AQUILA CAPITAL

AQUILA ENERGY EFFICIENCY TRUST PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

INVESTING WITH IMPACT
ANNUAL REPORT 2023

AQUILA CAPITAL

Contents

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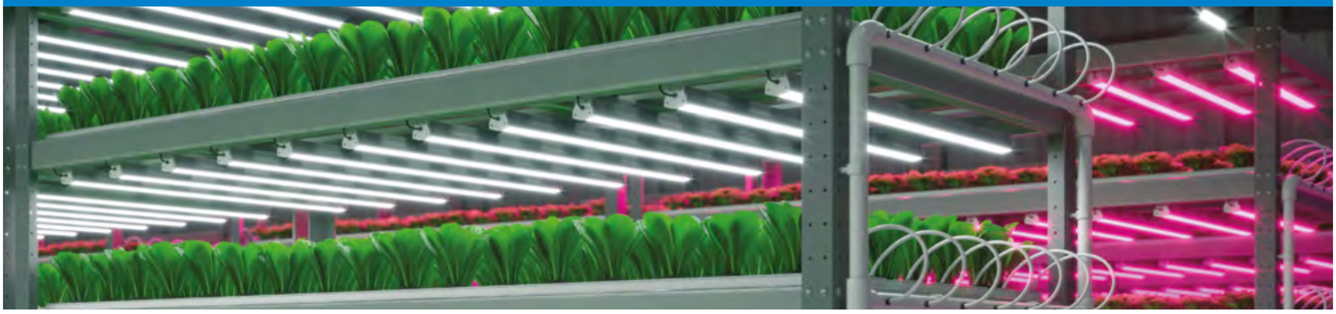
www.aquila-energy-efficiency-trust.com

Investment Objective

FURTHER TO THE ADOPTION OF A NEW INVESTMENT POLICY AT THE 2023 AGM, AQUILA ENERGY EFFICIENCY TRUST PLC IS BEING MANAGED WITH THE INTENTION OF REALISING ALL REMAINING ASSETS IN THE PORTFOLIO IN A PRUDENT MANNER CONSISTENT WITH THE PRINCIPLES OF GOOD INVESTMENT MANAGEMENT AND WITH A VIEW TO RETURNING CASH TO SHAREHOLDERS IN AN ORDERLY MANNER.



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 2023 the Company's share capital comprised 100,000,000 ordinary shares of £0.01 each ("Ordinary Shares") (31 December 2022: 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 figures)

Financial information	As at 31 December 2023	As at 31 December 2022
NAV per Ordinary Share (pence)[1]	94.28	95.23
Ordinary Share price (pence)	57.25	71.00
Ordinary Share price discount to NAV[1] (%)	(39.3)	(25.4)
Dividends per Ordinary Share (pence)[2]	–	3.5
Net assets (in £ million)	94.28	95.23
Ongoing charges[1] (%)	3.5	2.6

Performance summary	% change	% change
NAV total return per Ordinary Share[2]	0.3	0.1
Share price total return per Ordinary Share[1,2]	(17.6)	(23.5)

1 These are Alternative Performance Measures ("APMs") for the year ended 31 December 2023. Definitions of these APMs and other performance measures used, together with how these measures have been calculated, are on page 99.
2 Including dividends declared relating to the year under review.

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 2023.

Investment Performance

The Company's NAV at 31 December 2023 was £94.28 million (£95.23 million as at 31 December 2022). The principal change in the NAV was caused by the payment of a dividend of £1.25 million on 20 March 2023 in respect of the quarter ended 31 December 2022. The Company declared no dividends in respect of the quarter periods in 2023 and the Company's share price, in the context of the failure of the Continuation Vote on 28 February 2023 and the subsequent successful combined Continuation Managed Run-Off Resolution on 14 June 2023, traded at a significant discount to NAV over the year to 31 December 2023 resulting in a share price total return of minus 17.6%.

As at 31 December 2023, the Company had investments of £65.48 million and legal contractual obligations to fund committed investments of £5.58 million. During the year, due to the Managed Run-Off status of the Company, relationships have become strained with some of the Energy Services Companies ("ESCOs") which have been the intermediaries to the Company's investments. If these relationships deteriorate further there may need to be additional impairment to the value of some of the Company's investments. Meanwhile, the Investment Adviser continues to monitor the performance of the Company's investments closely.

In light of the successful Continuation Managed Run-Off Resolution, the Board has been working with its financial advisers to ensure that the Company is in a position to present Shareholders with a proposal to return cash. This has been a complex process and I will discuss this in some detail later in my letter. We have, however, operated during the year with the principal intention to preserve cash. This has resulted in decisions not to proceed (where it was legally possible) with £14.6 million of potential investments. This has left only £5.58 million to be invested, the majority of which was deployed by the end of April 2024.

The difficulty of ensuring a return of capital from assets that are individually small in size, geographically spread, contractually complex and in many instances of a long maturity should not be underestimated. Our advisers have run an extensive process to seek offers from market participants for the portfolio of assets which would deliver value to Shareholders in a shorter time frame than a Managed Run-Off. The Board has also been open to entertaining structural proposals which would address the Company's size and liquidity, mindful always of the Shareholders' desire to see a full return of capital. However, it has not yet proved possible to find an asset sale or a structural solution that provides sufficient value in comparison with the Managed Run-Off. The Board, with the support of its advisers, continues to seek alternatives to increase the value returned to Shareholders via the Managed Run-Off. As announced on 6 March 2024 and detailed fully in the notice of General Meeting dated 19 April 2024, the first successful return of capital under the Managed Run-Off is to be achieved by way of a tender offer at a fixed price of 94.28 pence per share, subject to the approval of Shareholders at the General Meeting to be held on 13 May 2024.

