Vote whilst the Board continues to consider strategic solutions in respect of the Company's assets to realise maximum value for Shareholders in the shortest possible time, recognising the inherent difficulties in the construct of the portfolio, including the number of individual investments, multiple geographies and long tenors. The Continuation Managed Run-Off Resolution is described in greater detail in the accompanying Notice of Annual General Meeting, which can also be found on the Company's website.

For more information on the Continuation Vote, see the Chair's Statement on pages 4 to 6.

Change of dividend policy

Following the failure of the Continuation Vote, the Board has reviewed the dividend policy of the Company and future dividends will only be paid from net income, and after reviewing cash flow forecasts, and only in respect of 6 month periods not quarterly periods. Therefore, the next dividend declaration will be in respect of the 6 month period ended 30 June 2023.

OTHER INFORMATION

Task Force for Climate-Related Financial Disclosures (“TCFD”)

The Company notes the TCFD recommendations on climate related financial disclosures. As stated above, the Company is an investment trust with no employees, internal operations or property and, as such, is exempt from TCFD disclosure requirements. However, it is an asset owner and therefore the Company will work to develop appropriate disclosures about the portfolio. Information sources are developing and consultations on reporting requirements are underway, and we will continue to work alongside our Investment Adviser to provide more information as it becomes available. The Investment Adviser supports the TCFD’s recommendations and is in the process of assessing the guidance to ensure disclosure going forward.

Anti-bribery, corruption and tax evasion

It is the Company’s policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company does not tolerate the criminal facilitation of tax evasion. The Company’s AIFM, Investment Adviser, Company Secretary and Administrator have confirmed that anti-bribery policies and procedures are in place and that they do not tolerate bribery. The Company’s policy and the procedures that implement it are designed to support that commitment.

Conflicts of Interest

As required by law, a Director must avoid a situation where he or she has an interest that conflicts with the Company’s interests. The Company’s Articles of Association provide the Directors with the authority to authorise potential conflicts of interest. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The procedure observed by the Board in considering dealing with conflicted matters is as follows:

- any Board member so conflicted must recuse themselves from the discussion involving the relevant conflict;
- only Directors who have no interest in the matter being considered are able to debate the matter and take the relevant decision; and
- in taking the decision, the Directors must act in a way they consider, in good faith, will be most likely to promote the Company’s success.

The Directors have declared any potential conflicts of interest to the Company. These are entered into the Company’s register of potential conflicts, which is reviewed regularly by the Board. The Directors are obliged to advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

The Company has established procedures to deal with any potential conflicts of interest in circumstances where Aquila Capital is advising both the AIFM (for the Company) and other Aquila Capital managed funds that are counterparties to the Company. These procedures may, on a case-by-case basis, include:

- identifying whether potential conflicts of interest exist on individual transactions and the nature of the potential conflicts of interest;
- establishing that an individual transaction has been negotiated on arm’s length commercial terms;
- separate teams at the Investment Adviser being established in relation to any proposed transaction to represent the Company and the relevant counterparty;
- a fairness opinion on the value of the Energy Efficiency Investments to be obtained from an independent expert;
- a due diligence and reporting package from relevant professional advisers on which the Company (or other applicable vehicles) can place reliance;
- the AIFM operating its own risk management system and internal control system as well as monitoring approved systems operated by the Investment Adviser; and
- any conflict of interest arising in the course of the transaction being resolved in accordance with procedures agreed between the Investment Adviser and the AIFM, subject to Board agreement.

Employees

The Company has no employees. As at 31 December 2022 the Company had four Directors, of whom two were female and two were male. The Board's policy on diversity is contained in the Corporate Governance Statement (see page 63).

Viability statement

In accordance with the UK Corporate Governance Code ("UK Code") and the Listing Rules, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

In reviewing the Company's viability, the Directors have assessed the viability of the Company for the period to 31 December 2025 (the "Look-forward Period").

The Company's Shareholders had the opportunity to vote on an ordinary resolution on the continuation of the Company at the General Meeting held on 28 February 2023. The Continuation Vote did not pass.

In response to the failed Continuation Vote, the Board is proposing at the AGM an amendment to the Company's Investment Policy whereby the Company is placed into a Managed Run-Off. This Continuation Managed Run-Off Resolution seeks to acknowledge and reflect the views expressed by Shareholders in the February 2023 Continuation Vote whilst the Board continues to consider strategic solutions in respect of the Company's assets to realise the maximum value for Shareholders in the shortest possible time, recognising the inherent difficulties in the construction of the portfolio, including the number of individual investments, multiple geographies and long tenors. The Continuation Managed Run-Off Resolution is described in greater detail in the accompanying Notice of Annual General Meeting. Accordingly, the Directors recognise that the outcome of Continuation Managed Run-off Resolution is not yet known and therefore, creates material uncertainty around going concern, and may cast significant doubt about the Company's viability.

Notwithstanding the above, the Board believes that the Look-forward Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the maturity of the Company's assets, which is modelled over three years and the principal risks outlined above. In considering the prospects of the Company, the Directors looked at the key risks facing the Company, focusing on the likelihood and impact of each risk as well as any key contracts, future events or timescales that may be assigned to each key risk.

On the assumption that the resolution in respect of the Continuation Managed Run-Off (as explained in the Chair's Statement at pages 4 to 6 and the Chair's letter accompanying the AGM Notice, which can be found on the Company's website) is approved at the Company's AGM in June 2023 and after undertaking prudent and robust enquiries, and assessing all data relating to the Company's current liquidity and forecast liquidity based on downside scenarios, the Directors have a reasonable expectation that the Company has adequate resources to: continue in operation; realise the Company's assets in an orderly manner; and meet its liabilities as they fall due, over the Look-forward Period.

Outlook

The outlook for the Company, including the future development and performance of the Company, is discussed in the Chair's Statement on page 6 and the Investment Adviser's Report on page 27.

Strategic Report

The Strategic Report set out on pages 4 to 49 of this Annual Report was approved by the Board of Directors on 30 April 2023.

For and on behalf of the Board

Miriam Greenwood OBE DL

Chair of the Board

30 April 2023

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2022.

Corporate Governance

The Corporate Governance Statement on pages 57 to 65 forms part of this report.

Introduction and Status

The Company is incorporated in England and Wales as a public limited company and is domiciled in United Kingdom. It is an investment company as defined in section 833 of the Act 2006 and has a premium listing on the London Stock Exchange.

The Company has received approval as an investment trust from HMRC. The Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2022, and the Directors, under advice, expect the affairs of the Company to continue to satisfy the conditions of an investment trust. The Company seeks to continue to operate as an investment trust in accordance with section 1158 and 1159 of the Corporation Tax Act 2010 (as amended by section 42(2) of the Finance Act 2011).

Greenhouse Gas Emissions ("GHG") and Streamlined Energy and Carbon Reporting ("SECR")

As the Group has outsourced operations to third parties, there are no significant GHG emissions to report in relation to the operation of the Group. In relation to the Group's investments, the level of GHG emissions arising from a low volume of electricity imports and from operation and maintenance activity is not considered material for disclosure purposes. The Group as low user (< 40,000 kwh) falls below the threshold to produce an energy and carbon report under the SECR framework.

Retail distribution of Investment Company shares via financial advisers and other third-party promoters

As a result of the Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to retail investors, certain investment products are classified as 'non-mainstream pooled investment products' and face restrictions on their promotion to retail investors.

The Company has concluded that the distribution of its shares, being shares in an investment trust, is not restricted as a result of the FCA rules described above.

The Company currently conducts its affairs and intends to do so for the foreseeable future so that the exclusion continues to apply. The Company's ordinary shares are eligible for inclusion in a stocks and shares ISA.

Articles of Association

Life of the Company

The Company has been established with an indefinite life. However, under the Articles, Shareholders had the opportunity to vote on an ordinary resolution on the continuation of the Company at the Annual General Meeting held on 28 February 2023. The Continuation Vote did not pass. Accordingly, the Directors will draw up proposals for the voluntary liquidation, unitisation, reorganisation or reconstruction of the Company for consideration by Shareholders as soon as reasonably practicable within six months from 28 February 2023. These proposals may or may not involve winding up the Company.

A special resolution had been proposed to amend the Company's Articles, to revise the date of the subsequent continuation vote, which otherwise was and is required to be held by 30 June 2023. This vote required the support of 75% of those voting but was also not approved by Shareholders. As such, and in accordance with the Company's Articles, a further continuation vote is required to be held at the Company's AGM in June 2023.

For more information on the unsuccessful Continuation Vote, see the Chair's Statement on pages 4 to 6.

Alternative Investment Fund Manager

The Company is classified as an Alternative Investment Fund under The Alternative Investment Fund Managers' Directive and is therefore required to have an AIFM. FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) is the AIFM of the Company.

The AIFM is responsible for portfolio management of the Company, including the following services:

- monitoring the Energy Efficiency Investments in accordance with the Investment Policy;
- evaluating investment opportunities identified by the Investment Adviser and making relevant recommendations to the Board; and
- acting upon instructions from the Board with regard to the execution of transactions on behalf of the Company.

Under the terms of the AIFM Agreement, the AIFM is required to provide risk management services to the Company, including:

- assisting the Board with the establishment of a risk reporting framework; monitoring the Company's compliance with Investment Policy and the Investment Restrictions in accordance with the AIFM risk management policies and procedures and providing regular updates to the Board;
- carrying out a risk analysis of the Company's exposures, leverage, counterparty and concentration risk; and analysing market risk and liquidity risk. The AIFM will be required to record details of executed transactions, carry out reporting obligations to the FCA and prepare investor reports. In addition, the AIFM is required to assist the Board in establishing, maintaining and reviewing valuation policies for calculating the NAV.

The AIFM is entitled to:

- a management fee of £87,500 per annum plus an additional amount which is equal to 0.015% per annum of the Net Asset Value of the Company that exceeds £250 million;
- an additional fee of £3,000 per annum in respect of each jurisdiction in which a marketing notification has been made in accordance with the UK AIFMD Laws and the EU AIFM Directive; and
- the reimbursement of the investment adviser fee payable by the AIFM to the Investment Adviser.

The AIFM Agreement is terminable by either party on not less than six months' notice in writing. The AIFM Agreement may be terminated earlier by the AIFM with immediate effect in certain circumstances.

The AIFM has the benefit of an indemnity from the Company in relation to liabilities incurred by the AIFM in the discharge of its duties other than those arising by reason of gross negligence, wilful misconduct or fraud of or by the AIFM.

Investment Adviser

The AIFM has appointed Aquila Capital Investmentgesellschaft mbH as the Investment Adviser to provide investment advisory services to the AIFM in respect of the Company pursuant to the Investment Advisory Agreement.

The Investment Adviser is responsible for certain investment advisory services to the Company, including sourcing potential opportunities in which the Company may invest, as well as on-going monitoring of the Energy Efficiency Investments.

The Company will benefit from the advisory services provided to the AIFM in respect of the Company and its Energy Efficiency Investments.

The Investment Advisory Agreement will continue in force for an initial period of four years from the date of Admission. The Investment Advisory Agreement will continue thereafter on a rolling basis and may be terminated following the Initial period on 12 months' notice in writing.

The AIFM has also agreed to indemnify the Investment Adviser for losses that the Investment Adviser may incur in the performance of its duties pursuant to the Investment Advisory Agreement that are not attributable to the fraud, gross negligence or wilful default of, the Investment Adviser determined by a court of competent jurisdiction.

Under the Investment Advisory Agreement, entered into at the time of IPO, the following fee is payable to the Investment Adviser:

(i) 0.95% per annum of NAV (plus VAT) of the Company up to and including £500 million; and (ii) 0.75% per annum NAV (plus VAT) of the Company above £500 million.

As previously announced, the investment advisory agreement was amended so that the investment advisory fees be calculated in equal percentages as above but on a “committed capital” basis rather than NAV, with this amendment to be applied retrospectively from the time of the Company's IPO.

Under the Investment Advisory Agreement, the Investment Adviser is entitled to an advisory fee based on the Company's NAV. As announced on 21 April 2022, the Investment Adviser agreed to amend the Investment Advisory Agreement such that any advisory fees payable are charged only on committed capital (being the sum of funds actually invested and funds committed for investment in Energy Efficiency Investments), with this amendment to be applied retrospectively from the time of the Company's IPO. This has had the effect of lowering the investment advisory fees by £0.3 million for the period from IPO to 31 December 2022.

Company Secretary and Administrator

Apex Listed Companies Services (UK) Limited has been appointed to provide company secretarial and administration services to the Group. The AIFM, Company Secretary and Administrator are part of the Apex group of companies.

Alternative Investment Fund Portfolio Managers' Directive

In accordance with the AIFMD, the AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the “Sourcebook”) details the requirements of the annual report. All the information required by those rules are included in this Annual Report or will be made available on the Company's website.

Continuing Appointment of the Investment Adviser

The performance of the Investment Adviser is subject to a rigorous review by the Board. The continuing appointment of the Investment Adviser is recommended by the Board.

Share Capital

As at 31 December 2022, the Company's issued share capital comprised 100,000,000 Ordinary Shares (31 December 2021: 100,000,000).

Voting rights

Each Ordinary Share entitles the holder to one vote. All Ordinary Shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Act.

Restrictions

There are no restrictions on the transfer of Shares, nor are there any limitations or special rights associated with regard to control attached to the Ordinary Shares. There are no agreements between holders regarding their transfer known to the Company, no restrictions on the distribution of dividends and the repayment of capital, and no agreements to which the Company is a party that might affect its control following a successful takeover bid.

Results and dividend

The Group's revenue loss after tax for the year amounted £0.34 million (period from IPO to 31 December 2021: £0.57 million). As announced on 3 November 2022, due to slower than anticipated deployment, the stated dividend target of 3.5 pence per Ordinary Share for the year ended 31 December 2022 was not covered by earnings. However, the Board has decided that this dividend target would be retained and any earnings shortfall was paid out of distributable reserves.

	In respect of the period to	Dividend amount per Ordinary Shares in pence	Pay Date	Record Date	Ex- Dividend Date
1 st Interim Dividend	30 June 2022	1.00	31 October 2022	30 September 2022	29 September 2022
2 nd Interim Dividend	30 September 2022	1.25	9 December 2022	18 November 2022	17 November 2022
3 rd Interim Dividend	31 December 2022	1.25	20 March 2023	3 March 2023	2 March 2023

Following the failure of the Continuation Vote, the Board has reviewed the dividend policy of the Company and future dividends will only be paid from net income, and after reviewing cash flow forecasts, and only in respect of 6 month periods not quarterly periods. Therefore, the next dividend declaration will be around August in respect of the 6 month period ended 30 June 2023.

Notifiable Shareholders

As at 31 December 2022, the Directors have been formally notified of the following interests in the Company's Ordinary Shares, comprising 3% or more of the issued share capital of the Company:

Shareholder	Holding	Percentage held	Date notified
Investec Wealth & Investment Limited	23,948,042	23.95%	12 August 2022
Pangaea Life Umbrella S.A., SICAV-RAIF*	12,978,673	12.98%	28 June 2021
Schroders Plc	12,124,934	12.12%	17 September 2021
Stichting Juridisch Eigendom Privium Sustainable Impact Fund	6,000,000	6.00%	1 June 2021
Marmakon 4 S.à.r.l.	5,847,819	5.85%	28 June 2021
City of Bradford – West Yorkshire Pension Fund	5,000,000	5.00%	3 June 2021

Since year end, no further notifications have been received by the Company.

*Aquila Capital acquired the shares on behalf of Pangaea Life Umbrella S.A., SICAV-RAI at IPO, because the latter was not in a position to complete an order in their own name within the required amount of time before the order book closed at IPO, into their own account. The off-market transaction was settled at the initial IPO price.

Shareholder Engagement

The Board is mindful of the importance of engaging with the Company's Shareholders to gauge their views on topics affecting the Company. During the Investment Strategy Review, prior to and following the General Meeting held on 28 February 2023, the Board engaged closely with major Shareholders to discuss their expectations and requirements.

The Company's Annual General Meeting will be held on 14 June 2023 at 2.00pm at the offices of the Company Secretary located at 6th Floor, 125 London Wall, London, England, EC2Y 5AS. Shareholders are encouraged to attend the Annual General Meeting of the Company. Proxy voting figures will be made available shortly after the AGM on the Company's website where Shareholders can also find the Company's quarterly factsheets, dividend and other relevant information.

Appointment of Auditor

The Company's auditors, PricewaterhouseCoopers LLP ("PwC"), having expressed their willingness to continue in office as auditors, will be put forward for appointment at the Company's General Meeting and the Board will seek authority to determine their remuneration for the forthcoming year.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Group and Company.

The Group and Company continues to meet day-to-day liquidity needs through its cash resources. The Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least twelve months from the date of this document.