As mentioned, the Company has been managed over the year with the principal objective to preserve cash and, accordingly, we will now, as part of the Managed Run-Off process, return £17.5 million to Shareholders under the tender offer. We have decided to return capital to Shareholders by way of a tender offer as we believe it is in the interests of the majority of Shareholders and provides an equitable distribution. We will, however, continue to keep under review the method of distribution, including the payment of dividends. Whilst further distributions will be made as unrestricted cash becomes available, I wish to stress that a significant part of the portfolio may take a considerable time to realise.

Costs

I am very mindful of the significant annual additional costs incurred in the running of the Company. In part, these costs are a consequence of the substantial processes involved in working towards a return of capital to shareholders. Whilst a first tender offer was announced on 19 April, this only reflects one outcome from the work to return capital and the Board continues to work with its advisers to identify other means of delivering greater value to shareholders. In addition, a further significant operational cost element derived from the financial statement preparation process for the year to 31 December 2022 on the part of the Company's service providers which was not as efficient as the Board had anticipated, which remains under review and for which the Company may seek an element of cost recovery at the appropriate time. The Board is mindful of the ongoing risks and costs of managing the run-off process, and is working to find ways to mitigate these risks.

Dividends

Following the failure of the Continuation Vote in February 2023 we announced that future dividends will only be paid from net income, and after reviewing cash flow forecasts, only in respect of six-month periods. The Board announced on 6 March 2024 that, subject to Shareholder approval, it will return capital to Shareholders by way of a tender offer. As a result, no dividend has been declared in respect of the year ended 31 December 2023. The Board will continue its policy on future dividends, while also mindful of the regulations regarding the retention of Investment Trust status which impact the declaration and payment of annual dividends.

Miriam Greenwood OBE DL

Chair of the Board

30 April 2024

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 as approved by the Continuation Managed Run-Off Resolution. Aquila Capital Investmentgesellschaft mbH is part of Aquila Group, an investment and asset development company focused on generating and managing essential assets on behalf of its clients. Founded in 2001 by Dieter Rentsch and Roman Rosslenbroich, Aquila Group currently manages and/or advises assets worth around €14.6 billion on behalf of institutional investors worldwide (as at 31 December 2023). Daiwa, one of Asia's largest investors, is a minority shareholder in the Aquila Group.

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

Currently, Aquila Group manages wind energy, solar photovoltaic ("PV") and hydropower assets of 19.8 gigawatts ("GWs"). Additionally, 2.2 million square metres of sustainable real estate and green logistics projects have been completed or are under development. Aquila Group also invests in energy efficiency, carbon forestry and data centres. Aquila Group has been committed to climate change for more than 15 years. Sustainability has always been part of the company's value system and is an integral part of its investment strategies, processes and management of its assets. The company has around 750 employees from 60 nations, operating in 19 offices in 17 countries worldwide.

Alex Betts
Senior Investment Manager

Alex Betts has over 30 years' experience in private equity and over 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.

Franco Hauri
Senior Investment Manager

Franco Hauri has over 20 years' experience in private equity with over 15 years in resource efficiency, of which the last six 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 and controlling from the University of St. Gallen (HSG). He is Swiss and speaks English, German, Italian, Spanish and French.

Investment Activity

At the start of 2023, the Investment Adviser was focused on achieving full deployment of the Company's capital. However, after the failure of the Continuation Vote on 28 February 2023 and following the success of the Continuation Managed Run-Off Resolution on 14 June 2023, the Investment Adviser has supported the managed run-off of the Company's portfolio and preparations for a potential sale of the Company's assets announced on 16 August 2023. While pre-existing legally binding commitments are being honoured, the Investment Adviser has taken opportunities where possible to withdraw the Company from £14.6 million of commitments extant as at 31 December 2022 to invest into three Spanish projects. In addition, in October 2023 an agreement was reached to withdraw from a partially invested Solar PV investment, which was valued at £2.1 million at 31 December 2022 and had an unfunded commitment of £4.5 million (see "Investments in Spain" section below), and receive repayment of the original investment of £1.5 million plus interest.

During 2023, £21.8 million was deployed, taking total invested capital, before redemptions and value adjustments, to £69.5 million. £14.4 million was deployed in 13 commitments which had already been made as at 31 December 2022 and the balance of £7.4 million to nine new commitments that were concluded by 28 February 2023, the date of the failed Continuation Vote. These new investments comprised:

- three Spanish Solar PV investments with three new ESCOs for a total commitment of £4.7 million, of which £4.2 million was deployed as at 31 December 2023;
- two additional rooftop Solar PV projects in Italy, with a total investment of £1.3 million; these projects are with Noleggio Energia with whom a further deployment of £0.7 million, committed to in 2022, was made during 2023 with the final deployment of £0.5 million completed in January 2024. The Company has completed seven projects with this ESCO involving total deployment of £4.2 million.
- three lighting investments in the UK with two new ESCOs involving total commitments of £1.8 million, of which £1.6 million was deployed as at 31 December 2023; and
- a third UK wind power project involving an additional £0.3 million investment, taking total commitments with this ESCO to £2.0 million.

The Company now forecasts a further £5.6 million (including expected transaction costs) will be invested into existing commitments after 31 December 2023. The majority of this capital was deployed by the end of April 2024, leaving only £1.2 million to be deployed through the remainder of 2024.

Overall, the remaining investments have been performing satisfactorily with only a small number of exceptions, which have required significant provisions, including:

- a full provision of £1.4 million against a Solar PV investment, which was being developed in Spain due to the insolvency of the ESCO developing the project and refusal of the ESCO's client to proceed with the project which had been partly funded by the Company;
- a provision of £1.1 million, equal to 82% of the investment value, prior to the provision, as at 31 December 2023, against the sub-metering investment in Germany due to the insolvency of the company servicing the contracts which were financed by the Company; and
- an additional provision against the EGA Energy investment of £0.4 million, taking the total provision to 50% of the investment cost.

Two of the provisions were caused by the insolvency of the ESCO as opposed to the counterparty making payments under the contracts financed by the Company. The Investment Adviser continues to monitor closely not only the receipt of payments due under contracts and the financial status of the counterparties making the payments but also the status of the ESCOs which developed or which are developing and managing the Company's investments in those particular projects. This oversight of ESCOs and the maintenance of relationships with the ESCOs remains an important activity since the ESCOs in many cases had been expecting, before the failure of the Continuation Vote, that the Company would finance multiple other projects.

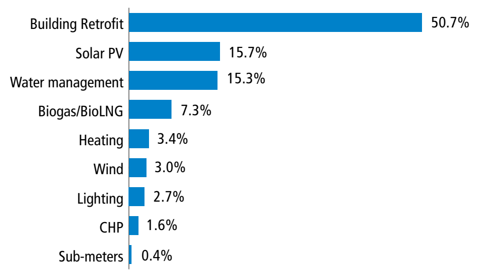
As at 31 December 2023, the Company's cash position, including cash held as collateral for foreign exchange hedging, was £29.1 million. Notwithstanding the remaining investment commitments, the cash position is forecast to increase significantly due to the expected realisations of Superbonus investments, which were valued at £30.9 million as at 31 December 2023 and which are forecast to be realised in full by 31 December 2024. Realisations of Superbonus investments continue to be subject to timing uncertainties due to the bureaucracy inherent in the schemes – see further below under "Investments in Italian "Superbonus" projects".

Portfolio Overview

As at 31 December 2023, the Company's portfolio of 35 Energy Efficiency Investments was diversified across geographies (Italy, Spain, Germany and the United Kingdom), technologies, counterparties and ESCO partnerships. 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.

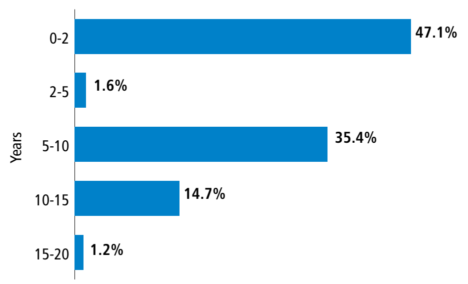
i) Projects by Technology

% of investment values by technology – as of 31 December 2023



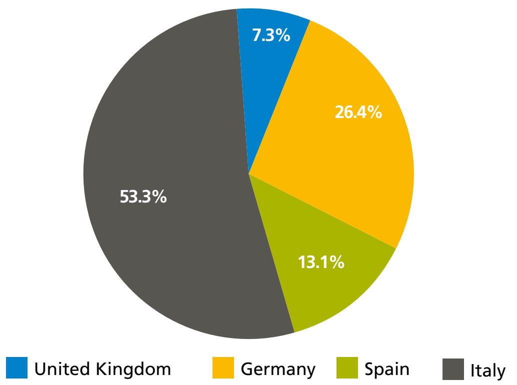
ii) Projects by Tenor

% of investment values by maturity (years) – as of 31 December 2023



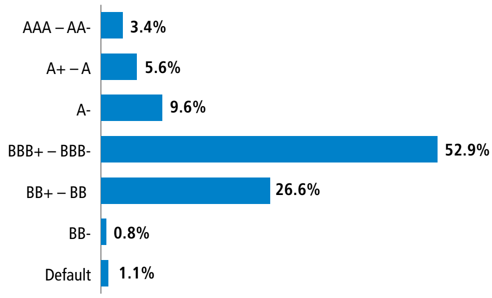
iii) Projects by Country

% of investment value by country – as of 31 December 2023



iv) Projects by Investment Grade

% of investment values by credit rating – as of 31 December 2023



Approximately 72% of the Company's investments by value at the year end had investment grade counterparties, as assessed using either the Investment Adviser's credit analysis or external agencies. For projects which are non-investment grade, there are typically additional protections. These protections include the ability to export power to the grid, and to extend the maturity of a contract with the ESCO 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 credit quality and performance of the Company's portfolio is discussed further below in respect of valuations and expected credit loss provisions.

The Company's portfolio also benefits from a combination of fixed and variable return cash flows. While approximately 84% of the total investment value provides a fixed rate of return from contractual cash flows, approximately 16% 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 significant fixed income elements, for example feed-in tariffs or fixed power prices in Power Purchase Agreements. In addition, certain investments have downside protections, for example, minimum contractual returns in order to reduce the risk of lower than forecast cash flows. The Company's portfolio of investments is expected to achieve an unleveraged average return of 8.6% per annum, an increase from the yield of 8% per annum reported in the audited Annual Report and Accounts for the year ended 31 December 2022.

Investments in Italy (£34.9 million value at year end)

In the year ended 31 December 2023, the Company committed £1.3 million to two new rooftop Solar PV projects developed by Noleggio Energia, with which the Company has now made seven investments. During the year, £13.0 million was deployed to both these new investments and other existing commitments in Italy, the majority of which, £10.9 million, was deployed into Superbonus projects.

As at 31 December 2023, total investment value in Italy was £34.9 million across a total of 13 investments and there was £0.5 million of outstanding commitments, which was deployed in January 2024.