In reaching this conclusion, the Directors have considered the Group's investment commitments, cash position, income and expense flows. As at 31 March 2023, the latest practicable date before publication of this report, the total commitments were £98.7 million and income generating capital deployed since IPO was £62.2 million, after realisations of £0.5 million. As at 31 March 2023, the Group had cash of £33 million (including the £5 million held as collateral for FX hedging) and no debt as at that date. The Directors are also satisfied that the Group and Company would continue to remain viable under downside scenarios, including a delay in realisations of cash from investments. The Group and Company continues to meet its day-to-day liquidity needs through its cash resources. Total expenses for the year ended 31 December 2022 were £2.54 million (Period from incorporation to 31 December 2021: £0.92 million annualised), which represented approximately 2.63% of average net assets during the year ended 31 December 2022 (Period from incorporation to 31 December 2021: 0.94%). At the date of approval of this document, based on the aggregate of investments and cash held, the Group and Company has substantial operating expenses cover.

Since the date of the Continuation Vote, the Group has not entered any new commitments and its investing activity is solely in respect of funding legal commitments to existing investments, with the aim of protecting the future returns from those existing investments and realisations. The Company has amended its dividend policy and has indicated that it will only pay dividends which are covered by net income, and after reviewing cash flow forecasts, and only in respect of 6 month periods not quarterly periods. Therefore the next dividend declaration will be in respect of the 6 month period ended 30 June 2023. In addition, the Group will review its current policy on hedging its euro investments, taking into account the consideration of its strategic options following the failure of the Continuation Vote and cash flow requirements.

Following consultation with the Company's Shareholders in April 2022, who were supportive of the continuation of the Company in the context of its plan to commit and deploy the IPO proceeds by the end of 2022 or early 2023, it was agreed to hold a continuation vote in February 2023. With the IPO proceeds now fully committed, Shareholders voted at the meeting on 28 February 2023 against continuation.

At the general meeting held at the end of February 2023, the resolution to amend the Articles relating to future continuation votes was not approved by Shareholders and therefore the next continuation vote will be at the AGM in June 2023, in accordance with the Articles, prior to the current commitment in the Articles, following the

vote against continuation, to put proposals to Shareholders for the reconstruction, reorganisation or liquidation of the Company by 28 August 2023.

As summarised in the Chair's Statement on pages 4 to 6 and the Chair's letter accompanying the AGM Notice, given the private and illiquid nature of the investments, the duration and the complexities of the Portfolio, the Directors do not believe it is in the best interests of Shareholders to place the Company into liquidation at this time. The Board is proposing a resolution at the Company's AGM in June 2023 that the Company be re-organised and put into Managed Run-Off whereby assets will be realised at the best value which the Directors consider can be achieved within a reasonable timeframe.

During the period of managed run-off, the Board will continue to consider all strategic options in respect of the Group's assets, some, but not all of which would result in the restructuring and winding up of the Group and Company in due course. The Directors also recognise that any proposals put to Shareholders are yet to be approved by the Shareholders. The Directors note that these conditions indicate the existence of material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern.

However, based on the assessment and considerations above the Directors have concluded that the financial statements of the Group and Company should be prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

- I. so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- II. the Director has taken all steps that he/she ought to have taken as director to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the contents of this document or what action you should take, you should consult your stockbroker, bank manager, solicitor or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

The Company's AGM will be held on 14 June 2023 at the offices of Apex Listed Companies Services (UK) Limited, 6th Floor, 125 London Wall, London, EC2Y 5AS. Full details of the AGM, the resolutions proposed and how to vote by proxy are described in the Notice of AGM, which can be found on the Company's website. Shareholders are welcome at any time to submit questions they may have to aetecsecmbx@sannegroup.com.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM to be held on 14 June 2023.

Ordinary Resolution 10. Approval of the Continuation Managed Run-Off Resolution

This resolution is to approve the continuation of the Company as an investment trust only on the basis that the Company will make no new investments (outside existing legal commitments) and the Portfolio will go into a Managed Run-Off, as further detailed in part 1 of the AGM Notice.

Special Resolution 11. Authority for the Company to purchase its own shares

This resolution replaces the authority given at last year's annual general meeting for the Company to make market purchases of its own Ordinary Shares as permitted by the Companies Act 2006. The Directors recommend that an authority to purchase up to a maximum of 14,999,000 Ordinary Shares, representing 14.99% of Ordinary Shares in issue as at 28 April 2023, being the latest practicable date prior to the publication of the Notice of AGM, (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding Treasury Shares, at the date of the AGM are purchased) be granted. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in treasury. At the date of this document, the Company did not hold any shares in treasury.

The price per Ordinary Share that the Company may pay is set at a minimum amount of the nominal value of each Ordinary Share and a maximum amount of the higher of: (i) 105% of the average of the previous five business days' middle market prices as derived from the Daily Official List of the London Stock Exchange; and (ii) the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out. Unless otherwise authorised by Shareholders, Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

This authority would provide flexibility in the management of the Company's capital resources, including potentially as part of the Managed Run-Off (if approved). The Directors will only exercise this authority if the Directors believe that such exercise would be likely to achieve the best balance for Shareholders between maximising the value received from the Company's assets and making timely returns of capital to Shareholders.

In light of the proposed Continuation Managed Run-Off Resolution the Directors do not consider it necessary to seek authority from Shareholders to issue additional new Ordinary Shares and accordingly the existing authorisations to do so will expire at the AGM.

LR 9.8.4(7)

The Listing Rules require listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that only LR 9.8.4(7) (issue of shares) is applicable during the period under review.

Outlook

The outlook for the Company, including the future development and performance of the Company, is discussed in the Chair's Statement on page 6 and the Investment Advisers' Report on page 27.

By order of the Board

Maria Matheou

For and on behalf of

Apex Listed Companies Service (UK) Limited

Company Secretary

30 April 2023

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Framework

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that it is an investment company with no employees and outsources investment management and other key functions to external service providers.

Statement of Compliance and Application of the AIC Code's Principles

The Board has considered the principles and provisions of the Association of Investment Companies ("AIC") Code of Corporate Governance issued in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code ("UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to Shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk) and the UK Code can be found on the Financial Reporting Council's website (www.frc.org.uk). The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Compliance

Throughout the year ended 31 December 2022 the Company complied with the recommendations of the AIC Code except, as explained below, where the Company does not believe it appropriate to comply.

The Board has decided not to nominate a Senior Independent Director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed.

The UK Code includes provisions relating to the role of the chief executive, executive Directors' remuneration and the need for an internal audit function. For reasons set out in the AIC Code, the Board considers these provisions are not relevant to the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

BOARD LEADERSHIP AND PURPOSE

The Company is an investment company and its investment objective and policy are set out on page 33. Any material change to the investment policy requires Shareholder approval.

The Company is governed by a Board of Directors, all of whom are non-executive, and it has no employees. The business model adopted by the Board to achieve the Company's objective has been to contract the services of the Investment Adviser and AIFM to manage the portfolio and the risks associated in accordance with the Board's strategy and under its oversight. The Board monitors adherence to the Company's investment policy and regularly reviews the Company's performance in meeting its investment objective.

All other functions are provided by third parties under the oversight of the Board.

The Board reviews the performance of the AIFM and Investment Adviser and its other key service providers on an ongoing basis.

Experience and Contribution of Directors

As at the date of this report, the Board of Directors consists of four non-executive Directors, whose biographies are included below.



Miriam Greenwood OBE DL
Non-Executive Chair*
Appointed on 19 April 2021

With qualifications as a barrister and in corporate finance, Miriam spent more than 30 years working for a number of leading investment banks and other financial institutions. In previous roles, she served as a non-executive Director of the UK energy regulator OFGEM and on the Board of a number of publicly quoted companies and was also a founding partner of SPARK Advisory Partners, an independent corporate advisory business.

Miriam is currently the Chair of SMS plc, a senior independent director of Canopus Group Limited a non-executive director of Canopus Managing Agents, and of Gulf International Bank UK, Encyclis Holdco Limited and Eclipse Shipping Limited, and is an Adviser to the Mayor of London's Energy Efficiency Fund.

A Deputy Lieutenant of the City of Edinburgh, Miriam was awarded an OBE for services to corporate finance in 2000.



David Fletcher
Non-Executive Director*
Appointed on 29 April 2022

David was Group Finance Director of Stonehage Fleming Family & Partners, a leading independently owned multi-family office, having joined in 2002. Prior to that, he spent 20 years in investment banking with JPMorgan Chase, Robert Fleming & Co. and Baring Brothers & Co Limited, latterly focused on financial services in the UK (asset management and life insurance). He started his career with Price Waterhouse and is a chartered accountant. He is the Chair of JPMorgan Claverhouse Investment Trust plc. He also holds directorships at Ecofin US Renewables Infrastructure Trust plc and Aberdeen Smaller Companies Income Trust plc where he is the Audit Committee Chairman for both. David is a graduate of Oxford University.



Nicholas Bliss
Non-Executive Director*
Appointed on 9 April 2021

Nicholas established and led the global infrastructure and transport sector group at the international law firm Freshfields Bruckhaus Deringer LLP where he was a partner for over 20 years and also served on the Partnership Council, the supervisory board of the firm. During this period he led on mandates involving some of the most notable infrastructure projects across the UK, Europe, Africa and the Gulf. In particular, he was heavily involved in the development and application of PFI, PPP and other project finance techniques to the delivery of major infrastructure projects. Since leaving Freshfields, he has developed an expertise in both advising and acting as an independent director in “distressed situations” at SPV corporates owned by infrastructure funds or industrials. Among his other engagements, he is Of Counsel at Chatham Partners LLP, a Hamburg based infrastructure/energy/real estate “boutique” law firm. Nicholas acted as interim Chair of the Audit & Risk Committee as well as Remuneration Committee between 28 January 2022 and 29 April 2022.



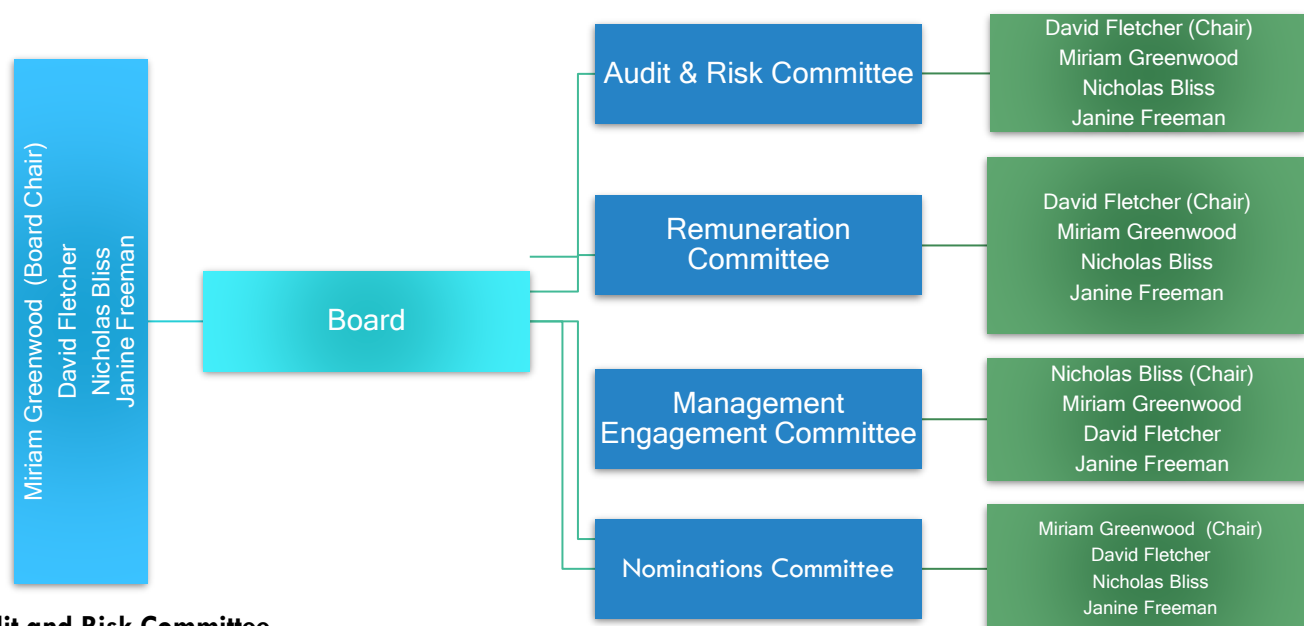
Janine Freeman
Non-Executive Director*
Appointed on 2 November 2022

Janine Freeman is an experienced, senior energy industry executive and Non-executive Director with over 20 years in the energy industry. Driving investment in clean energy infrastructure has been her primary focus for much of that time. Janine is currently a Non-executive Director and Audit and Risk Committee Chair at Harmony Energy Income Trust plc. Until April 2023, she also held a further non-executive role as the Non-executive Chair at Public Power Solutions Ltd, a company which developed solar, battery and EV charging sites in the UK. Janine recently led the sale of this business to new investors. Prior to this, Janine worked for three years as a Director at PwC within the Deals team, where she led on Net Zero Investment Strategy & Deals. This work at PwC included a focus on investment in the European energy efficiency infrastructure sector. At National Grid plc where Janine spent 16 years, she was a member of the UK Executive Committee and the GB Electricity System Operator Executive Committee. Janine achieved her Chartered Accountancy qualification (ACA) at Deloitte & Touche, where she worked within both the audit and restructuring departments.

*All the Directors are members of each committee.

Board Committees

The Board decides upon the membership and chairmanship of its committees.



Audit and Risk Committee

The committee has formal terms of reference which clearly define roles and responsibilities. It meets at least five times a year or more often if required. A separate report of the work of the Committee during the year under review is set out on pages 71 to 74. The Committee comprises all the independent non-executive Directors. In accordance with the AIC Code, the Chair of the Board is a member of the Audit Committee as she was independent on appointment and she remains so. Lisa Arnold acted as Committee Chair from IPO until 28 January 2022. Following her resignation and from 31 January 2022, Nicholas Bliss acted as interim Committee Chair until David Fletcher was appointed as Committee Chair on 29 April 2022.

Remuneration Committee

The committee has formal terms of reference which clearly define roles and responsibilities. It meets at least once a year or more often if required. Its principal duties include (i) agreeing the policy for the remuneration of the Directors and reviewing any proposed changes to the policy; (ii) reviewing and considering ad hoc payment to the Directors in relation to duties undertaken over and above normal business; and (iii) if required, appointing independent professional remuneration advice. The Committee comprises all the independent non-executive Directors. Lisa Arnold acted as Committee Chair from IPO until 28 January 2022. Following her resignation and from 31 January 2022, Nicholas Bliss acted as interim Committee Chair until David Fletcher was appointed as Committee Chair on 29 April 2022.

Nomination Committee

The committee has formal terms of reference which clearly define roles and responsibilities. It meets at least once per annum. Its principal duties include:

- identifying individuals qualified to become Board members and selecting the director nominees for election at general meetings of the Shareholders or for appointment to fill vacancies;
- determining director nominees for each committee of the Board;
- considering the appropriate composition of the Board and its committees; and
- undertaking an annual performance evaluation of the Board and its committees.

The Nomination Committee comprises all the independent non-executive Directors and is chaired by Miriam Greenwood.

Management Engagement Committee

The committee has formal terms of reference which clearly define roles and responsibilities. It meets at least once a year or more often if required. Its principal duties include regularly reviewing the contracts, the performance and the remuneration of the Company's key service providers. The Management Engagement Committee comprises all the independent non-executive Directors and is chaired by Nicholas Bliss. The results of the review of the performance of the Investment Adviser in the context of the investment strategy review are explained in the Chair's Statement on pages 4 to 6.

Decision Making

The Board is responsible for the overall stewardship of the Company's affairs and has adopted a schedule of matters specifically reserved for decision by the Board. Strategic issues and all operational matters of a material nature are considered at its meetings, including reviewing the Company's performance by reference to the Company's key performance indicators.

The Board has access to independent advice at the Company's expense where it judges it necessary in order to discharge its responsibilities properly.

Prior to being presented to the Board, each transaction was considered by the AIFM who reviewed it against an agreed set criteria of items to ensure it was suitable for the Company's long-term success and in Shareholders' best interests.

Meeting Attendance during the year ended 31 December 2022

	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Miriam Greenwood	6/6	6/6	2/2	1/1	1/1
David Fletcher	4/6*	4/6*	2/2	1/1	1/1
Nicholas Bliss	6/6	6/6	2/2	1/1	1/1
Janine Freeman	1/6**	1/6**	1/2**	1/1	0/1**

*David Fletcher was appointed on 29 April 2022.

**Janine Freeman was appointed on 2 November 2022.

** Laura Sandys and Lisa Arnold did not attend meetings between 1 January 2022 and their resignation on 28 January 2022.

In addition, a number of ad hoc Board and Committee meetings were held during the year under review to deal with administrative matters and the formal approval of documents, investment proposals and to consider the valuation of the Company's portfolio which were considered time critical.

Directors' share dealings

The Directors comply with the Share Dealing Code adopted by the Company in accordance with UK Market Abuse Regulations (the "Share Dealing Code") in relation to their dealings in Ordinary Shares. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Share Dealing Code by the Directors.