1) Investments in Italian "Superbonus" projects (£30.9 million value at year end)

The net cash deployed in Superbonus projects increased from £18.1 million as at 31 December 2022 to £29.0 million as at 31 December 2023. Significant progress has been made on the 109 individual projects within the five clusters such that construction has been completed on 105 of these projects to date, with the remaining four projects forecast to be completed by the end of June 2024. Fourteen projects have been fully completed with payments totalling £2.9 million for those tax credits received, of which £0.9 million was received in 2023 and £2.0 million in January, February and April 2024. Regarding the remaining projects, the ESCOs are experiencing delays in receiving certification of the tax credits although as at the end of April 2024 a large majority of the 109 projects had secured tax credit certification, significant progress from the position as at the end of September 2023. The ESCOs are also experiencing delays with final payments from the buyers of the tax credits, which is understood to be primarily due to the large number of tax credits which buyers are processing. As a result of the delays, the ESCOs are expecting the majority of the capital deployed to be redeemed by the end of 2024. The Investment Adviser has considered whether these delays represent a significant increase in the credit risk of these investments and,following detailed enquiries with the ESCOs managing these projects, has concluded that at this stage there has been no significant change in credit risk. See note 4 on page 85 for further information regarding the assessment of Superbonus projects.

"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 are being managed by three ESCOs: Enerstreet, Enerqos Energy Solutions and Sol Lucet. The projects involve a range of energy efficiency measures including insulation, the replacement of heating systems with more efficient solutions and energy efficient windows.

2) Solar PV investments for self-consumption in Italy (£4.0 million value at year end)

As at 31 December 2023, the Company had invested £4.6 million in eight rooftop Solar PV projects with an aggregate capacity of 5.1 MWp. Following completion of the final project in January 2024 with an investment of £0.5 million, all of these projects are operational and cash paying such that as at 31 December 2023, £0.5 million of capital had been redeemed. These projects enable companies to reduce their energy expenses and CO_2 emissions and avoid grid losses through the self-consumption of the electricity produced.

2.i) Projects with Noleggio Energia

Of these eight Solar PV projects which the Company has committed to finance, seven projects 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, with a weighted average maturity of eight and a half years outstanding, and all use very similar documentation. Noleggio Energia has transferred to the SPV the monthly receivables from these operating lease agreements, which provide for fixed rates of return with a weighted average return of 7.9% per annum.

The projects with Noleggio Energia at year end are summarised below:

Counterparty	Description	Investment Value £k	Capacity kWp	Credit Rating	Initial Term Yrs
Acetificio Galletti	Producer of vinegars, dressings, pickles and other food products	208	238	BB-	7
Enofrigo	Manufacturer of wine cabinets and hot and cold food display units	89	127	BBB+ – BBB-	7
Tecnocryo	Manufacturer of machines for handling cryogenic fluids	1,130	1,000	BB+ – BB	10
Ali Group	Manufacturer of food service equipment	294	443	BBB+ – BBB-	7
Orlandi	Manufacturer of non-woven products for a range of applications	355	876	BB+ – BB	10
Marangoni	Manufacturer of tyre retreading systems and products	809	1,000	BB+ – BB	10
Carpigiani	Manufacturer of machinery to produce ice cream	427	479	BBB+ – BBB-	5
Total		**3,312**	**4,163**		

2.ii) 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, with an original cost of £0.7 million, 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 twelve-year tenor. The investment, which generated total cash receipts of £0.2 million in the period from inception of the investment until the year end, is forecast to generate a return of 6.5% per annum based on the year end valuation of £0.7 million. The valuation remains equal to the original cost due to the discount rate used for the valuation at the year end being lower than the forecast return at the time of the original investment.

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 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 currently has a credit rating of BBB+ from the Italian Government.

Investments in Spain (£8.6 million value at year end)

In the year ended 31 December 2023, the Company deployed £6.8 million into projects in Spain, to complete five projects which were committed as at 31 December 2022 and to finance a further three Solar PV projects in Spain with three new project developers. The largest of these projects was a £3.4 million project at the site of a Spanish agricultural company. At the year end there were unfunded commitments to investments in Spain of £1.2 million. £0.6 million is forecast to be deployed before the end of the third quarter of 2024 to complete a building energy efficiency investment programme, which received investment of £2.1 million in the year ended 31 December 2023. The balance of £0.5 million will complete the financing of Solar PV projects for an ESCO with whom the Company completed on the first tranche of its commitment in March 2023.

1) Solar PV investments in Spain (£6.3 million value at year end)

The Company has committed capital to finance the development of ten Solar PV installation projects throughout Spain with nine project developers. Two of the projects have been structured to provide fixed rates of return while the remaining eight projects have been structured under Power Purchase Agreements ("PPAs") with maturities of up to 18 years and have variable revenues, often subject to a combination of production fluctuations, power price changes and 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.

Seven of these investments are now fully operational while one project is operating at one site and the Company has an outstanding commitment of £0.5 million to another site. This commitment is payable at completion of the project provided that certain conditions are met. As referred to in the Investment Activity section above, one project has been realised and one project will not proceed and it has been necessary to take a £1.4 million provision, equal to 100% of the cost, against this investment. The developer of this project filed for insolvency protection in November 2023 having received £1.4 million as a down payment on the estimated full project cost of £2.8 million.

2) Building Energy Efficiency Investments in Spain (£2.3 million value at year end)

The Spanish Government has established incentive schemes to promote energy efficiency measures in buildings, including the "Programa de Rehabilitacion Energetica de Edificios" ("PREE"). PREE is a €402.5 million incentive scheme in Spain which is designed to promote and reward energy efficiency improvements for condominiums and other buildings, improving their energy rating by at least one energy class. Under this scheme, the Company has committed £2.8 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 "Comunidad de Proprietarios"; the legal entities which represent each of the owners of the apartments in a residential building. The receivables have been rated with the S&P equivalent of A+/A. £2.2 million has been deployed as at 31 December 2023 and the balance is forecast to be deployed in full by the end of June 2024.

Investments in Germany (£17.3 million value at year end)

In the year ended 31 December 2023, no further investments were made in Germany except for the settlement of £0.1 million of transaction costs. The Company has four investments in Germany, across four distinct technologies including sub-metering technologies, water management solutions, heat pumps and Bio-LNG. There remained an outstanding legal commitment at the Year End to invest £3.7 million to finance the installation of liquefaction equipment at a biogas plant in Northern Germany. This amount was deployed in April 2024 following receipt of all necessary permits.

Three of the investments in Germany provide for fixed rates of return while the other, a biogas investment, has a variable return above a fixed rate of 5% per annum, which is equivalent to 8% of revenue generated by the project, capped at £1.1 million across eight years. This arrangement results in an overall forecast return from this project of 7.6% per annum based on the year end valuation of £4.8 million.

Three of the investments are performing in line with the contracts. However, the sub-metering investment, which had a book value of £1.5 million as at 30 June 2023, before the receipt of £0.2 million in July 2023, required a significant provision of £1.1 million to reduce the holding value to £0.2 million following the insolvency of the service provider in October 2023. While the Company's investment is through a special purpose subsidiary of the service provider ("SPV"), which owns sub-metering and other services contracts with various landlords and which is not in insolvency, the insolvency requires the SPV to secure an alternative company to service the contracts. This search is in progress with the support of an industry expert. Unfortunately, it is likely that a new servicer will not wish to take on one of the major contracts, as a result of which the SPV is likely to lose c.35% of the contractual income stream due to the difficulties of servicing the contract, reducing total future revenue to £1.1 million. In addition, an alternative servicer is likely to require a higher percentage of revenues than the service provider required, which combined with the likely loss of income requires a provision against the investment.

Investments in the United Kingdom (£4.7 million value at year end)

In the year ended 31 December 2023, the Company committed £2.0 million to four new investments. The four new investments, developed by two new and one existing ESCO relationship, comprised:

- two groups of lighting investments for an industrial company and schools, totalling £1.2 million, of which £0.1 million remains to be deployed;
- another group of 17 lighting investments for a range of schools and industrial companies, totalling £0.5 million, which has been fully deployed; and
- an investment of £0.3 million into a fifth operating wind power project.

As at 31 December 2023, total cash deployed to investments in the UK was £5.3 million, with £0.1 million of commitments outstanding for lighting investments. Deployment is expected in the first half of 2024.

The CHP investment for a food producer, Vale of Mowbray, to which £0.9 million had been deployed and, as previously reported in the Half-Yearly Financial Report for the six months to 30 June 2023 and in the 2022 Annual Report, this investment remains on hold because Vale of Mowbray was placed into administration. Discussions continue between Ega Energy, the developer of the original project, and the new owner of the site, a cold store logistics business. However, the new owner of the site has not yet decided whether or how to proceed with the CHP investment. Ega Energy remains confident that it will be able to deploy the CHP equipment either at this site or at the sites of other potential clients in the UK. Nevertheless, the Company has increased the provision against this investment from £0.06 million as at 31 December 2022 to £0.48 million at the year end and the Company is forecasting that no further capital will be deployed to this investment.

The UK investments in the wind power projects are variable return investments due to the variability of power production and export tariffs, which are renewed each year, although a significant percentage of revenue is based on feed-in tariffs which benefit from annual inflation adjustments. The other UK investments which are in CHP and lighting projects are all fixed return investments albeit the lighting projects with one of the ESCOs have annual inflation adjustments.

Valuations and Expected Credit Loss Provisions as at 31 December 2023

As at 31 December 2023, the Company's investments had a book value of £65.5 million, with investments held at amortised cost valued at £55.0 million and investments held at fair value through profit or loss valued at £10.5 million (see Note 3 of the Accounts).

The investments held at amortised cost are net of expected credit loss provisions of £1.9 million, which increased by £1.8 million from £0.1 million as at 31 December 2023. The principal reasons for the increase were the provision of £1.1 million made against the sub-metering investment in Germany, and a provision of £0.5 million against the Ega Energy Vale of Mowbray investment. Apart from these projects, the Company has not experienced payment issues of material significance on the receivables due to be paid to it in the year.

The change in valuation of the investments held at fair value through profit or loss was impacted primarily by: (i) the realisation of a partially completed investment in a Spanish Solar PV project; and (ii) a full provision of £1.4 million against another Solar PV investment in Spain.