DIVISION OF RESPONSIBILITIES

The independent Board is responsible to Shareholders for the overall management of the Company. The following sets out the division of responsibilities between the Chair, the Board and its Committees.

Role of the Chair

The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair sets the agenda for the Board and, in conjunction with the Company Secretary, ensures that accurate, timely and clear information is circulated to the Directors five working days prior to the meeting. The Board has implemented various policies and procedures to ensure the Company runs effectively and efficiently.

An open, informed and transparent environment is promoted at each Board meeting and the Chair maintains open communication channels with the other Directors, AIFM, Investment Adviser and Company Secretary between Board meetings.

Senior Independent Director

Due to the size and structure of the Board it was considered unnecessary to identify a senior independent non-executive director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed.

Role of the Board

All Board members are independent non-executive Directors, who continue to be independent of the AIFM and Investment Adviser. The Board is responsible for the governance of the Company, notwithstanding any delegation of responsibilities to third parties. It has oversight over the management and conduct of the Company's business, strategy and development. The Board determines the Investment Objective and Investment Policy as well as risk appetite and has overall responsibility for the Company's activities, including review of investment activity and performance. The Board ensures the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of systems in place. The Board is responsible for approval of any changes to the capital, corporate and/or management structure of the Company. The Board Members offer strategic guidance and specialist advice; whilst providing constructive and effective challenge, especially to the decisions of the Investment Adviser. The Board scrutinises and assesses the performance of third party service providers (including the AIFM and Investment Adviser).

The Board's main focus is to promote the sustainable long-term success of the Company, to deliver value for Shareholders and contribute to wider society. The Board does not routinely involve itself in day-to-day business decisions. The AIFM is responsible for the risk management of the Company pursuant to AIFMD and the Investment Adviser for portfolio management.

Appointment and Replacement of Board

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association which require that a Director shall be subject to election at the first AGM after appointment and re-election at least every three years thereafter. However, in accordance with the UK Corporate Governance Code, the Board has resolved that all Directors shall stand for annual re-election at each AGM.

Independent advice

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. No professional advice has been independently sought during the year ended 31 December 2022. The Directors have access to the advice and services of the Company Secretary.

Role of Committees

The role of each Committee is described in their respective terms of reference, which can be found on the Company's website.

COMPOSITION, SUCCESSION AND EVALUATION

Composition

At the date of this report, the Board consists of four independent non-executive Directors including the Chair. All of the Directors are independent of the Investment Adviser and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

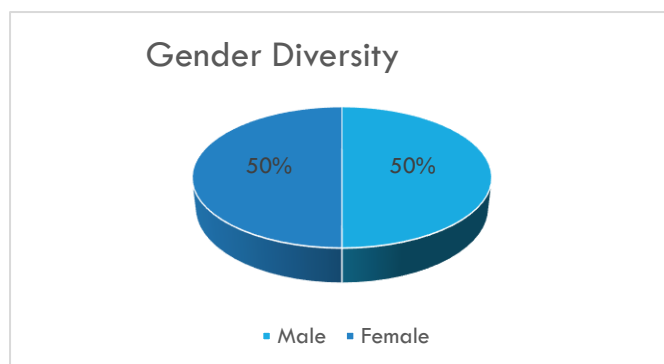
The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are shown on pages 56 and 57.

In line with the AIC Code, the Board has decided that each Director should be subject to annual re-election by Shareholders, although this is not required by the Company's Articles of Association.

The Board recommends that all the Directors should be elected for the reasons highlighted in the Notice of Annual General Meeting.

Board diversity

The Board recognises the benefits of diversity and supports the recommendations of the Davies Report. All Board appointments will be made on merit and have regard to diversity including factors such as ethnicity, gender, skills, background and experience. As at 31 December 2022 the Company had 4 Directors, 2 of whom were female and 2 of whom were male. As at the date of this Report, the Company has 4 Directors, 2 female and 2 male.



Board tenure and succession

The Directors recognise that independence is not a function of service or age and that experience is an important attribute within the Board. To ensure continuity, the Board has adopted a succession plan that allows for a gradual refreshment. Accordingly, the Board may decide to recommend a Director with more than nine years' service for re-election at the Company's AGM.

Performance evaluation

A formal annual performance evaluation was conducted on the Board, the Chairman, the Committees, the Investment Manager, and the main service providers for the year ended 31 December 2022. The evaluation was conducted by the Company Secretary with the oversight of the Chair. The results of the performance evaluation

were positive and demonstrated that the Directors were committed to the fulfilment of their duties and with a high level of engagement, especially in the context of the investment strategy review, which was launched on 31 January 2022, and in the commitment and deployment of the IPO proceeds. The appointment of Ms Janine Freeman enhanced the skills available to the Board.

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

AUDIT, RISK AND INTERNAL CONTROL

Audit

The Audit and Risk Committee monitors the performance, objectivity and independence of the external auditors and this is assessed before the approval of the Annual Report. In evaluating the Auditors performance, the Audit and Risk Committee examine robustness of the audit process, the independence and objectivity of the auditor and the quality of delivery.

The Audit and Risk Committee satisfy themselves that the Annual Report taken as a whole is fair, balanced and understandable. The assessment of the performance during the year ended 31 December 2022 and the judgements, estimates and assumptions made throughout the annual report are considered formally as a committee agenda item.

Risk

The Directors confirm 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 principal risks and how they are being managed are set out in the Strategic Report on pages 39 to 44.

Internal control

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports from the relevant key service providers. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. The Directors review the effectiveness of the internal control system throughout the year ended 31 December 2022.

Financial aspects of internal control

These are detailed in the Report of the Audit and Risk Committee on page 72.

Other aspects of internal control

The Board will hold at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the AIFM, the Investment Adviser, the Administrator and Company Secretary.

The Administrator and Company Secretary, Apex Listed Companies Services (UK) Limited, reports separately in writing to the Board concerning risks and internal control matters within its remit, including internal financial control procedures and company secretarial matters. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Contact with the Investment Adviser, the AIFM and the Administrator enable the Board to monitor the Company's progress towards its objectives and encompass an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored regularly and a formal review, utilising a detailed risk assessment programme, takes place at least annually. This includes review of the internal controls reports of the Administrator, the AIFM and the Registrar.

Based on the work of the Audit and Risk Committee, and the reviews of the reports received by the Audit and Risk Committee on behalf of the Board, the Board has concluded that there were no material control failures during the year under review and up to the date of this report.

Remuneration

The Remuneration Committee comprises all the Directors of the Board. It meets at least annually and is responsible for considering and making appropriate recommendations to the Board in relation to Directors' remuneration.

The Company does not have any executive Directors or employees, and, as a result, operates a simple and transparent remuneration policy with no variable element, that reflects the non-executive Directors' duties, responsibilities and time spent. The Company's remuneration policy was approved by its Shareholders at the Company's General Meeting held in July 2022 and is detailed within the Directors' Remuneration Report on page 66.

DIRECTORS' REMUNERATION REPORT

Annual Chair's statement

I am pleased to present the Remuneration Committee (the "Committee") report for the year ended 31 December 2022. It is set out in two sections: a) Remuneration Policy— a summary of our current Policy which was approved at the Company's General Meeting in July 2022; and b) Remuneration Implementation Report – a description on how the Directors' Remuneration Policy has been implemented during the year under review.

The Remuneration Committee Report for the year to 31 December 2022 has been prepared in accordance with sections 420-422 of the Act, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations) and the Listing Rules. The law requires the Company's auditor to audit certain sections of the Remuneration Report; where this is the case, the relevant section has been indicated as such. The Remuneration Committee met once during the year under review and once in March 2023.

General Meeting approval of the Remuneration Policy and Remuneration Implementation Report

The Company's Remuneration Policy was approved by Shareholders at the Company's General Meeting on 25 July 2022. In accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations), the Remuneration Policy is required to be put to Shareholders for approval every three years, unless a material variation to the Remuneration Policy is proposed, in which case Shareholder approval will be sought to amend the policy.

Remuneration Policy

Directors are remunerated in the form of fees, in respect of their appointment as non-executive Directors of the Company and appointments as non-executive Directors of Attika Holdings Limited, with the split of fees between these appointments agreed between the parties in writing. Directors' fees are payable in quarterly instalments in arrears. The Company's Articles of Association limit the fees payable to the Directors in aggregate to £500,000 per annum. Subject to the overall limit, the Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to promote the long-term success of the Company. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chair of the Board (who is also Chair of the Nomination Committee), the Chair of the Audit and Risk Committee (who is also Chair of the Remuneration Committee), the Chair of the Management Engagement Committee who are paid a higher fee in recognition of their additional responsibilities. As provided for in clause 107 of the Articles of Association and in accordance with the relevant provisions of the AIC Code, as well as each Directors' appointment letters, the Directors are entitled to an additional fee where a Director undertakes any special duties, or services outside their ordinary duties as a Director.

The policy is to review fee rates annually, although such review will not necessarily result in any change to the rates. As part of this process reference is made to the fees paid to the directors of other similar investment trust companies.

Consideration of Shareholders' views

The General Meeting which was held on 25 July 2022 was the first opportunity for Shareholders to vote on the Directors' Remuneration Policy. The Remuneration Policy was approved with 99.94 % votes in favour.

Effective date

The Remuneration Policy was effective from 25 July 2022 (the date approved by Shareholders at the Company's General Meeting).

Remuneration Implementation Report

Directors' Remuneration

During the year ended 31 December 2022, the Remuneration Committee undertook a review of Directors' fees.

With effect from 1 July 2022 each of the Directors was entitled to receive a fee of £40,478 per annum (31 December 2021: £37,000) with the Chair of the Board (who is also Chair of the Nomination Committee) entitled to receive an additional fee of £19,692 per annum (31 December 2021: £18,000) and the Chair of the Audit and Risk Committee (who is also Chair of the Remuneration Committee) entitled to receive an additional fee of £5,470 per annum (31 December 2021: £5,000). Since the change of Management Engagement Committee Chair on 11 August 2022, the new Chair is also entitled to receive an additional fee of £5,470 per annum (31 December 2021: not applicable as the Board Chair acted as Management Engagement Committee Chair).

Each of the Directors' fees are in respect of their appointment as a non-executive director of the Company and their appointment as non-executive director of Attika Holdings Limited. The Board also considered the split of Directors' fees between these appointments and decided that a split between the Company and Attika Holdings Limited of 70%/30% respectively was appropriate with effect from 1 January 2022.

The Board believes that the level of increase and resulting fees appropriately reflects, the level of demands on the individual Directors, prevailing market rates for an investment trust of the Company's size and complexity, the increasing complexity of regulation and resultant time spent by the Directors on matters, and it will also enable the Company to continue to attract appropriately experienced Directors in the future.

Directors' remuneration

The table below (audited) provides a single figure for the total remuneration of each Director since IPO.

	Date of appointment to the Board	Fees for the year ended 31 December 2022^{1,2}	Fees from IPO on 7 May 2021 to 31 December 2021^{1,2}
		(£)	(£)
Miriam Greenwood	19 April 2021	57,585	35,679
Nicholas Bliss ³	9 April 2021	42,226	24,003
Lisa Arnold ⁴	9 April 2021	3,231	27,246
Laura Sandys ⁴	9 April 2021	3,231	24,003
David Fletcher	29 April 2022	30,557	n/a
Janine Freeman	2 November 2022	6,642	n/a
Total		143,472	110,931

¹ Including fees in respect of directorships in Attika Holdings Limited.

² The fees received for the period to 31 December 2021 and the year to 31 December 2022 are not comparable as they cover different durations. Accordingly, a year-on-year percentage change has not been included in the table above. During the annual review in July 2022, the Directors' fees were increased by 9.4% with effect from 1 July 2022. Further fee changes since March 2023 are attributable to change of responsibilities and duties as described below.

³ Including fees for acting as Audit & Risk Committee Chair between 28 January 2022 to 29 April 2022 and acting as Management Engagement Committee Chair from 11 August 2022.

⁴ Resigned on 28 January 2022.

Directors receive fixed fees and do not receive bonuses or other performance related remuneration, share options, pension contributions or other benefits apart from the reimbursement of allowable expenses. No commissions or performance related payments will be made to the Directors by the Company.

No Director has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

During 2022 the Board focused on achieving the milestones set following discussions with Shareholders in April 2022, which included the full commitment and deployment of the IPO proceeds.

The decision by Shareholders to vote against Continuation at the end of February 2023 means that the duties of the Directors going forward will be beyond those normally expected as part of their appointment. Therefore, in accordance with Principal 8 of the AIC Code it is appropriate that provision is made for additional fees. In view of the additional duties and responsibilities the Remuneration Committee decided, immediately following the Continuation Vote and before detailed work commenced on reviewing the options to implement Shareholders' wishes, to increase with effect from 1 March 2023 the monthly fees of the Chair of the Board and the Chair of the Audit & Risk Committee by £2,500 and £1,900 respectively and by £1,150 for the Chair of the Management Engagement Committee and £1,010 for the other non-executive Director. These additional fees will be subject to regular review.

The standard fees for Directors are reviewed annually.

Directors' service contracts, term and loss of office

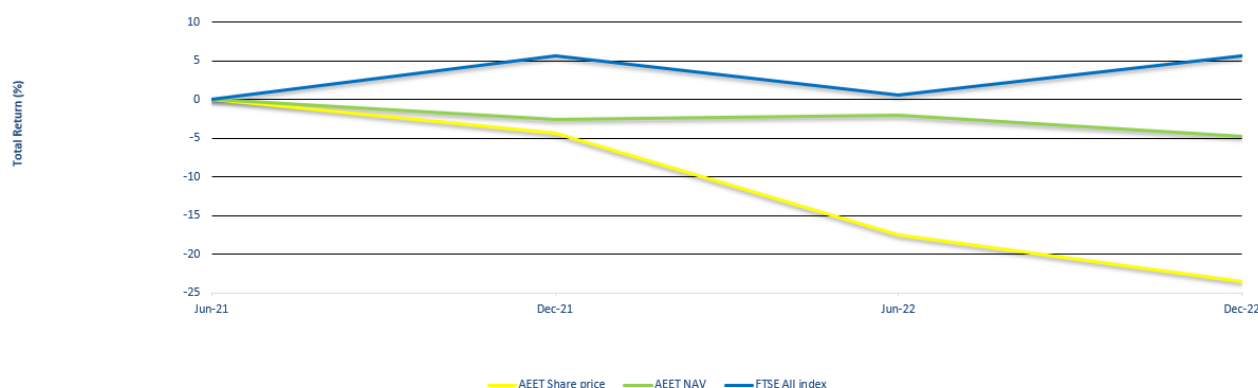
The Directors do not have service contracts with the Company. The Directors have appointment letters which provide for an initial term of three years. In accordance with the AIC Code, each member of the Board will seek annual re-election by Shareholders at the AGM. There are no agreements in place to compensate the Board for loss of office.

Directors' indemnities

Subject to the provisions of the Act, the Company has agreed to indemnify each Director against all liabilities which any Director may suffer or incur arising out of or in connection with any claim made or proceedings taken against him, or any application made by him, on the grounds of his negligence, default, breach of duty or breach of trust in relation to the Company or any associated company.

Performance

The following chart shows the performance of the Company's NAV and share price (total return) by comparison to the FTSE All share index for the period since the Company was listed. The Company does not have a specific benchmark but has deemed the FTSE All share index to be the most appropriate comparator for its performance.



Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and share buybacks, the Investment Adviser's fees and operating expenses incurred by the Company.

	Year ended 31 December 2022	Period ended 31 December 2021
Spend on Directors' fees	143,472	110,931
Company's operating expenses and advisory fees	2,537,000	553,000
Dividends paid and payable to Shareholders	2,250,000	-

The disclosure of the information in the table above is required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of the investment advisory fees and operating expenses which have been included to show the total expenses of the Company.

Directors' holdings (Audited)

At 31 December 2022 and at the date of this report the Directors had the following holdings in the Company. There is no requirement for Directors to hold shares in the Company. All holdings were beneficially owned.

	SHARES	CONNECTED PERSON	TOTAL
Miriam Greenwood	24,000	-	24,000
David Fletcher	41,785	13,951	55,736*
Nicholas Bliss	20,000	-	20,000
Janine Freeman	-	-	-

**Following the year end, Mr Fletcher's shareholding (directly and indirectly through a connected person) was increased to 56,606 through dividend reinvestment scheme .*

Remuneration Consultants

Remuneration Consultants were not engaged by the Company during the year under review and in respect of the Remuneration Report.

Recruitment agencies

The Board will not pay any incentive fees to any person to encourage them to become a director of the Company. During the year ended 31 December 2022, the Board agreed that an executive search firm would be best positioned to identify potential candidates following the Board restructure on 28 January 2022. Following a tender process, the Company engaged Longwater Partners to assist in the recruitment of David Fletcher and Janine Freeman for a total fee of £37,500. Longwater Partners have no other connection to the Company or the individual Directors, and there are processes in place to ensure the advice received by the Board is independent.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Policy and Remuneration Implementation Report summarises, as applicable, for the year ended 31 December 2022:

- a) the major decisions on Directors' remuneration;
- b) any substantial changes relating to Directors' remuneration made; and
- c) the context in which the changes occurred and decisions have been taken.