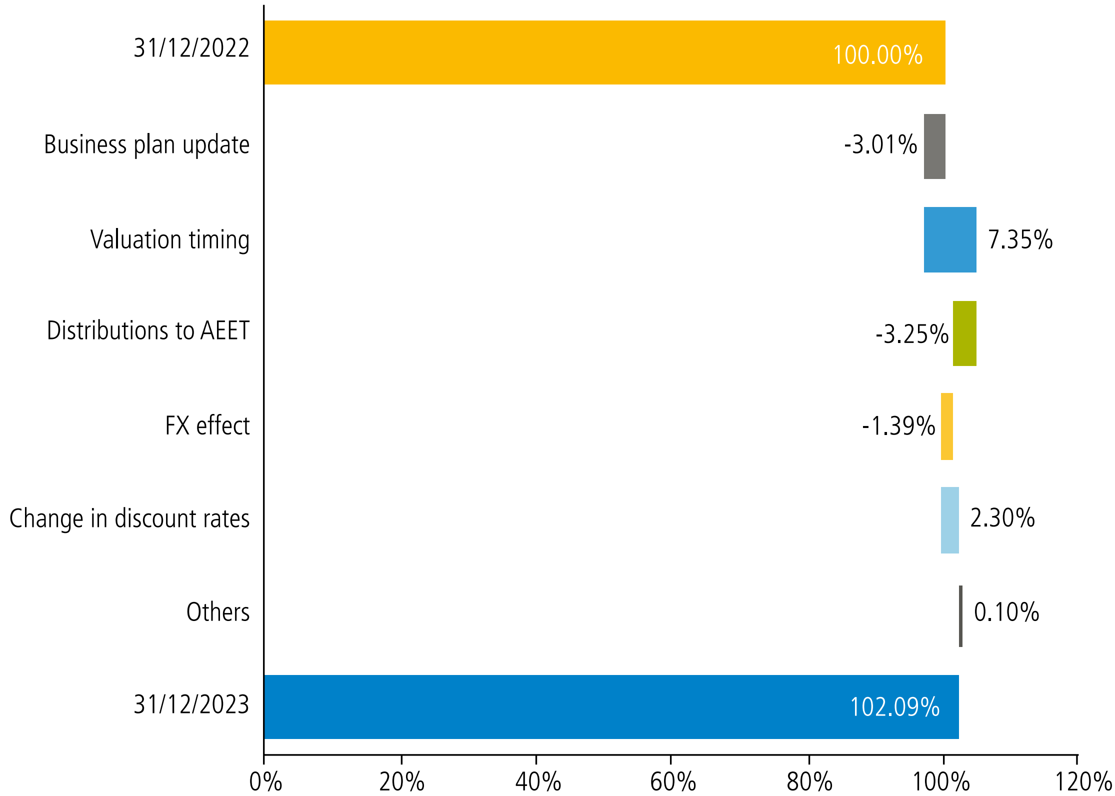
In October 2023, the Company received repayment in full plus interest of an investment in a partially completed investment in a Spanish Solar PV project. This investment had involved an initial investment of £1.5 million in August 2022, which was part of a total commitment of £6.3 million as at 31 December 2022. The valuation as at 31 December 2022 was marked up from its cost of £1.5 million to £2.1 million but as at 30 June 2023 was marked down to £0.8 million, primarily due to lower forecast power prices. The repayment of the cost of the investment plus interest, totalling £1.7 million, has resulted in a capital loss over the year but a capital gain from the position as at 30 June 2023 of £0.8 million.

The Company has taken a full provision of £1.4 million against a Solar PV investment, which was being developed in Spain due to the insolvency of the ESCO developing the project and refusal of the ESCO's client to proceed with the project which had been partly funded by the Company.

At the year end the remaining ten fair value investments comprised:

- the Bio-LNG investment in Germany with a value of £4.8 million;
- six Solar PV projects in Spain with an aggregate value of £3.1 million;
- two wind projects in the United Kingdom with an aggregate value of £1.9 million; and
- a Solar PV project in Italy with a value of £0.7 million.

The performance of these remaining ten fair value investments with a value as at year end of £10.5 million, summarised in the chart below, resulted in an increase in fair value of 2.1%.



The valuation increase was driven primarily by:

- valuation timing, which is the time value of money effect between the two valuation dates, which had a positive effect of +7.4%; and
- an overall reduction in the discount rates applied to the valuations, which had a positive effect of +2.3%.

Lower discount rates were primarily due to the completion of construction of Solar PV projects in Spain and thus a reduction in construction risk, together with reductions in risk-free rates.

Offsetting these factors were:

- distributions from these investments, -3.3%;
- FX effects, -1.4%; and
- business plan updates, -3.0%.

Business plan updates comprise changes to power price, inflation and production forecasts. The principal change was lower forecast power prices in the short term, which reversed a positive increase in valuations as at 31 December 2022. The impact of this was softened by the relatively low exposure of the Company's projects to power prices due to PPA terms and FiTs.

Summary of Investments as at 31 March 2024

Description	Receivables Weighted Avg. Credit Rating	Term Years	Technology	Status	Country	Value £k	Commitment o/s £k
Receivables (fixed) from a 238 kWp rooftop Solar PV project installed on the production facilities of a food manufacturer in Lombardy.	BB-	7	Solar PV	Operating	Italy	208	0
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	89	0
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus, which supports energy efficiency retrofits (insulation, more efficient heating etc) of residential buildings.	BB+ / BB	2	Building Retrofit	Construction	Italy	5,326	0
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus, which supports energy efficiency retrofits (insulation, more efficient heating etc) of residential buildings.	BBB+ / BBB-	2	Building Retrofit	Construction	Italy	9,846	0
Receivables (fixed with RPI) from lighting as a service contracts with six UK companies.	BBB+ / BBB-	5	Lighting	Operating	United Kingdom	232	0
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	694	0
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus, which supports energy efficiency retrofits (insulation, more efficient heating etc) of residential buildings.	A+ / A	2	Building Retrofit	Construction	Italy	1,332	0
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	1,130	0
Receivables (fixed) from sub-metering hardware and services contracts with landlords of multi-occupancy buildings.	Default	9	Sub-meters	Operating	Germany	245	107

Description	Receivables Weighted Avg. Credit Rating	Term Years	Technology	Status	Country	Value £k	Commitment o/s £k
Receivables (fixed) from CHP Energy Services Agreement with a major conference centre in Wales.	BBB+ / BBB-	6	CHP	Operating	United Kingdom	139	0
Receivables (fixed) from CHP Energy Services Agreement with a food manufacturer in North East England.	Default	7	CHP	Construction	United Kingdom	475	0
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus, which supports energy efficiency retrofits (insulation, more efficient heating etc) of residential buildings.	BB+ / BB	2	Building Retrofit	Construction	Italy	7,402	0
Receivable from a PPA with a poultry producer for three Solar PV Plants around Zaragoza, Northern Spain, with a total capacity of c. 400 kWp.	BB+ / BB	15	Solar PV	Construction	Spain	319	0
Receivables (fixed) from CHP Energy Services Agreement with a hotel near Birmingham.	BB+ / BB	8	CHP	Operating	United Kingdom	429	0
Receivables (fixed) from sales of tax credits generated under the Italian Superbonus, which supports energy efficiency retrofits (insulation, more efficient heating etc) of residential buildings.	BBB+ / BBB-	2	Building Retrofit	Construction	Italy	6,965	0
Receivables from PPAs with a manufacturer of irrigation products and a manufacturer of doors and kitchen cabinets for 3 solar PV plants with a total capacity of c.950 kWp in Valladolid and Toledo.	BBB+ / BBB-	18	Solar PV	Operating	Spain	652	0
Receivables (fixed) from two solar PV plants around Barcelona, Spain, with a total capacity of c.210 kWp, between a Spanish developer and a manufacturer of bread and pastry products and a provider of IT services to universities.	BB+ / BB	10 & 12	Solar PV	Operating	Spain	133	0