David Fletcher

Chair of the Remuneration Committee

30 April 2023

REPORT OF THE AUDIT AND RISK COMMITTEE

Introduction

I am pleased to present the Audit and Risk Committee (the “Committee”) report for the year ended 31 December 2022. At least once a year the Committee Chair meets with the external Auditors without any representative of the Investment Adviser or Administrator being present. The Committee’s effectiveness will be reviewed on an annual basis as part of the Board’s performance evaluation process (see page 63).

Role and Composition

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles and to assess the effectiveness of the audit. The Committee’s role and responsibilities are set out in full in its terms of reference which are available on request from the Company Secretary and can be found on the Company’s website (www.aquila-energy-efficiency-trust.com). A summary of the Committee’s main responsibilities and how it has fulfilled them is set out below. Review of the Company’s internal control and risk management fall within the terms of reference of the Committee.

The Committee comprises all the Directors and the Board is satisfied that the Committee has sufficient and recent financial experience, and as a whole, has competence relevant to the sector in which the Company operates to discharge its functions effectively. In accordance with the AIC Code, the Chair of the Board is a member of the Audit Committee as she was independent on appointment and she remains so. The experience of the members of the committee can be assessed from the Director’s biographies set out on pages 58 and 59.

Main Activities of the Committee

The Committee met formally six times during the year under review and twice after the year-end. PwC, the external Auditors, attended two meetings in 2022 and twice after the year-end. The AIFM’s risk function provided reports on their monitoring programme for these meetings.

The matters considered, monitored and reviewed by the Committee during the course of the year under review included the following:

- a detailed analysis of the Company’s semi-annual NAVs and factsheets and underlying assumptions;
- monitored the Company’s revenue reserves and recommended appropriate dividend levels to the Board;
- monitored and reviewed the Company’s emerging and principal risks and internal controls;
- considering the ongoing assessment of the Company as a going concern;
- considered the appointment, independence, objectivity and remuneration of the Auditor;
- reviewed the audit plan;
- approved the accounting principles including the investment entity status, the valuation methodology including fair value and amortised cost;
- monitored the preparation and timetable for the production of the Annual Report & Accounts; and
- monitored the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcements relating to its financial performance, and reviewed and reported to the Board on significant financial reporting issues and judgements contained within them;
- considered the financial and other implications on the independence of the auditor arising from the provision of non-audit services.

Going concern

The Committee reviewed the Company's going concern assessment and concluded that although there are conditions that indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report on page 54.

Internal control and risk

During the year under review, the Committee together with the AIFM and other service providers carefully considered the Company's matrix of risks and uncertainties (including emerging risks) and appropriate mitigating actions. The procedure for identifying emerging risks can be found on page 38 and the Company's principal risks can be found on pages 39 to 44.

The Committee also considered the internal control reports of its AIFM, Investment Adviser, Administrator and Registrar. The Committee reviewed these reports and concluded that there were no significant control weaknesses or other issues that needed to be brought to the Board's attention.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing its effectiveness. The aim of the internal financial control system is to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and used for publication, and that the assets of the Company are safeguarded.

The Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by each relevant service provider who provide reasonable assurance on the effectiveness of internal financial controls.

The Statement of Directors' Responsibilities in respect of the financial statements is on page 75 and a Statement of Going Concern is on page 54. The Report of the Independent Auditor is on pages 76 to 83.

Financial statements and significant accounting matters

The Committee reviewed the financial statements and considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 December 2022.

Investment entity status

During the year under review, as a result of the development of the portfolio of investments, the actual investments made and the structure of those investments, many of which were receivables purchase investments with fixed rates of return, the Committee determined that this required judgement and re-assessment of the Company's investment entity status for the year ended 31 December 2022. As a result of this re-assessment, which identified that fixed rate of return investments constituted a substantial proportion of the pipeline of investments and resultant actual investments, the Committee determined that as from 1 January 2022 the Company was no longer an investment entity.

Valuation and existence of investments

The Company's accounting policy is to designate investments at fair value through profit or loss, or at amortised cost less expected credit loss provisions, whichever is appropriate, adjusted by any foreign exchange differences. Investments with variable returns are measured at fair value and investments with a fixed return structure are measured at amortised cost. Therefore, the most significant risk in the Company's financial statements is the carrying value of the Company's investments because fair values, the effective interest method and expected credit loss provisions have been arrived at using a number of judgments. The Committee reviewed the procedures in place for ensuring the accurate valuation and existence of investments and approved the valuation of the Company's investments and their existence at the year-end with the Investment Adviser, the AIFM and other service providers.

The Board has approved a Valuation Policy which sets out the valuation process. The process includes a valuation by the Investment Adviser of the Company's investments on an annual basis as at 31 December each year. These

valuations are updated as at 30 June each year. The valuation principles used to calculate the fair value of the assets are based on International Private Equity and Venture Capital Valuation Guidelines.

Fair value for each investment is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts for revenues and operating costs, and an appropriate discount rate.

For those investments measured at amortised cost the Company has used the effective interest method and has calculated an expected credit loss provision in accordance with IFRS 9.

The Audit and Risk Committee has satisfied itself with the investment valuation, the calculation of amortised cost values and expected credit loss provisions.

Recognition of income

Income may not be accrued correctly. Calculations of investment income using the effective income method have been provided to the Company by the Investment Adviser. The Committee reviewed the Administrator's procedures for recognition of income and reviewed the treatment of income receivable in the year under review.

Tax status

The Company may suffer tax on gains on the realisation of investments if investment trust status is not maintained. The Committee reviewed the compliance of the Company during the year under review, against the eligibility conditions and ongoing requirements it must meet in order for investment trust status to be maintained.

Calculation of the Investment Adviser's fees

The Committee reviewed the Investment Adviser's fees and concluded that they have been correctly calculated. Details of the Investment Adviser's fees can be found in note 6 to the financial statements.

Internal Audit

The Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company as an externally managed investment company with external service providers. The Committee keeps the need for an internal audit function under periodic review.

Audit arrangements

PwC was selected as the Company's auditor at the time of the Company's launch. The auditor was formally engaged in November 2021. This is Richard McGuire's second year as the Company's audit partner. The appointment of the auditor will be reviewed annually by the Committee and the Board and is subject to approval by Shareholders. In accordance with the Financial Reporting Council's ("FRC") guidance, the audit will be put out to tender within ten years of the initial appointment of PwC. Additionally, the audit partner must be rotated every five years and is next eligible for rotation in 2026.

The audit plan was presented to the Committee at its November 2022 meeting, ahead of the commencement of the Company's year-end audit. The audit plan sets out the audit process, materiality, scope and significant risks.

Auditors' Independence

The Audit and Risk Committee considered the independence of the auditor and the objectivity of the audit process and is satisfied that PwC has fulfilled its obligations to Shareholders and as independent auditor to the Company for the year ended 31 December 2022. After due consideration, the Audit and Risk Committee recommends the re-appointment of PwC and their re-appointment will be put forward to the Company's Shareholders at the Annual General Meeting on 14 June 2023.

The Audit and Risk Committee is satisfied that there are no issues in respect of the independence of the auditors.

Effectiveness of external audit

The Committee is responsible for reviewing the effectiveness of the external audit process. The Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Committee received feedback from the Company Secretary, Administrator, AIFM and Investment Adviser

regarding the effectiveness of the external audit process. Following the above review, the Committee has agreed that the re-appointment of the auditors should be recommended to the Board and the Shareholders of the Company.

Provision of non-audit services

The Audit and Risk Committee has reviewed the FRC's Revised Ethical Standard 2019 Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The Audit and Risk Committee has determined that the Company's appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

PwC was not engaged to provide non-audit services to the Company during the year ended 31 December 2022.

Conclusion with respect to the Annual Report

The production and audit of the Company's Annual Report is a comprehensive process requiring input from different contributors. In order to reach the conclusion that the Annual Report when taken as a whole is fair, balanced and understandable, the Board has requested that the Committee advises on whether it considers these criteria satisfied. In so doing the Committee has considered the following:

- the comprehensive control framework around the production of the Annual Report;
- the extensive levels of review undertaken in the production process, by the Investment Adviser and the Committee; and
- the internal control environment as operated by the Investment Adviser and other suppliers including any checks and balances within those systems.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 31 December 2022, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy, and it has reported on these findings and provided such conclusion to the Board.

David Fletcher

Chair of the Audit and Risk Committee

30 April 2023

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 year. Under that law the Directors have prepared the Group's and the Company's financial statements in accordance with UK adopted international financial reporting standards in conformity with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international financial reporting standards in conformity with the requirements of the Companies Act 2006 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 Group and 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 have delegated responsibility to the Investment Adviser for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

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 Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance section confirm that, to the best of their knowledge:

- the Group's and the Company's financial statements, which have been prepared in accordance with UK adopted international financial reporting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and the Company's auditors are aware of that information.

For and on behalf of the Board,

Miriam Greenwood OBE DL
Chair of the Board
30 April 2023

Independent auditors' report to the members of Aquila Energy Efficiency Trust Plc

Report on the audit of the financial statements

Opinion

In our opinion, Aquila Energy Efficiency Trust Plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's and Company's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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, which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 December 2022; the Consolidated Statement of Profit or Loss and Comprehensive Income, the Company Statement of Profit or Loss and Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Company Statement of Cash Flows 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 Group 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.

We have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Company's Shareholders voted at the February 2023 General Meeting against the resolution as to whether the Company would continue its business. As such the Directors shall, within six months of such resolution not being passed, put proposals to shareholders for the reconstruction, reorganisation or liquidation of the Company. The Board is proposing a resolution at the Company's AGM in June 2023 that the Company be re-organised and put into a Managed Run-Off. During the period of Managed Run-Off, the Board will continue to consider all strategic options, some, but not all of which would result in the restructuring and winding up of the Company in due course. The Directors also recognise that any proposals put to Shareholders are yet to be approved by the Shareholders. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the

Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' going concern assessment and corroborated key assumptions to underlying documentation and ensured this was consistent with our audit work in these areas;
- Assessed the appropriateness of the key assumptions used both in the base case and downside scenarios, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Tested the integrity of the underlying formulae and calculations within the going concern and cash flow models;
- Considered the appropriateness of the mitigating actions available to the Directors in the event of the downside scenario materialising. Specifically, we focused on whether these actions are within the Directors' control and are achievable; and.
- Reviewed the Articles of Association of the Company to understand the requirements of the Directors following the continuation vote not passing in February 2023 and reviewed the draft notice of the AGM where the Directors are proposing a Managed Run-Off of the investments.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in note 2 to the financial statements, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the Directors' identification in the financial statements of any other material uncertainties to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Context

Following the determination that the Company did not meet the criteria of an investment entity from 1 January 2022, these are the first set of consolidated financial statements prepared by the Directors. The Group consists of the Company and its two subsidiaries in the UK and Italy, Attika Holdings Limited and one compartment of SPV Project 2013 S.r.l. respectively.

Overview

Audit scope

- The Company invests in energy efficient investments through its investments in its subsidiaries, Attika Holdings Limited and one compartment of SPV Project 2013 S.r.l.
- The Company is an Investment Trust Company and has appointed Aquila Capital Investmentgesellschaft mbH (the "Investment Adviser") to manage its assets.
- The financial statements are prepared for the Group by Apex Listed Companies Services(UK) Limited (the "Administrator") to whom the Directors delegated the provision of certain administrative functions. The Group audit team performed all the work and did not use component auditors.

Key audit matters

- Material uncertainty related to going concern
- Valuation of investments held at fair value through profit or loss (Group)
- Carrying value of investments at amortised cost (Group)
- Investment entity status (Company)

Materiality

- Overall Group materiality: £1,904,000 (2021: n/a) based on 2% of net assets.
- Overall Company materiality: £1,809,000 (2021: £1,947,620) based on 2% of net assets capped at 95% of Group materiality.
- Performance materiality: £1,428,000 (2021: n/a) (Group) and £1,357,000 (2021: £1,460,715) (Company).

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.

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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Carrying value of investments at amortised cost and Investment entity status are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investments held at fair value through profit or loss (Group)</i> The Group holds energy efficient investments through its subsidiaries Attika Holdings Limited and SPV Project 2013 S.r.l. These underlying investments held in Attika Holdings Limited and SPV Project 2013 S.r.l. are either held at fair value through profit or loss or at amortised cost. The investments at fair value of the Group are £11,742k. The fair value of the investments have principally been valued on a discounted cash flow basis, which necessitates significant estimates in respect of the forecasted cash flows and discount rates applied. Determining the valuation methodology and determining the inputs and assumptions within the valuations are subjective and complex. This, combined with the significance of the investments at fair value through profit or loss balance in the consolidated statement of financial position, meant that this was a key audit matter for our current year audit.	We planned our audit to critically assess management's assumptions and the investment valuation models in which they are applied. We have assessed whether the valuation methodology adopted for the investments held at fair value through profit and loss was appropriate and in line with accounting standards and industry guidelines. For a sample of investments at fair value, we performed the following procedures: • We tested the mathematical accuracy of the valuation models. • We engaged our internal valuation experts to provide audit support in reviewing and concluding on the fair valuation of a sample of the investments at fair value. Our internal valuations experts developed an independent range to benchmark against management's discount rates for taking into account country risk premia, price risk exposure and construction risk which vary depending on the asset. • Where investments were purchased during the year we have tested the acquisition amounts to supporting documentation. • We agreed the key valuation drivers to relevant supporting documentation. Specifically, we have agreed a sample of inputs driving the revenue in the underlying models to supporting documentation such as signed contracts. No material issues were identified in our audit testing.
<i>Carrying value of investments at amortised cost (Group)</i> As stated above, the Group holds energy efficient investments through its subsidiaries Attika Holdings Limited and through SPV Project 2013 S.r.l. These underlying investments held in Attika Holdings Limited	We understood and evaluated the methodology and assumptions applied, by reference to IFRS 9 and industry practice, and tested the techniques used, in determining the amortised cost and recognition of any expected credit loss.

and SPV Project 2013 S.r.l. are either held at fair value through profit or loss or at amortised cost. The investments at amortised cost of the Group are £38,550k. The amount is net of the allowance for expected credit losses in accordance with IFRS 9. The impairment assessment requires estimates and judgements to be applied by the Directors, especially around expected credit loss allowance under IFRS 9, such that changes to key inputs to the estimates and/or judgements made may result in a material change to the carrying value. These factors combined with the significance of the investments at amortised cost balance in the consolidated statement of financial position, meant that this was a key audit matter for our current year audit.	For a sample of investments at amortised cost, we performed the following procedures: • We obtained confirmations of the investments or performed alternative procedures such as agreeing to supporting documentation, where applicable. • We assessed key assumptions used, such as those relating to when a significant increase in credit risk has occurred. • We assessed the key parameters within the expected credit loss model such as the probabilities of default and loss given default. • We tested mathematical accuracy of the amortised cost models. No material issues were identified in our audit testing.
Investment entity status (Company) From inception of the Company and in the prior period, the Directors were of the opinion that the Company met all the typical characteristics of an investment entity and therefore met the definition set out in IFRS 10. During the current year, as a result of the development of the portfolio of investments, the actual investments made and the structure of those investments, many of which were receivables purchase investments with fixed rates of return, the Directors determined that this required judgement and re-assessment of the Company's investment entity status for the current year. As a result of this re-assessment, which identified that fixed rate of return investments constituted a substantial proportion of the pipeline of investments and resultant actual investments, the Directors determined that as from 1 January 2022 the Company does not meet the characteristics of an investment entity. Given the judgemental nature of this assessment and the impact on the presentation of the financial statements to now prepare consolidated financial statements, we determined this was a key audit matter for our current year audit.	We evaluated the Directors' assessment that the Company was no longer an investment entity by performing the following procedures: • For a sample of investments purchased during the year, we reviewed and challenged management's assessment of the classification of those investments against the criteria in IFRS 9 and through reviewing underlying contracts. • We involved our accounting technical specialists and discussed with management their assessment of how they manage their investments, whether or not this is on a fair value basis and the proportion of investments with fixed returns. • We obtained supporting information to corroborate management's assessment. No material findings were identified in our audit testing.

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 Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group consists of the Company and its two subsidiaries in the UK and Italy, Attika Holdings Limited and one compartment of SPV Project 2013 S.r.l. respectively. All three were determined to be financially significant components for the purposes of the Group audit. The Group operates common processes and controls in accounting for its investments held at fair value through and profit and loss and investments at amortised cost and investment income. The related balances were therefore audited by the Group team in the UK and the Group team was able to get sufficient coverage over the components balances such that there was no need for the involvement of component auditors.