Summary of Investments as at 31 March 2024 continued

Description	Receivables Weighted Avg. Credit Rating	Term Years	Technology	Status	Country	Value £k	Commitment o/s £k
Receivables (fixed) from a 443 kWp rooftop Solar PV project installed on the production facilities of a food service equipment manufacturer in Veneto, Northern Italy.	BBB+ / BBB-	7	Solar PV	Operating	Italy	294	0
Purchase of receivables generated by PPA form a Solar PV plant with a capacity of c.1,600 kWp between a Spanish developer and a Spanish ceramic tiles manufacturer near Valencia.	BBB+ / BBB-	15	Solar PV	Operating	Spain	1,000	0
Receivables of FiTs and export tariffs generated from three operating wind turbines in the UK with a total capacity of 166 kWp, of which the generated energy is used for self-consumption and for export to the grid.	BBB+ / BBB-	10.6	Wind	Operating	United Kingdom	410	0
Subscription for a Note for the refinancing of an operating biogas plant in north-eastern Germany and an upgrade to a Bio-LNG facility. The Note provides for a fixed return plus an agreed share of revenues from the facility.	A-	8.25	Biogas / Bio-LNG	Operating (Phase 2 construction)	Germany	4,770	3,704
Receivables (PPA with fixed price) from a rooftop Solar PV project with a capacity of c.350 kWp for an agricultural cooperative specialised in the production and marketing of extra virgin olive oils in Granada.	BB-	15	Solar PV	Operating	Spain	311	0
Receivables (fixed) from Solar PV plant in self-consumption for a total installed capacity of 875.6 kWp located at the site of a non-wovens manufacturer in Lombardy, Northern Italy.	BB+ / BB	10	Solar PV	Operating	Italy	799	0

Description	Receivables Weighted Avg. Credit Rating	Term Years	Technology	Status	Country	Value £k	Commitment o/s £k
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	10,044	0
Receivables generated by two energy saving contracts 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	2,306	584
Acquisition of receivables of FiTs and export tariffs generated from 4 operating wind turbines in Scotland, with a total capacity of c.250 kWp.	A-	14	Wind	Operating	United Kingdom	1,531	0
Subscription for a Junior Note issued by the 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.	AAA / AA-	15	Heating	Operating	Germany	2,233	0
Receivables (fixed) from Solar PV installations for a leading agricultural business engaged in the cultivation of grapevines, cereals, onions, olives, almonds and peas with a total capacity of c.4,000 kWp near Valencia.	BBB+ / BBB-	10	Solar PV	Operating	Spain	3,044	67
Receivables from PPAs with a manufacturer of acoustical insulation products and a manufacturer of textiles for two Solar PV plants in self-consumption for a total installed capacity of c.870 kWp located around Alicante.	BB+ / BB	14 & 15	Solar PV	Operating	Spain	659	0

Summary of Investments as at 31 March 2024 continued

Description	Receivables Weighted Avg. Credit Rating	Term Years	Technology	Status	Country	Value £k	Commitment o/s £k
Purchase of receivables generated from PPA and grid sales agreement for a Solar PV plant with a capacity of c.200 kWp for a perfume retailer in Malaga.	BB+ / BB	18	Solar PV	Operating	Spain	145	509
Receivables (fixed) generated from the installation and operation of metering and LED projects with eleven different counterparties in the UK.	BB+ / BB	5 to 7	Various	Operating	United Kingdom	716	41
Receivables (fixed payments indexed to CPI) from a roof-mounted Solar PV plant with a total capacity of c.1,000 kWp for a developer and distributor of materials and technologies for tyre re-treading in Central Italy.	BB+ / BB	10	Solar PV	Operating	Italy	809	7
Receivables (fixed) from a roof-mounted Solar PV plant with a total capacity of c.480 kWp for an ice cream machine manufacturer in Northern Italy.	BBB+ / BBB-	5	Solar PV	Operating	Italy	427	7
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	407	0
Receivables (fixed) generated from refinancing the installation of a LED lighting project for a UK logistics business. The lease agreement has a five-year maturity.	BBB+ / BBB-	5	Lighting	Operating	United Kingdom	411	0

Notes:

The values in the table above are as at 31 December 2023 plus, where applicable, the cost of investment made in the period from 1 January 2024 to 31 March 2024 using the foreign exchange rate as at 31 December 2023 of EUR1.1535:£1.

The term is the original maturity of the investment.

Status and commitment outstanding are the positions as at 31 March 2024.

Introduction

The Company's goal is to generate attractive returns for investors by reducing Primary Energy Consumption ("PEC"). The Company seeks to achieve this through investing principally in a diversified portfolio of energy efficiency projects with high-quality counterparties. The Company 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[1] generated by the reduction of PEC and simultaneously using renewable energy sources further decrease CO_2 emissions.

This is reflected across the investment philosophy and approach of both the Company and its Investment Adviser, Aquila Capital, who are both of which 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.