As part of designing our audit of the Company, 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.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

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:

	Financial statements - Group	Financial statements - Company
<i>Overall materiality</i>	£1,904,000 (2021: n/a).	£1,809,000 (2021: £1,947,620).
<i>How we determined it</i>	2% of net assets	2% of net assets capped at 95% of Group materiality
<i>Rationale for benchmark applied</i>	Net assets are deemed to be the appropriate benchmark because the Group's performance is measured on its net asset value.	Net assets are deemed to be the appropriate benchmark because the Company's performance is measured on its net asset value.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1,022,000 to £1,809,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £1,428,000 (2021: n/a) for the Group financial statements and £1,357,000 (2021: £1,460,715) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

In addition, based on our judgement, we applied a specific materiality of £112,500 to the Revenue column of Consolidated Statement of Profit or Loss and Comprehensive Income line items except for impairment loss as it is directly linked to net assets. Our specific materiality is aligned with the revenue return that we believe is of the interest to the members, which is driven by those line items.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £95,000 (Group audit) (2021: n/a) and £90,000 (Company audit) (2021: £97,381) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report and Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

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

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, 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 Group's and 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 Group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the ongoing qualification as an Investment Trust under the Corporation Tax Act 2010, 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 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 posting inappropriate journal entries to increase profit or to increase total shareholders' funds, and management bias in accounting estimates, such as the valuation of investments held at fair value through profit or loss. Audit procedures performed by the engagement team included:

- Enquires with the Board of Directors, Investment Adviser and the Administrator, over consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by the Board of Directors and the Investment Adviser in their significant accounting estimates, in particular, in relation to the valuation of investments held at fair value through profit or loss and carrying value investments held at amortised cost less expected credit losses (see related key audit matters above);
- Identifying and testing journal entries made throughout the year as well as those made as part of the year end reporting process;
- Reviewing relevant meeting minutes, including those of the Board of Directors and Audit and Risk Committee;
- Assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including calculation of numerical aspects of the eligibility conditions;
- Reviewing the financial statements disclosures to underlying supporting documentation; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Company 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 16 November 2021 to audit the financial statements for the period ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the periods ended 31 December 2021 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 April 2023

Financial Statements

AQUILA ENERGY EFFICIENCY TRUST PLC CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME For the year ended 31 December 2022

		For the year ended 31 December 2022			For the period from 9 April 2021 (Date of Incorporation) to 31 December 2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gain/(loss) on investments	4	-	1,211	1,211	-	(17)	(17)
Unrealised loss on derivatives		-	(1,016)	(1,016)	-	-	-
Net foreign exchange gain/(loss)		-	282	282	-	(29)	(29)
Investment Income	5	2,197	-	2,197	91	-	91
Investment Advisory fees	6	(615)	-	(615)	(77)	-	(77)
Impairment loss	4	(136)	-	(136)	-	-	-
Other expenses	7	(1,786)	-	(1,786)	(587)	-	(587)
Profit/(Loss) on ordinary activities before taxation		(340)	477	137	(573)	(46)	(619)
Taxation	8	-	-	-	-	-	-
Profit/(Loss) on ordinary activities after taxation		(340)	477	137	(573)	(46)	(619)
Return per Ordinary Share	9	(0.34p)	0.48p	0.14p	(0.72p)	(0.06p)	(0.78p)

The total column of the Consolidated Statement of Profit or Loss and Comprehensive Income is the profit and loss account of the Group.

All revenue and capital items in the above consolidated statement derive from continuing operations. The acquisition of Attika Holdings Limited and SPV Project 2013 S.r.l. effective 1 January 2022 has been reflected in the above statement for the year ended 31 December 2022. No operations were discontinued during the year.

Profit/(loss) on ordinary activities after taxation is also the "Total comprehensive income/(expense) for the year".

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
COMPANY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 31 December 2022

			For the year ended 31 December 2022		For the period from 9 April 2021 (Date of Incorporation) to 31 December 2021		
	Note	Revenue	Capital	Total	Revenue	Capital	Total
	s	£'000	£'000	£'000	£'000	£'000	£'000
Unrealised gain/(loss) on investments	4	-	2,144	2,144	-	(17)	(17)
Net foreign exchange losses		-	(99)	(99)	-	(29)	(29)
Investment income	5	697	-	697	91	-	91
Investment Advisory fees	6	(615)	-	(615)	(77)	-	(77)
Other expenses	7	(1,375)	-	(1,375)	(587)	-	(587)
Profit/(Loss) on ordinary activities before taxation		(1,293)	2,045	752	(573)	(46)	(619)
Taxation	8	-	-	-	-	-	-
Profit/(Loss) on ordinary activities after taxation		(1,293)	2,045	752	(573)	(46)	(619)
Return per Ordinary Share	9	(1.29p)	2.05p	0.75p	(0.72p)	(0.06p)	(0.78p)

The total column of the Company Statement of Profit or Loss and Comprehensive Income is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

Profit/(loss) on ordinary activities after taxation is also the "Total comprehensive income/(expense) for the year".

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

		2022	2021
	Notes	£'000	£'000
Fixed assets			
Investments at fair value through profit or loss	4	11,742	12,307
Investments at amortised cost	4	38,550	-
		50,292	12,307
Current assets			
Trade and other receivables	10	70	5,274
Cash and cash equivalents		46,625	80,129
		46,695	85,403
Creditors: amounts falling due within one year	11	(904)	(329)
Derivative financial instrument		(856)	-
Net current assets		44,935	85,074
Net assets		95,227	97,381
Capital and reserves: equity			
Share capital	12	1,000	1,000
Special reserve	13	94,750	97,000
Capital reserve		431	(46)
Revenue reserve		(954)	(573)
Shareholders' funds		95,227	97,381
Net assets per Ordinary Share	14	95.23p	97.38p
No. of ordinary shares in issue		100,000,000	100,000,000

Approved by the Board of directors and authorised for issue on 30 April 2023.

Signed on behalf of the Board of Directors

Miriam Greenwood OBD DL

Aquila Energy Efficiency Trust PLC is incorporated in England and Wales with Company number 13324616.

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investment in subsidiaries	4	31,220	12,307
Current assets			
Cash and cash equivalents		32,714	80,129
Intercompany receivable	10	32,966	5,170
Trade and other receivables	10	33	104
		65,713	85,403
Creditors: amounts falling due within one year	11	(1,050)	(329)
Net current assets		64,663	85,074
Net assets		95,883	97,381
Capital and reserves: equity			
Share capital	12	1,000	1,000
Special reserve	13	94,750	97,000
Capital reserve		1,999	(46)
Revenue reserve		(1,866)	(573)
Shareholders' funds		95,883	97,381

Approved by the Board of directors and authorised for issue on 30 April 2023.

Signed on behalf of the Board of Directors

Miriam Greenwood OBE DL

Aquila Energy Efficiency Trust PLC is incorporated in England and Wales with Company number 13324616.

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

		Share capital	Share premium account	Special reserve	Capital reserve	Revenue reserve	Total
For the year ended 31 December 2022	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity as at 1 January 2022		1,000	-	97,000	(46)	(573)	97,381
Impact of the acquisition of subsidiaries on 1 January 2022		-	-	-	-	(41)	(41)
Dividends paid	15	-	-	(2,250)	-	-	(2,250)
Profit/(loss) for the year		-	-	-	477	(340)	137
Closing equity as at 31 December 2022		1,000	-	94,750	431	(954)	95,227

		Share capital	Share premium account	Special reserve	Capital reserve	Revenue reserve	Total
For the period from 9 April 2021 (date of incorporation) to 31 December 2021	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity as at 9 April 2021		-	-	-	-	-	-
Shares issued in period	12	1,000	99,000	-	-	-	100,000
Share issue costs		-	(2,000)	-	-	-	(2,000)
Transfer to special reserve	13	-	(97,000)	97,000	-	-	-
Loss for the period		-	-	-	(46)	(573)	(619)
Closing equity as at 31 December 2021		1,000	-	97,000	(46)	(573)	97,381

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

		Share capital	Share premium account	Special reserve	Capital reserve	Revenue reserve	Total
For the year ended 31 December 2022	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity as at 1 January 2022		1,000	-	97,000	(46)	(573)	97,381
Dividends paid	12	-	-	(2,250)	-	-	(2,250)
Profit/(loss) for the year		-	-	-	2,045	(1,293)	752
Closing equity as at 31 December 2022		1,000	-	94,750	1,999	(1,866)	95,883

		Share capital	Share premium account	Special reserve	Capital reserve	Revenue reserve	Total
For the period from 9 April 2021 (date of incorporation) to 31 December 2021	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity as at 9 April 2021		-	-	-	-	-	-
Shares issued in period	12	1,000	99,000	-	-	-	100,000
Share issue costs		-	(2,000)	-	-	-	(2,000)
Transfer to special reserve	13	-	(97,000)	97,000	-	-	-
Loss for the period		-	-	-	(46)	(573)	(619)
Closing equity as at 31 December 2021		1,000	-	97,000	(46)	(573)	97,381

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

		For the year ended 31 December 2022 £'000	For the period from 9 April 2021 (date of incorporation) to 31 December 2021 £'000
	Notes		
Operating activities			
Profit/(loss) on ordinary activities before taxation		137	(619)
Adjustments for:			
Unrealised (gain)/loss on investments	4	(1,211)	17
Unrealised loss on derivative instruments		1,016	-
Impairment loss		136	-
Decrease/(increase) in trade and other receivables		34	(5,274)
Increase in creditors: amounts falling due within one year		570	329
Interest receivable from amortised cost investments		(1,349)	-
Net cash flow used in operating activities		(667)	(5,547)
Investing activities			
Purchase of investments	4	(47,602)	(12,324)
Repayment of investments	4	264	-
Net cash received on acquisition of Attika Holdings Ltd.		5,000	-
Net cash received on acquisition of SPV Project 2013 S.r.l.		11,751	-
Net cash flow used in investing activities		(30,587)	(12,324)
Financing activities			
Proceeds of share issues	12	-	100,000
Share issue costs		-	(2,000)
Dividends paid	15	(2,250)	-
Net cash flow (used in)/from financing activities		(2,250)	98,000
(Decrease)/Increase in cash and cash equivalents		(33,504)	80,129
Cash and cash equivalents at start of year/period		80,129	-
Cash and Cash equivalents at end of year/period		46,625	80,129

The notes on pages 92 to 120 are an integral part of these financial statements.

AQUILA ENERGY EFFICIENCY TRUST PLC
COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

		For the year ended 31 December 2022	For the period from 9 April 2021 (date of incorporation) to 31 December 2021
	Notes	£'000	£'000
Operating activities			
Profit/(loss) on ordinary activities before taxation		752	(619)
Adjustments for:			
Unrealised (gain)/loss on investments	4	(2,144)	17
Increase in intercompany receivables		(27,796)	(5,170)
Decrease/(increase) in trade and other receivables		71	(104)
Increase in creditors: amounts falling due within one year		544	329
Net cash flow used in operating activities		(28,573)	(5,547)
Investing activities			
Purchase of investments	4	(16,592)	(12,324)
Net cash flow used in investing activities		(16,592)	(12,324)
Financing activities			
Proceeds of share issues	12	-	100,000
Share issue costs		-	(2,000)
Dividends paid	15	(2,250)	-
Net cash flow (used in)/from financing activities		(2,250)	98,000
(Decrease)/Increase in cash and cash equivalents		(47,415)	80,129
Cash and cash equivalents at start of year/period		80,129	-
Cash and cash equivalents at end of year/period		32,714	80,129

The notes on pages 92 to 120 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Aquila Energy Efficiency Trust Plc (the “Company”) is a public Company limited by shares incorporated in England and Wales on 9 April 2021 with registered number 13324616. The Company is domiciled in England and Wales. The Company is a closed-ended investment company with an indefinite life. The Company commenced its operations on 2 June 2021 when the Company’s Ordinary Shares were admitted to trading on the London Stock Exchange. The Directors intend, at all times, to conduct the affairs of the Company as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, as amended.

The Company owns 100% of its subsidiary, Attika Holdings Limited (the “HoldCo” or “AHL”) and 100% of the notes issued by one compartment of SPV Project 2013 S.r.l. (the “SPV” or “Italian SPV”) issued to the Company, which entitles the Company to a 100% economic interest in the receivables purchased through the proceeds of these notes, together the “Group”.

The registered office address of the Company is 6th Floor, 125 London Wall, London, EC2Y 5AS.

The Company’s investment objective is to generate attractive returns, principally in the form of income distributions, by investing in a diversified portfolio of Energy Efficiency Investments.

FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) acts as the Company’s Alternative Investment Fund Manager (the “AIFM”) for the purposes of Directive 2011/61/EU on alternative investment fund managers (“AIFMD”).

The Group’s Investment Adviser is Aquila Capital Investmentgesellschaft mbH authorised and regulated by the German Federal Financial Supervisory Authority.

Apex Listed Companies Services (UK) Limited (the “Administrator”) (formerly Sanne Fund Services (UK) Limited) provides administrative and company secretarial services to the Group under the terms of an administration agreement between the Company and the Administrator. The Italian SPV is administered by Zenith Service S.p.A.

2. BASIS OF PREPARATION

Group Financial Statements

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have also been prepared as far as is relevant and applicable to the Group in accordance with the Statement of Recommended Practice (“SORP”) issued by the Association of Investment Companies (“AIC”) in July 2022.

The consolidated financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies are consistently applied.

The financial statements are presented in Sterling rounded to the nearest thousand. They have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out below.

Company Financial Statements

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The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies are consistently applied.

The functional currency of the Company is Sterling. The capital of the Company was raised in Sterling and majority of its expenses are in Sterling. The liquidity of the Company is managed in Sterling as the Company's performance is evaluated in that currency. Accordingly, the financial statements are presented in Sterling rounded to the nearest thousand. They have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out below.

Basis of consolidation

The Group's financial statements consolidate those of the Company and of its subsidiaries at 31 December 2022. The subsidiaries have a reporting date of 31 December. AHL's functional currency is Sterling. The Italian SPV's functional currency is Euro. However, to align with the Group's functional currency, the balances of Italian SPV have been converted to Sterling at a year-end rate for the Statement of Financial Position accounts and at an average rate during the year for the Statement of Profit or Loss and Comprehensive Income accounts.

All transactions and balances between Group companies are eliminated on consolidation. The accounting policies adopted by the Group are consistent with those adopted by the Company and the subsidiaries.

Characteristics of an investment entity

Under the definition of an investment entity, the Company should satisfy all three of the following tests:

- I. Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- II. Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- III. Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

Investment entity status

From inception and in the prior period, the Directors were of the opinion that the Company met all the typical characteristics of an investment entity and therefore met the definition set out in IFRS 10. The Directors agreed that investment entity accounting treatment appropriately reflected the Company's activities as an investment trust. In the prior year, the Directors assessed that:

- I. The Company had multiple investors and obtained funds from a diverse group of shareholders who would otherwise not have had access individually to investing in Energy Efficiency Investments due to high barriers to entry and capital requirements;
- II. The Company intended to hold these Energy Efficiency Investments over the contractual period of the asset for the purpose of capital appreciation and investment income. Thereby, the exit strategy for AEET referred to the end point of the contractual period for all Energy Efficiency investments. The Energy Efficiency Investments that had committed capital were expected to generate renewable energy output between 1 and 7 years from their relevant commercial operation date (with the potential to be longer depending on the tenor of future

investments), the Directors believed the Company was able to generate returns to the investors during that period; and

- III. The Company measured and evaluated the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. Management used fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

Changes in the current year

During the current year, as a result of the development of the portfolio of investments, the actual investments made and the structure of those investments, many of which were receivables purchase investments with fixed rates of return, the Directors determined that this required judgement and re-assessment of the Company's investment entity status for the current year. As a result of this re-assessment, which identified that fixed rate of return investments constituted a substantial proportion of the pipeline of investments and resultant actual investments, the Directors determined that as from 1 January 2022 the Company does not meet the characteristic of an investment entity for the following reasons:

- I. The Company is in full control of its subsidiary AHL and the notes in the Italian SPV;
- II. The majority of the investments held and added to during the year for the Italian SPV are valued at amortised cost rather than on a fair value basis; and
- III. The majority of the investments held and purchased during the year in AHL are valued at amortised cost rather than on a fair value basis.

For the year ended 31 December 2022, the financial statements are presented on a consolidated basis of the Company, AHL and the Italian SPV. The prior year comparative figures for the consolidated financial statements are the Company's prior year figures. There is no adjustment to the prior year Net Asset Value due to the consolidation of the Company, AHL and the Italian SPV. The current year financial statements also present both the year ended 31 December 2022 and the period ended 31 December 2021 at the Company level.

Acquisition of Subsidiary and wholly owned entity

The Directors are of the opinion that the Company has full control of its subsidiary AHL and one compartment of the loan notes in the Italian SPV. The Company has full control of these entities for the following reasons:

1. the Company has the power over these entities;
2. the Company is exposed, or has rights, to variable returns from its involvement with the entities; and
3. the Company has the ability to use its power to affect its returns.

Acquisition of AHL

In the period from 9 April 2021 to 31 December 2021, the subsidiary has been valued by the Company and included in its financial statements as investment at fair value through profit or loss which equated to cost given the investments were made close to period end date. The valuation and assumptions used in the prior year remained appropriate. The Net Assets acquired by the Company from AHL on 1 January 2022 amounted to £153,000. The amount of assets and liabilities as at 1 January 2022 of AHL have been consolidated by the Company at the acquisition date. The opening assets, liabilities, equity and reserves of the Company remained the same due to the acquisition of the subsidiary.

The cost of acquisition of AHL is the deemed valuation at 1 January 2022 which was £153,000. No additional consideration was paid and since the acquisition of the subsidiary is not considered to constitute a business under IFRS 3, no goodwill arises. The assets and liabilities acquired are as follows:

Assets	£'000
Investments at amortised cost	170
Cash	5,000
Derivative financial instrument	159
Liabilities	
Intercompany payable to parent	(5,170)
Other creditors	(6)
Net Assets	153

Acquisition of the Italian SPV

In the period from 9 April 2021 to 31 December 2021, the Italian SPV has been valued by the Company at investment at fair value through profit or loss which equated to cost given the investments were made close to period end date. The valuation and assumptions used in the prior year remained appropriate. The amount of assets and liabilities as at 1 January 2022 of the Italian SPV have been consolidated by the Company at the acquisition date. The opening assets, liabilities, equity and reserves of the Company remained the same due to the acquisition of this wholly owned compartment.

The cost of acquisition of the Italian SPV is the deemed valuation at 1 January 2022 which was (£170,000). No additional consideration was paid and since the acquisition of the subsidiary is not considered to constitute a business under IFRS 3, no goodwill arises. The assets and liabilities acquired are as follows:

Assets	£'000
Investments at amortised cost	570
Cash	11,751
Liabilities	
Liabilities including note owned by the Company	(12,491)
Net Liabilities	(170)

Accounting for wholly owned entities

AHL

The Company owns 100% of its subsidiary, AHL. The registered office address of AHL is Leaf B, 20th Floor, Tower 42, Old Broad Street, London, England, EC2N 1HQ. The Company has acquired Energy Efficiency Investments through its investment in the subsidiary. The Company will finance the subsidiary through a mix of equity and debt instruments. The Company consolidates the subsidiary.

Italian SPV

The Italian SPV is a Company established under the laws of Italy to hold securitised receivables. The Company does not hold any equity in the SPV. However, it does own 100% of the notes issued by one compartment of the SPV which

entitles the Company to an 100% economic interest in the receivables purchased through the proceeds of this notes. The Company does not have an economic interest in any of the other securities receivables issuances by the Italian SPV. The notes subscribed by the Company, issued by the Italian SPV, and the receivables purchased from the proceeds of these notes, together with all associated assets and liabilities and income and costs, are ring-fenced from other assets and liabilities of the Italian SPV and thus the Company's holdings have been deemed a silo under IFRS 10 paragraph b 77. The Company consolidates the results of the Italian SPV in respect of the performance of the receivables in the silo.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Group and Company.

The Group and Company continues to meet day-to-day liquidity needs through its cash resources. The Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least twelve months from the date of this document.

In reaching this conclusion, the Directors have considered the Group's investment commitments, cash position, income and expense flows. As at 31 March 2023, the latest practicable date before publication of this report, the total commitments were £98.7 million and income generating capital deployed since IPO was £62.2 million, after realisations of £0.5 million. As at 31 March 2023, the Group had cash of £33 million (including the £5 million held as collateral for FX hedging) and no debt as at that date. The Directors are also satisfied that the Group and Company would continue to remain viable under downside scenarios, including a delay in realisations of cash from investments. The Group and Company continues to meet its day-to-day liquidity needs through its cash resources. Total expenses for the year ended 31 December 2022 were £2.54 million (Period from incorporation to 31 December 2021: £0.92 million annualised), which represented approximately 2.63% of average net assets during the year (Period from incorporation to 31 December 2021: 0.94%). At the date of approval of this document, based on the aggregate of investments and cash held, the Group and Company has substantial operating expenses cover.

Since the date of the Continuation Vote, the Group has not entered any new commitments and its investing activity is solely in respect of funding legal commitments to existing investments, with the aim of protecting the future returns from those existing investments and realisations. The Company has amended its dividend policy and has indicated that it will only pay dividends which are covered by net income, and after reviewing cash flow forecasts, and only in respect of 6 month periods not quarterly periods. Therefore the next dividend declaration will be in respect of the 6 month period ended 30 June 2023. In addition, the Group will review its current policy on hedging its euro investments, taking into account the consideration of its strategic options following the failure of the Continuation Vote and cash flow requirements.

Following consultation with the Company's Shareholders in April 2022, who were supportive of the continuation of the Company in the context of its plan to commit and deploy the IPO proceeds by the end of 2022 or early 2023, it was agreed to hold a continuation vote in February 2023. With the IPO proceeds now fully committed, Shareholders voted at the meeting on 28 February 2023 against continuation.

At the general meeting held at the end of February 2023, the resolution to amend the Articles relating to future continuation votes was not approved by Shareholders and therefore the next continuation vote will be at the AGM in June 2023, in accordance with the Articles, prior to the current commitment in the Articles, following the vote against continuation, to put proposals to Shareholders for the reconstruction, reorganisation or liquidation of the Company by 28 August 2023.

As summarised in the Chair's Statement on pages 4 to 6 the Chair's letter accompanying the AGM Notice, given the private and illiquid nature of the investments, the duration and the complexities of the Portfolio, the Directors do not believe it is in the best interests of Shareholders to place the Company into liquidation at this time. The Board is proposing a resolution at the Company's AGM in June 2023 that the Company be re-organised and put into Managed Run-Off whereby assets will be realised at the best value which the Directors consider can be achieved within a reasonable timeframe.

During the period of managed run-off, the Board will continue to consider all strategic options in respect of the Group's assets, some, but not all of which would result in the restructuring and winding up of the Group and Company in due course. The Directors also recognise that any proposals put to Shareholders are yet to be approved by the Shareholders.

The Directors note that these conditions indicate the existence of material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern.

However, based on the assessment and considerations above the Directors have concluded that the financial statements of the Group and Company should be prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires the application of estimates and assumptions which may affect the results reported in the consolidated financial statements. Estimates, by their nature, are based on judgement and available information.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those used to determine the fair value of the investments and expected credit loss as disclosed in note 4 to the consolidated financial statements.

Investment fair value

The key assumptions that have a significant impact on the value of the Group's investments are discount rates, energy yield, power prices and capital expenditure factors, the price at which the power and associated benefits can be sold and the energy yield are expected to produce. The impact of risks associated with climate change is assessed on an investment by investment basis and factored into the underlying cash flows where relevant.

The discount factors are subjective and therefore it is feasible that a reasonable alternative assumption may be used resulting in a different value. The discount factors applied to the cashflows are reviewed semi-annually by the Investment Adviser to ensure they are at the appropriate level. The Investment Adviser will take into consideration market transactions, where they are of similar nature, when considering changes to the discount factors used.

The operating costs of the operating companies are frequently partly or wholly subject to indexation and an assumption is made that inflation will increase at a long-term rate.

The values of Energy Efficiency investments are not significantly sensitive to fluctuations in future revenues if a fixed indexation clause is applied to its cash flow schedule.

Expected Credit loss ("ECL") allowance for financial assets measured at amortised cost

The calculation of the Group's ECL allowances and provisions against receivable purchase agreements under IFRS 9 is complex and involves the use of significant judgement and estimation. Fixed interest investment provisions represent an estimate of the losses incurred in the loan portfolios at the balance sheet date. Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate ("EIR"). The calculation involves the formulation and incorporation of multiple conditions into ECL to meet the measurement objective of IFRS 9. Refer to Note 4 for more details.

Investment entity status assessment

Refer to the assessment in the previous pages of this note.

Adoption of new IFRS standards from 1 January 2022

A number of new standards and amendments to standards are effective for the annual periods beginning after 1 January 2022. None of these have a significant effect on the measurement of the amounts recognised in the financial statements of the Group.

New standards and amendments issued but not yet effective

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments***Financial assets***

The Group's financial assets principally comprise of cash and cash equivalents, investments held at fair value through profit and loss, investments held at amortised cost, derivative financial instruments, interest income receivables and prepayments and other receivables.

Interest income receivables, prepayments and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

The Group's investments are debt instruments held at fair value through profit or loss and debt instruments at amortised cost. Gains or losses resulting from the movements in the fair value are recognised in the Group's Consolidated Statement of Profit or Loss and Comprehensive income under capital column. Debt instruments at amortised cost are revalued with the functional currency exchange rate at each valuation point and recognised in the Group's Consolidated Statement of Profit or Loss and Comprehensive income and are subject to ECL.

Derivatives comprise of currency forward transactions used to hedge the Group's foreign currency exposure. The fair value of the currency forward transactions is the difference between the spot rate and the forward rate at the date of the Consolidated Statement of Financial Position.

Investment in subsidiaries

The Company's investment in its subsidiary, AHL, is held at cost less impairment in the Company's Statement of Financial Position. The Company's investment in its subsidiary, SPV, is held at fair value through profit or loss. The fair value of SPV as at 31 December 2022 has been determined through an aggregation of the fair value of SPV's individual investments adjusted for the cash and liabilities of SPV as at 31 December 2022. The fair values of SPV's individual investments take account of forecast power production, power price curves provided by independent research companies, discounts rates which seek to take account of the risk profile of the counterparty, and other areas of judgment.

Financial liabilities

The Group's financial liabilities include trade and other payables and other short-term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The Group's financial liabilities also include derivative financial instruments.

Recognition and derecognition

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

At initial recognition, financial instruments classified at fair value through profit or loss are measured at fair value which is normally the transaction price. Other financial instruments not classified at fair value through profit or loss are measured initially at fair value but are adjusted for incremental and directly attributable transaction costs.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the

value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A Financial liability (in whole or in part) is recognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Financial assets are recognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Classification and measurement of financial assets

IFRS 9 contains a classification and measurement approach for debt instruments that reflects the business model in which assets are managed and their cash flow characteristics. For debt instruments two criteria are used to determine how financial assets should be classified and measured:

- The entity's business model (i.e. how an entity manages its debt Instruments in order to generate cash flows by collecting contractual cash flows, selling financial assets or both); and
- The contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss ("FVTPL"): (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated as at FVTPL:

- (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument are considered. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent to initial recognition, financial assets that are classified as measured at fair value through profit or loss are measured at fair value in the Consolidated Statement of Financial Position (with no deduction for sale or disposal costs). Gains and losses resulting from the movement in fair value are recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income.

Subsequent to initial recognition, financial assets that are measured at amortised cost require the use of the effective interest method and are subject to expected credit loss.

Taxation

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. Shortly after listing the Company received approval as an Investment Trust by HMRC. Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted at the date of the Consolidated Statement of Financial Position.

Taxation of subsidiary entities

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year. There is no tax payable at 31 December 2022. Taxable profit differs from profit as reported in the Statement of Profit or Loss and Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The

Company's liability for current taxes is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are 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 recognised.

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 recognised. Deferred tax is charged or credited to the Consolidated Statement of Profit or Loss and 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.

Segmental reporting

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

Income

Income includes investment interest income from financial assets at amortised cost, dividend income and bank interest income.

Investment interest income for the year is recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income using effective interest method calculation.

Dividend income is recognised when the right to receive it is established and is reflected in the Consolidated Statement of Profit or Loss and Comprehensive Income as Investment Income.

Bank interest income is recognised for the year in the Consolidated Statement of Profit or Loss and Comprehensive Income on an accrual basis.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Consolidated Statement of Profit or Loss and Comprehensive Income, all expenses are presented as revenue as it is directly attributable to the operations of the Group.

Details of the Group's fee payments to the Investment Adviser are disclosed in note 6 to the consolidated financial statements. Details of the Group's other expenses are disclosed in note 7 to the consolidated financial statements. These fees are presented under the revenue column in Consolidated Statement of Profit or Loss and Comprehensive Income.

Foreign currency

Transactions denominated in foreign currencies are translated into Sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Consolidated Statement of Profit or Loss and Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Capital account of the Consolidated Statement of Profit or Loss and Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term deposits with original maturities of three months or less.

Trade and other payables

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

Share capital and share premium

Ordinary Shares are classified as equity. Costs directly attributable to the issue of new shares (that would have been avoided if there had not been a new issue of new shares) are recognised against the value of the ordinary share premium account.

Repurchase of the Company's own shares are recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Expected credit loss allowance for financial assets measured at amortised cost

Many of the Group's investments are financial assets measured at amortised cost. These investments are structured as purchases of receivables or purchases of notes which have the right to receivables. The purchased receivables derive from energy services agreements for the provision of energy efficiency and/or renewable energy solutions provided by ESCOs to their corporate clients and these receivables provide a fixed return for the Group. The receivables are due to be received over a range of maturities from less than 12 months to more than fifteen years. Individual agreements provide for the receivables to be paid mostly on a monthly or quarterly basis.

Under the IFRS 9 expected credit loss model, expected credit losses are recognised at each reporting period, even if no actual loss events have taken place. In addition to past events and current conditions, reasonable and supportable forward-looking information that is available without undue cost or effort is considered in determining impairment, with the model applied to all financial instruments subject to impairment testing.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

Financial assets where 12-month expected credit losses are recognised are Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit-impaired are allocated to Stage 3. Stage 2 and Stage 3 are based on lifetime expected credit losses.

The measurement of expected credit loss, referred to as "ECL", is primarily based on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the EIR.

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation. This has been calculated by an external third-party credit rating agency using a wide range of parameters such as the company's financial statements and the macroeconomic environment. The external credit rating company have also designed a downside scenario based on historic data. Company financials are modified to reflect various factors leading to a deterioration in performance. An example of these factors is a significant decrease in GDP and profitability of the counterparty.
- The EAD represents the amounts the Group expects to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan ("Lifetime LGD").

LGD in the base case has been calculated based on the following assumptions:

1. For contracts, other than Superbonus investments, the Group has assumed that there is 90% probability that the business gets sold as a going concern if it were to enter into administration. If this happens, the Group has assumed that it would lose 3 months of revenue, representing the estimated number of months of missed payments before the Group take action before an administration commences. In such circumstances the Group do not assume any recovery from the administration proceeds. However, the Group assumed that the business continues to use and pay for the energy efficient solution for the remaining life of the investment but the Group would not recover the 3 months of lost payments. The Group assumed that there is a 10% probability that the business is not sold as a going concern and the asset is redeployed. If this happens, the Group assumed that it would take a 10% discount on the asset.
2. For the Superbonus projects, the Group has assumed that there is a 90% probability of the project completing and, if this happens, the Group can sell the tax credit asset at a 5% discount. If the project does not complete, the Group assume that there is a 10% discount. This reflects an assumption that the Group may have to pay for additional works which are not fully recoverable.

LGD in the downside case has been calculated based on the following assumptions:

1. For the contracts, other than Superbonus investments, the Group assumed that there is a 75% probability (versus 90% in the base case) that the business gets sold as a going concern. In this circumstance the Group assume that the lost revenue is the same as in the base case, i.e. 3 months of revenues. The Group assumed that there is a 25% probability that the business is not sold as a going concern and the asset is redeployed. If this happens, the Group has assumed that it will take a 20% discount on the asset as opposed to 10% in the base case.
2. For the Superbonus projects, the Group has assumed that there is an 80% probability of the project completing (versus 90% in the base case) and if this happens the Group will sell the asset at a 10% discount (the same as the base case). If the project does not complete, the Group assume that there is a 20% discount versus 10% in the base case.

These assumptions are judgemental, given the investments are relatively new. However, the Group expects that credit losses are likely to be less than in more conventional credit investments because the investments provide for "mission critical" energy related services at a lower cost than would be available from other sources were the equipment installed through our investments be withdrawn. In addition, rooftop Solar PV investments can in most circumstances export power to the grid if the onsite demand is not there or if there are payment issues. In these circumstances, which the Group would expect to be temporary in most cases, the achievable revenues may be lower than the contracted price (although in the current market conditions wholesale market prices for electricity may exceed prices negotiated with corporate clients. The other consideration is that the useful life of the assets financed by the Group's investments is longer than the contracted term of its investments. This means that there is the opportunity to recover investments over a longer period than the initial term.

The ECL is determined by estimating the PD, LGD, and EAD for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL. Management is aware that there is a high level of judgement in calculating the scenarios and the inputs given the assets are relatively recent with minimal historic data.

The main difference between Stage 1 and Stage 2 is the respective PD horizon. Stage 1 estimates use a maximum of a 12-month PD, while Stage 2 estimates use a lifetime PD. The main difference between Stage 2 and Stage 3 is that Stage 3 is effectively the point at which there has been a default event. For financial assets in Stage 3, entities continue to recognise lifetime ECL but now recognise interest income on a net basis.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

In assessing whether a counterparty has had a significant increase in credit risk the following indicators are considered:

1. Early signs of cashflow/liquidity problems such as delay in servicing of payables;
2. Significant increase in PD.

3. Actual or expected late payments or restructuring of payments due;
4. Actual or expected significant adverse change in operating results of the borrower, where this information is available; and
5. Significant adverse changes in business, financial and/or economic conditions in which the counterparty operates.

However, as a backstop, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when repayments are more than 30 days past due. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Group uses this 90-day backstop for all its assets. Assets can move in both directions through the stages of the impairment model.

The Group recognise that individual credit exposures, which define the Group's investments, are different from, for example, consumer mortgage or consumer car loan portfolios. Late payments can arise due to the corporate counterparties refusing to utilise direct debit or standing order payment processes with the result that payment chasing can be required for relatively small amounts, e.g. lighting service contracts. Accordingly, the Group does expect that in certain cases late payments may not lead to movements through the ECL stages.

4 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Fair value measurements

IFRS 13 requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the following 3 levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Group's investments held is detailed in the table below:

Group	31 December 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss	-	-	11,742	11,742
Derivative financial instrument	-	(856)	-	(856)
	-	(856)	11,742	10,886

There are no transfers between investment levels for the Group during the year.

The classification of the Company's investments held is detailed in the table below:

Company	31 December 2022				31 December 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in subsidiaries	-	-	31,220	31,220	-	-	12,307	12,307
	-	-	31,220	31,220	-	-	12,307	12,307

There are no transfers between investment levels for the Company during the year.

The movement on the Level 3 unquoted investments of the Group during the year is shown below:

	31 December 2022 £'000
Opening balance	-
Additions during the year	10,926
Disposals during the year	(43)
Unrealised gain on investments	859
Closing balance	11,742

The movement on the Level 3 unquoted investments of the Company during the year is shown below:

	31 December 2022 Company £'000	31 December 2021 Company £'000
Opening balance	12,307	-
Additions during the year/period	16,769	12,324
Unrealised gain/(loss) on investments	2,144	(17)
Closing balance	31,220	12,307

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 31 December 2022 but for which fair value is disclosed:

	Carrying Value £'000	Fair Market Value £'000

Assets		
Investments at amortised cost	38,550	38,755
Total	38,550	38,755

For all other assets and liabilities not carried at fair value, the carrying value is a reasonable approximation of fair value.

Valuation Methodology

Debt instruments at fair value through profit or loss

The Group through its subsidiary (AHL) and its notes in the Italian SPV has continued to acquire debt instruments at fair value through profit or loss. The Investment Adviser has determined the fair value of debt investments as at 31 December 2022. The Directors have satisfied themselves as to the fair value of the debt instrument investments as at 31 December 2022.

Valuation Assumptions

The Investment Adviser has carried out fair market valuations on some of the Debt instruments held by the subsidiaries as at 31 December 2022 and the Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. Investments that are valued at fair value through profit or loss are valued using the IFRS 13 framework for fair value measurement. The following economic assumptions were used in the valuation of the investments.

Valuation Assumptions

Discount rates	The discount rate used in the valuations is derived according to internationally recognised methods. Typical components of the discount rate are risk free rates, country-specific and asset-specific risk premia. The latter comprise the risks inherent to the respective asset class as well as specific premia for other risks such as development and construction.
Power price	Power prices are based on power price forecasts from leading market analysts. The forecasts are independently sourced from a provider with coverage in almost all European markets as well as providers with regional expertise.
Energy yield	Estimated based on third party energy yield assessments campaigns as well as operational performance data (where applicable) by taking into account regional expertise of a second analyst.
Inflation rates	Long-term inflation is based on central bank targets for the respective jurisdiction.
Capital expenditure	Based on the contractual position (e.g. engineering, procurement and construction agreement), where applicable.

Valuation Sensitivities

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 remains static throughout the modelled life.

The Net Asset Value impacts from each sensitivity is shown below.

Discount rates

The Discounted Cash Flow ("DCF") valuation of the investments which are held at fair value represents one component of the Net Asset Value of the Group and the key sensitivities are considered to be the discount rate used in the DCF valuation and assumptions.

The weighted average valuation discount rate applied to calculate the investment valuation is 8.3% at 31 December 2022. An increase or decrease in this rate by 0.5% at investment level has the following effect on valuation.

	-0.5%	+0.5%
	Change	Change
Discount rate	(£'000)	(£'000)
Valuation as of 31 December 2022	(488)	512

Power price

Long term power price forecasts are provided by leading market consultants and are updated quarterly. The sensitivity below assumes a 10% increase or decrease in merchant power prices relative to the base case for every year of the asset life. The sensitivity considers a flat 10% movement in power prices for all years, i.e. the effect of adjusting the forecast electricity price assumptions in each of the jurisdictions applicable to the investments down by 10% and up by 10% from the base case assumptions for each year throughout the operating life of the investment.

A change in the forecast electricity price assumptions by plus or minus 10% has the following effect on valuation, as shown below.

	-10.0%	+10.0%
	Change	Change
Power price	(£'000)	(£'000)
Valuation as of 31 December 2022	(542)	547

Energy yield

The base case assumes a "P50" level of output. The P50 output is the estimated annual amount of electricity generation (in MWh) that has a 50% probability of being exceeded both in any single year and over the long term and a 50% probability of being under achieved. Hence the P50 is the expected level of generation over the long term. The sensitivity illustrates the effect of a 10% lower annual production (a downside case) and a 10% higher annual production (upside case). The sensitivity is applied throughout the whole term of the projects.

The table below shows the sensitivity of the project values to changes in the energy yield applied to cash flows from project as explained above.

	-10.0%	+10.0%
	Change	Change
Energy yield	(£'000)	(£'000)
Valuation as of 31 December 2022	(1,570)	1,866

Inflation rates

As most payments are fixed and not linked to the inflation rate, a sensitivity of the inflation rate has only a negligible impact on the NAV.

Capital expenditure

The Company has contractual protections if capex is delayed (i.e. reduce the capex or increase receivables due) and the Company is not obliged to fund the overrun costs. Therefore, capex sensitivities are not appropriate for the Company's type of investments.

Investments at Amortised Cost

a) Investments at amortised cost

The disclosure below presents the gross carrying value of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Please see Note 3 for more detail on the allowance for Expected Credit Loss ("ECL") where the Group has classified the investment portfolio according to stages.

The following table analyses loans by staging for the Group as at 31 December 2022:

31 December 2022

Group	Gross Carrying Amount	Allowance for ECL	Net Carrying Amount
	£'000	£'000	£'000
Fixed Value Investments at amortised cost			
Stage 1	37,735	(77)	37,658
Stage 2	951	(59)	892
Total Assets	38,686	(136)	38,550

b) Expected Credit Loss allowance for IFRS 9

Impairment Provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition.

The following table analyses Group ECL by stage.

Group	2022
	£'000
At 1 January 2022	-
Charge for the period – Stage 1	77
Charge for the period – Stage 2	59
Allowance for ECL at 31 December 2022	136

Measurement uncertainty and sensitivity analysis of ECL

The recognition and measurement of ECL is complex and involves the use of judgement and estimation. This includes the formulation and incorporation of multiple forward- looking economic conditions into ECL to meet the measurement objective of IFRS 9.

The ECL recognised in the financial statements reflect the effect on expected credit losses of two possible outcomes, calculated on a probability- weighted basis, based on the economic scenarios described in Note 3 to the financial statements, including management overlays where required. The probability-weighted amount is typically a higher number than would result from using only the Base (most likely) case scenario. ECLs typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce defaults as much as less favourable macroeconomic factors increase defaults. The ECL calculated for each of the Base and Downside scenarios represent the two outcomes that have been evaluated to estimate ECL. As a result, the ECL calculated for the Base and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. There is a high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100 per cent% weight. A wider range of possible ECL outcomes reflects uncertainty about the distribution of economic conditions and does not necessarily mean that credit risk on the associated loans is higher than for loans where the distribution of possible future economic conditions is narrower.

In the Base case scenario, the ECL at year end is £91,790. In the Downside case scenario the ECL increases to £268,110. Giving the Base case scenario a 75% weighting and the Downside case scenario a 25% weighting, this results in an ECL provision in the accounts of £135,874.

Furthermore, if the Group assumes that in the Downside case scenario LGD increased to 100%, this would increase the provision to £486,341. Finally using an LGD of 100% in both the Base case and Downside case scenario, the maximum ECL would total £2,646,060.

5 INVESTMENT INCOME

Group	For the year ended 31 December 2022 £'000	For the period from 9 April 2021 (date of incorporation) to 31 December 2021 £'000
Investment interest income	1,646	36
Bank interest income	551	55
Total Investment Income	2,197	91

Company	For the year ended 31 December 2022 £'000	For the period from 9 April 2021 (date of incorporation) to 31 December 2021 £'000
Investment interest income	235	36
Bank interest income	462	55
Total Investment Income	697	91

6 INVESTMENT ADVISORY FEES

Group	For the year ended 31 December 2022			For the period from 9 April 2021 (date of incorporation) to 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment Advisory fees	615	-	615	77	-	77

Company	For the year ended 31 December 2022			For the period from 9 April 2021 (date of incorporation) to 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment Advisory fees	615	-	615	77	-	77

Under the Investment Advisory Agreement, the following fee is payable to the Investment Adviser:

- (i) 0.95 per cent. per annum of Committed Capital of the Company up to and including £500 million; and
- (ii) 0.75 per cent. per annum of Committed Capital of the Company above £500 million.

7 OTHER EXPENSES

Group	For the year ended 31 December 2022			For the period from 9 April 2021 (date of incorporation) to 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Secretary and administrator fees	319	-	319	108	-	108
Tax compliance	37	-	37	13	-	13
Directors' fees	143	-	143	111	-	111
Broker's fees	61	-	61	30	-	30
Auditors' fees	227	-	227	119	-	119
AIFM fees	98	-	98	51	-	51
Registrar's fees	16	-	16	13	-	13
Marketing fees	107	-	107	58	-	58
FCA and listing fees	17	-	17	12	-	12
Investment expenses	222	-	222	-	-	-
Legal fees	365	-	365	-	-	-
Other expenses	174	-	174	72	-	72
Total other expenses	1,786	-	1,786	587	-	587

	For the year ended 31 December 2022			For the period from 9 April 2021 (date of incorporation) to 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Company						
Secretary and administrator fees	233	-	233	108	-	108
Tax compliance	37	-	37	13	-	13
Directors' fees	108	-	108	111	-	111
Broker's fees	61	-	61	30	-	30
Auditor's fees	227	-	227	119	-	119
AIFM fees	98	-	98	51	-	51
Registrar's fees	16	-	16	13	-	13
Marketing fees	107	-	107	58	-	58
FCA and listing fees	17	-	17	12	-	12
Legal fees	351	-	351	-	-	-
Other expenses	120	-	120	72	-	72
Total other expenses	1,375	-	1,375	587	-	587

For the year to 31 December 2022, the statutory audit fees to the Company's auditors and its associates for the audit of the Company and consolidated financial statements was £187,000 (2021: £99,000) excluding VAT. The audit fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries is £16,000 (2021: £10,000) excluding VAT.

For the period from 9 April 2021 (date of incorporation) to 31 December 2021, the auditors received a fee of £109,200 (including VAT of £18,200) for non-audit reporting accountant services in relation to the Company's IPO, which have been treated as a capital expense and included in 'share issue costs' disclosed in the Statement of Changes in Equity. There are no non-audit services in relation to the current year.

8 TAXATION

(a) Analysis of charge in the year/period

	For the year ended 31 December 2022			For the period from 9 April 2021 (date of incorporation) to 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Group						
Corporation tax	-	-	-	-	-	-
Taxation	-	-	-	-	-	-

	For the year ended 31 December 2022			For the period from 9 April 2021 (date of incorporation) to 31 December 2021		
	£'000	£'000	£'000	£'000	£'000	£'000
Company						
Corporation tax	-	-	-	-	-	-
Taxation	-	-	-	-	-	-

(b) Factors affecting total tax charge for the year/period

The effective UK corporation tax rate applicable to the Group for the year is 19% (2021: 19%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company.

The differences are explained below:

Group	For the year ended 31 December 2022			For the period ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(Loss) on ordinary activities before taxation	(340)	477	137	(573)	(46)	(619)
Corporation tax at 19%	(65)	91	26	(109)	(9)	(118)
Effects of:						
Unutilised management expenses	65	-	65	109	-	109
(Gain)/loss on investments not taxable	-	(91)	(91)	-	9	9
Total tax charge for the year/period	-	-	-	-	-	-

Company	For the year ended 31 December 2022			For the period ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on ordinary activities before taxation	(1,293)	2,045	752	(573)	(46)	(619)
Corporation tax at 19%	(246)	389	143	(109)	(9)	(118)
Effects of:						
Unutilised management expenses	246	-	246	109	-	109
Gain on investments not taxable	-	(389)	(389)	-	9	9
Total tax charge for the year/period	-	-	-	-	-	-

Investment companies which have been approved by the HM Revenue & Customs under section 1158 of the Corporation Tax Act 2010 are exempt from tax on capital gains. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation of investments.

9. RETURN PER ORDINARY SHARE

Group

Return per share is based on the consolidated profit for the year of £137,000 attributable to the weighted average number of Ordinary Shares in issue 100,000,000 in the year to 31 December 2022 (2021: Company loss of £619,000; weighted average number of Ordinary Shares in issue 79,699,248). Consolidated revenue loss and capital gains are £340,000 (2021: Company revenue loss of £573,000) and £477,000 (2021: Company capital loss of £46,000) respectively.

Company

Return per share is based on the gain for the year of £752,000 attributable to the weighted average number of Ordinary Shares in issue 100,000,000 in the year to 31 December 2022 (2021: Company loss of £619,000; weighted average number of Ordinary Shares in issue 79,699,248). Company revenue loss and capital gain are £1,293,000 (2021: Company revenue loss of £573,000) and £2,045,000 (2021: Company capital loss of £46,000) respectively.

10. TRADE AND OTHER RECEIVABLES

As at 31 December 2022		As at 31 December 2021	
Company £'000	Group £'000	Company £'000	Group £'000

Intercompany receivable	32,966	-	5,170	5,170
Trade and other receivables	33	70	104	104
Total	32,999	70	5,274	5,274

The intercompany balances are receivables from the Company's subsidiary, AHL. The amount is non-interest bearing and payable on demand.

11. CREDITORS: AMOUNTS FALLING DUE IN ONE YEAR

	As at 31 December 2022		As at 31 December 2021	
	Company	Group	Company	Group
	£'000	£'000	£'000	£'000
Accrued expenses	867	892	329	329
Unsettled payment of notes purchased	177	-	-	-
Other creditors	6	12	-	-
Total	1,050	904	329	329

12. SHARE CAPITAL

	As at 31 December 2022		As at 31 December 2021	
	No. of shares	£'000	No. of shares	£'000
Allotted, issued and fully paid:				
Ordinary Shares of 1p each ('Ordinary Shares')	100,000,000	1,000	100,000,000	1,000
Total	100,000,000	1,000	100,000,000	1,000

On incorporation, the issued share capital of the Company was 1 ordinary share of £0.01 issued to the subscriber to the Company's memorandum. The Company's issued share capital was increased by £50,000 represented by 50,000 Management Shares of nominal value £1.00 each, which were subscribed for by the Investment Adviser. Following admission, the Management Shares were redeemed by the holder.

On incorporation 2 June 2021, 99,999,999 Ordinary Shares were allotted and issued to Shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 10 May 2021.

For the year ended 31 Dec 2022	Shares in issue at the beginning of the year	Shares subscribed	Shares in issue at the end of the year
Management shares	-	-	-
Ordinary shares	100,000,000	-	100,000,000

For the period from 9 April 2021 to 31 December 2021	Shares in issue at the beginning of the period	Shares subscribed	Shares in issue at the end of the period
Management shares	-	-	-
Ordinary shares	-	100,000,000	100,000,000

13. SPECIAL RESERVE

As indicated in the Company's prospectus dated 10 May 2021, following admission of the Company's Ordinary Shares to trading on the London Stock Exchange, the Directors applied to the Court and obtained a judgement on 12 August 2021 to cancel the amount standing to the credit of the share premium account of the Company. The amount of the share premium account cancelled and credited to a special reserve was £97,000,000. As at 31 December 2022 the total special reserves were £94,750,000 (2021: £97,000,000).

14. NET ASSETS PER ORDINARY SHARE

The Group's net assets per ordinary share as at 31 December 2022 is based on £95,227,000 (2021: £97,381,000) of net assets of the Group attributable to the 100,000,000 Ordinary Shares in issue as at 31 December 2022 (2021: 100,000,000).

The Company's net assets per ordinary share as at 31 December 2022 is based on £95,883,000 (2021: £97,381,000) of net assets of the Company attributable to the 100,000,000 Ordinary Shares in issue as at 31 December 2022 (2021: 100,000,000).

15. DIVIDEND

The Company has paid the following interim dividends in respect of the year under review:

	For the year ended 31 December 2022		For the period from 9 April 2021 to 31 December 2021	
	Pence per Ordinary Share	Total £'000	Pence per Ordinary Share	Total £'000
Total dividends paid in the year				
30 June 2022 interim – Paid 31 October 2022	1.00p	1,000	-	-
30 September 2022 interim – Paid 9 December 2022	1.25p	1,250	-	-
Total	2.25p	2,250	-	-

The dividend relating to the year ended 31 December 2022, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

	For the year ended 31 December 2022		For the period from 9 April 2021 to 31 December 2021	
	Pence per Ordinary Share	Total £'000	Pence per Ordinary Share	Total £'000
Total dividends declared in the year/period				
30 June 2022 interim – Paid 31 October 2022	1.00p	1,000	-	-
30 September 2022 interim – Paid 9 December 2022	1.25p	1,250	-	-
31 December 2022 interim – Paid 20 March 2023*	1.25p	1,250	-	-
Total	3.50p	3,500	-	-

*Not included as a liability in the year ended 31 December 2022 financial statements.

16. FINANCIAL RISK MANAGEMENT

The Investment Adviser, AIFM and the Administrator report to the Board on a quarterly basis and provide information to the Board which allows it to monitor and manage financial risks relating to the Group's operations. The Group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. These risks are monitored by the AIFM. Each risk and its management are summarised below.

(i) Currency risk

Foreign currency risk is defined as the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The Group's and the Company's financial assets and liabilities are denominated in GBP and EUR and substantially all of its revenues and expenses are in GBP and EUR. The Group's and the Company is therefore exposed to foreign currency risk.

For any non-base currency assets, the Investment Adviser can use forward foreign exchange contracts to seek to hedge up to 100% of non-GBP exposure.

The Company does not intend to use hedging or derivatives for investment purposes but may use derivative instruments such as forwards, options, future contracts and swaps to hedge currency, inflation, interest rates, commodity prices and/or electricity prices.

With many of its investment assets held in euros, the Group uses a series of regular forward foreign exchange contracts to provide a level of protection against movement in the sterling exchange rate. Under these arrangements the Group is required to provide £5 million in cash as collateral for these forward foreign exchange contracts. Following the failure of the Continuation vote the Group is currently reviewing the strategic options for realising value for Shareholders. The Board will consider the appropriateness of the current hedging arrangements and the cash collateral as part of the review of strategic options and in light of the cash requirements of the Group.

The currency profile of the Group as at 31 December 2022 is as follows:

	31 December 2022			31 December 2021		
	GBP	EUR	Total	GBP	EUR	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Cash and cash equivalents	37,444	9,181	46,625	79,743	386	80,129
Trade and other receivables	33	37	70	5,238	36	5,274
Investments	4,306	45,986	50,292	-	12,307	12,307
Total assets	41,783	55,204	96,987	84,981	12,729	97,710
Liabilities						
Creditors	(900)	(4)	(904)	(329)	-	(329)
Derivative financial instruments	(856)	-	(856)	-	-	-
Total liabilities	(1,756)	(4)	(1,760)	(329)	-	(329)

If the value of Sterling against Euro increased or decreased by 10% (2021: 10%), if all other variables remained constant, the NAV of the Group would increase or decrease by £5,520,000 (2021: £1,279,000).

The currency profile of the Company as at 31 December 2022 is as follows:

	31 December 2022			31 December 2021		
	GBP £'000	EUR £'000	Total £'000	GBP £'000	EUR £'000	Total £'000
Assets						
Cash and cash equivalents	32,169	545	32,714	79,743	386	80,129
Interest income receivable	16,371	16,595	32,966	5,170	-	5,170
Prepayments and other receivables	33	-	33	68	36	104
Investments	-	31,220	31,220	-	12,307	12,307
Total assets	48,573	48,360	96,933	84,981	12,729	97,710
Liabilities						
Creditors	(1,050)	-	(1,050)	(329)	-	(329)
Total liabilities	(1,050)	-	(1,050)	(329)	-	(329)

If the value of the Sterling against Euro increased or decreased by 10% (2021: 10%), if all other variables remained constant, the NAV of the Group would increase or decrease by £4,836,000 (2021: ££1,279,000).

(ii) Interest rate risk

The Group's interest rate risk on interest bearing financial assets is limited to interest earned on cash and investments. The interest rates of investments held at amortised cost are fixed therefore the interest rate risk is minimal. Investments held at fair value through profit or loss have variable returns based on e.g. power production levels and not on variability in interest rates.

The Group's interest rate risk on interest bearing financial assets is limited to interest earned on cash and investments. The interest rates of investments are fixed therefore the interest rate risk is minimal.

The Group's interest and non-interest bearing assets and liabilities as at 31 December 2022 are summarised below:

	31 December 2022			31 December 2021		
	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
Assets						
Cash and cash equivalents	44,854	1,771	46,625	38,055	42,074	80,129
Trade and other receivables	-	70	70	-	5,274	5,274
Investments	38,550	11,742	50,292	12,154	153	12,307
Total assets	83,404	13,583	96,987	50,209	47,501	97,710
Liabilities						
Creditors	-	(904)	(904)	-	(329)	(329)
Derivative financial instruments	-	(856)	(856)	-	-	-
Total liabilities	-	(1,760)	(1,760)	-	(329)	(329)

The Company's interest and non-interest bearing assets and liabilities as at 31 December in each reporting period are summarised below:

	31 December 2022			31 December 2021		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
Assets	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	31,174	1,540	32,714	38,055	42,074	80,129
Trade and other receivables	-	33	33	-	-	-
Intercompany receivable	-	32,966	32,966	-	5,274	5,274
Investments	31,220	-	31,220	12,154	153	12,307
Total assets	62,394	34,539	96,933	50,209	47,501	97,710
Liabilities						
Creditors	-	(1,050)	(1,050)	-	(329)	(329)
Total liabilities	-	(1,050)	(1,050)	-	(329)	(329)

(iii) Price risk

Price risk is defined as the risk that the fair value of a financial instrument held by the Group will fluctuate. As of 31 December 2022 the Group held investments at fair value through profit or loss with an aggregate fair value of £11,742,000 (2021: £12,307,000). All other things being equal, the effect of a 10% increase or decrease in the prices of the investments held at the year-end would have been an increase or decrease of £1,174,000 (2021: £1,231,000) in the profit after taxation for the year ended 31 December 2022 and the Group's net assets at 31 December 2022. The sensitivity of the investment valuation due to price risk is shown further in note 4.

As of 31 December 2022 the Company held investments at fair value through profit or loss with an aggregate fair value of £31,220,000 (2021: £12,307,000). All other things being equal, the effect of a 10% increase or decrease in the prices of the investments held at the year-end would have been an increase or decrease of £3,122,000 (2021: £1,231,000) in the profit after taxation for the year ended 31 December 2022 and the Company's net assets at 31 December 2022.

(iv) Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfil its contractual obligations. The Group and the Company is exposed to credit risk in respect of the investments valued at amortised cost, interest income receivable and other receivables and cash at bank. The Group and the Company's credit risk exposure is minimised by dealing with financial institutions with investment grade credit ratings.

Continued monitoring of the investments and the counterparties/ service providers, including the use of credit rating data providers, allows the Investment Adviser to identify and address these risks early. Where possible, the Investment Adviser seeks to mitigate credit risks by the counterparty having the opportunity to sell electricity to the grid or other customers. The Investment Adviser also seeks to structure investments whereby contracts can be adapted/extended to accommodate periods of payment defaults. Diversification of counterparties and service providers ensures any impact is limited. In addition, a diversified portfolio provides further mitigation.

The table below shows the cash balances of the Group and the Company as well as the credit rating for each counterparty:

	Rating	As at 31 December 2022		As at 31 December 2021	
		Company £'000	Group £'000	Company £'000	Group £'000
Goldman Sachs-Liquid reserve fund	AAA-S&P Rating	7,752	7,752	25,000	25,000
EFG Deposit account	A / F1-Fitch Rating	23,904	23,957	38,055	38,055
Royal Bank of Scotland International	A- S&P Rating	1,058	6,314	17,074	17,074

Bank of New York Mellon	AA- Fitch Rating	-	8,602	-	-
		32,714	46,625	80,129	80,129

The table below shows the investment balances of the Group as well as the credit rating for each counterparty:

Group	As at 31 December 2022
A	4,138
B	33,521
C	891
D	-
	38,550

The Group and the Company classified each project using a certain credit risk band. Listed below are the conversion methodology used:

Credit risk band	Corresponding S&P rating range
A	AAA to A-
B	BBB+ to B
C	CCC to CC
D	Default

(v) Liquidity risks

Liquidity risk is the risk that the Company may not be able to meet a demand for cash or fund an obligation when due. The Investment Adviser, AIFM and the Board continuously monitor forecast and actual cashflows from operating, financing and investing activities to consider payment of dividends or further investing activities.

The financial liabilities by maturity of the Group at the year-end are shown below:

	31 December 2022				31 December 2021			
	Less than 1 year	1-2 years	2-5 years	Total	Less than 1 year	1-2 years	2-5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities								
Creditors	(904)	-	-	(904)	(329)	-	-	(329)
Derivative financial instruments	(856)	-	-	(856)	-	-	-	-
	(1,760)	-	-	(1,760)	(329)	-	-	(329)

The financial liabilities by maturity of the Company at the year-end are shown below:

	31 December 2022				31 December 2021			
	Less than 1 year	1-2 years	2-5 years	Total	Less than 1 year	1-2 years	2-5 years	Total

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities								
Creditors	(1,050)	-	-	(1,050)	(329)	-	-	(329)
	(1,050)	-	-	(1,050)	(329)	-	-	(329)

As at 31 December 2022, the Group has total commitments of £35.45 million to its investments which are unfunded.

Capital management

The Company considers its capital to comprise ordinary share capital, distributable reserves and retained earnings. The Company is not subject to any externally imposed capital requirements.

The Company's primary capital management objectives are to ensure the sustainability of its capital to support continuing operations, meet its financial obligations and allow for growth opportunities. Generally, acquisitions are anticipated to be funded by a combination of current cash and equity.

17. RELATED PARTY TRANSACTIONS

Fees payable to the Investment Adviser are shown in the Consolidated Statement of Profit or Loss and Comprehensive Income. As at 31 December 2022, the fee outstanding to the Investment Adviser was £463,000 (2021: £77,000).

On 1 January 2022, the Company acquired the Net Assets of £153,000 of its wholly owned subsidiary AHL. On the same date, the Company also acquired the Net Liabilities of £170,000 of its wholly owned entity, Italian SPV. Both AHL and Italian SPV assets and liabilities are consolidated by the Company effective 1 January 2022. All intercompany transactions between the subsidiaries and the Company are eliminated at the consolidation level.

Total Directors' fees paid during the year are as follows:

	Date of appointment to the Board	Fees for the year ended 31 December 2022 ¹ (£)	Fees from IPO on 7 May 2021 to 31 December 2021 ¹ (£)
Miriam Greenwood	19 April 2021	57,585	35,679
Nicholas Bliss	9 April 2021	42,226	24,003
Lisa Arnold ²	9 April 2021	3,231	27,246
Laura Sandys ²	9 April 2021	3,231	24,003
David Fletcher	29 April 2022	30,557	n/a
Janine Freeman	2 November 2022	6,642	n/a
Total		143,472	110,931

There are no outstanding Directors' fees at year end.

¹ Including fees in respect of directorships in AHL.

² Resigned on 28 January 2022.

Directors' holdings

At 31 December 2022 and at the date of this report the Directors had the following holdings in the Company. There is no requirement for Directors to hold shares in the Company. All holdings were beneficially owned.

	As At 31 December 2022			As At 31 December 2021		
	Shares	Connected Person	Total	Shares	Connected Person	Total
Miriam Greenwood	24,000	-	24,000	24,000	-	24,000
David Fletcher	41,785	13,951	55,736*	N/A	N/A	N/A
Nicholas Bliss	20,000	-	20,000	20,000	-	20,000
Janine Freeman	-	-	-	N/A	N/A	N/A
Lisa Arnold	N/A	N/A	N/A	20,100	-	20,100
Laura Sandys	N/A	N/A	N/A	15,000	-	15,000

**Following the year-end, Mr Fletcher's shareholding (directly and indirectly through a connected person) was increased to 56,606, following the dividend re-investment scheme of Mr Fletcher and his wife's respective investment plans.*

The following table shows the subsidiaries of the Company. Please refer to note 2; these subsidiaries have been consolidated in the preparation of the financial statements.

Subsidiary entity name and registered address	Effective ownership	Investment	Country of incorporation
Attika Holdings Limited Leaf B, 20th Floor, Tower 42, Old Broad Street, London, England, EC2N 1HQ	100%	HoldCo Subsidiary entity, owns underlying investments	United Kingdom
SPV Project 2013 S.r.l. Via Vittorio Betteloni, 2 20131, Milan, Italy	100% of the notes of one compartment	Special purpose entity, owns underlying investments	Italy

Company related party transactions

As at 31 December 2022, the Company has an intercompany receivable from AHL in the amount of £32,966,000 (2021: £5,170,000). The amount is non-interest bearing and payable on demand.

As at 31 December 2022, the Company has a total of £31,220,000 (2021: £12,307,000) notes at fair value through profit or loss in the Italian SPV.

18. DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of the special reserve and revenue reserve. Capital reserve represents unrealised investments as such is not distributable.

The revenue reserve is distributable. The amount of the revenue reserve that is distributable is not necessarily the full amount of the reserve as disclosed within these financial statements. As at 31 December 2022, the Company has no distributable revenue reserves as the Company is in a loss position of £1,866,000 (2021: Loss of £573,000).

The Company's special reserve, which is also distributable, was £94,750,000 as at 31 December 2022 (2021: £97,000,000).

19. SUBSEQUENT EVENTS

On 28 February 2023 at a meeting of shareholders the resolution regarding the continuation of the Company was not approved.

ALTERNATIVE PERFORMANCE MEASURES OF THE GROUP

OTHER INFORMATION (UNAUDITED)

In reporting financial information, the Company presents alternative performance measures, “APMs”, which are not defined or specified under the requirements of IFRS. The Company believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the Company. The APMs presented in this report are shown below:

(Discount)/Premium

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per Ordinary Share.

		Page	As at 31 December 2022	As at 31 December 2021
NAV per Ordinary Share (pence)	a	3	95.23	97.38
Share price (pence)	b	3	71.00	95.75
Discount	(b÷a)-1		(25.4%)	(1.7%)

Ongoing charges

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

		Page	As at 31 December 2022	As at 31 December 2021
Average NAV	a	n/a	96,561	97,381
Annualised expenses	b	n/a	2,537 ¹	911 ^{1,2}
Ongoing charges	(b÷a)		2.6%	0.9%

¹ figure includes Investment Advisory fees and Other expenses as disclosed in the Consolidated Statement of Profit or Loss and Comprehensive Income.

² pro-rated based on the total number of days per year over the number of days from date of incorporation: £664,000 x 365 days/266 days.

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into the Ordinary Shares of the Company on the ex-dividend date.

31 December 2022		Page	Share price	NAV
Opening at 1 January 2022 (pence)	a	n/a	95.75	97.38
Dividend adjustment	b		2.25	2.25
Closing at 31 December 2022 (pence)	c	3	71.00	95.23
Total return	((c+b)÷a)-1		(23.5%)	0.1%

31 December 2021		Page	Share price	NAV
Opening at 2 June 2021 (cents)	a	n/a	100.00	98.00
Closing at 31 December 2021 (cents)	b	3	95.75	97.38
Total return	(b÷a)-1		(4.3%)	(0.6%)

n/a = not applicable

GLOSSARY

AIC	Association of Investment Companies.
Alternative Investment Fund or “AIF”	An investment vehicle under AIFMD. Under AIFMD (see below) Aquila Energy Efficiency Trust Plc is classified as an AIF.
Alternative Investment Fund Managers Directive or “AIFMD”	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or “AGM”	A meeting held once a year which Shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
the Company	Aquila Energy Efficiency Trust Plc.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
EMEA	Europe, the Middle East and Africa.
ESCO	Energy Service Company.
EU	European Union.
Financial Conduct Authority or “FCA”	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing. See also “leverage” below.
Gearing effect	The effect of borrowing on a company’s returns.
General Meeting “GM”	A meeting which Shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Gross Asset Value	The sum of the value of the assets a company owns.
GWh	Gigawatt hour.
The Holdco	Attika Holdings Limited (“AHL” or “Attika”).
IEA	International Energy Agency.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.

IPO	Initial Public Offering.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
IRR	Internal rate of return.
Leverage	An alternative word for “Gearing”. Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of a company’s positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which investments can be sold at short notice.
Net assets or net asset value ('NAV')	An investment company’s assets less its liabilities.
NAV per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ongoing charges	A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets.
Ordinary Shares	The Company’s ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to Shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Share buyback	A purchase of a company’s own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Total return	A measure of performance that takes into account both income and capital returns. This may take into account capital gains, dividends, interests and other realised variables over a given period of time.

COMPANY INFORMATION

Directors (all non-executive)

Miriam Greenwood OBE DL (Chair)
Nicholas Bliss
David Fletcher
Janine Freeman
Lisa Arnold (resigned on 28 January 2022)
Laura Sandys (resigned on 28 January 2022)

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ANNUAL REPORT 2022

Read more about our
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www.aquila-capital.de/esg/



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