Over the year ended 31 December 2023, the portfolio performed as follows[2]:

- 6,566 tonnes of avoided CO_2 emissions ("tCO_2e"); and
- 23,639 MWh of energy saved,
- for total emission savings equivalent to 2,873 passenger flights around the world.

Method of Calculation for Energy Savings (kWh) and Avoided CO_2 Emissions (tCO_2e)

The energy savings (in kWh) and avoided CO_2 emissions (in tCO_2e) are reported to Aquila Capital by third parties, including the development companies, ESCOs and other third parties. These reports are supported by asset-level documentation of individual methodologies. Aquila Capital has reviewed the individual methodologies for technical consistency and reconciled the reported values for plausibility. Where quantification of likely energy savings and avoided CO_2 emissions is not clear, for example, with the Superbonus projects in Italy and the Bio-LNG, water metering and heat pump projects in Germany, no estimations are included in the avoided CO_2 emissions and energy savings statistics above.

Only energy savings and avoided CO_2 emissions for operational projects are considered on a pro-rata basis for the time of operation during the reporting period. Avoided CO_2 emissions are estimated in gross terms and derived from energy savings in kWh using a conversion factor (except CHP, see below) which measures the grid's emission intensity. Emissions incurred during the life cycle of the light bulbs such as materials sourcing, manufacturing, installation, maintenance etc. are not available. The reported metrics are estimations based on assumptions. For technical reasons, it is not possible or feasible to observe or measure actual energy or emission avoidance in real-time.

- **LED/Lighting:** Savings estimates are derived based on technical, product-specific attributes provided by the product manufacturer. Lighting assets are typically not connected to a distinct circuit. These solutions are designed according to the requirements of a given functional unit, i.e. office, street or space, which varies on asset level. Changes in the number of light bulbs or lumen are not considered.
- **Solar PV:** Electricity production is translated into emissions avoidance with a conversion factor (see above). Production estimates for Solar PV assets are evaluated during technical due diligence processes.
- **CHP:** Avoided CO_2 emissions are calculated directly by comparing the asset's emissions based on the feedstock used for a specific plant with a reference co-generation unit's emission factor.
- **Metering:** Metering solutions are being applied to a large portfolio of individual households. Annual average household consumption is estimated, and a developer's specific savings estimate is applied to the average household consumption.

ESG Approach

The Company has adopted Aquila Capital's ESG Integration Policy[3], ensuring that environmental, social and governance criteria were incorporated into day-to-day investment decisions as well as generating a positive contribution for society. The Company investment approach is focused on investments in energy efficiency projects located primarily in Europe. These investments are predominantly into proven technologies that deliver energy savings for commercial, industrial and public sector buildings. Prior to the adoption of the New Investment Policy, the Company sought to invest in projects for the long term with a focus on optimising and improving the assets' PEC (and, of course, the Company's investments continue to meet this initial objective). Technologies include:

- LED Lighting Systems;
- Solar PV;
- HVAC/Buildings;
- Smart Metering/Sub-metering; and
- Bio LNG.

Environmental Contribution

The Company's investments are focused on reducing PEC, which should lead to significant reductions in greenhouse gas 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.

Social Contribution

Energy efficiency measures not only reduce PEC, but typically also have a positive impact on health and quality of life for different stakeholders, such as employees and users of public facilities. This is largely achieved through the installation of advanced solutions for lighting, heating, cooling, ventilation and the associated control units. All project developers are required to adhere to local, regional and national health and safety laws, to train and educate employees accordingly, to make sure casualties and injuries are avoided. Aquila Capital's ESG Integration Policy, as adopted by the Company, has sought to exclude suppliers and manufacturers that do not meet Aquila Capital's criteria (exclusion of certain sectors/subsectors, or companies that, for example, use unfavourable labour conditions). For all counterparties a rating has been performed (in collaboration with a third-party rating agency) assessing the creditworthiness of the relevant counterparty as well as a "Know Your Client" check for the relevant parties involved to increase transparency of the counterparties' activities.

Governmental Contribution

The Company's business partners are required to adhere to the requirements of the relevant social security and tax authorities. The Company's business partners are required to provide evidence that they adhere to anti-bribery and corruption laws.

Due Diligence

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

- total PEC reduction, and implied CO_2 emissions reduced and/or avoided; and/or
- total energy production from renewable and non-renewable sources.

1 International Renewable Energy Agency (Irena), "Synergies between renewable energy and energy efficiency" (2017), available at: https://www.irena.org/publications/2017/Aug/Synergies-between-renewable-energy-and-energy-efficiency#:~:text=Renewables%20would%20account%20for%20about,country%2C%20sector%20and%20technology%20levels

2 Passenger flights around the world: This number is derived from passenger flight emissions data retrieved on 4 April 2023 from the International Civil Aviation Organization; https://applications.icao.int/icec/Home/Index. The total emissions associated with a passenger flight around the world based on a standard itinerary from New York to Dubai, Bangkok, Sydney, Los Angeles and back to New York in the economy class is 2,285.80 kg CO_2.

3 For details please refer to: https://www.aquila-capital.de/fileadmin/user_upload/ESG_report/Aquila_Group_ESG_Integration_Policy.pdf

Governance Framework

The Company has an independent Board of Directors, with FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) as the AIFM. The Board of Directors supervises the AIFM, which is responsible for making recommendations in relation to any investment proposals put forward by the Investment Adviser. The Investment Adviser is fully regulated and supervised by BaFin in Germany. The Company maintains a comprehensive risk register which is regularly updated and reviewed by the AIFM and the Board of Directors. 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. 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 ESG

The Company's commitment to and compliance with the Company's established ESG approach is monitored on a continuous basis throughout the lifecycle of investments, as they become operational. This includes:

- ongoing monitoring of the PEC based on the energy consumption and deriving from that the CO_2 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.

The Company 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.

Aquila Capital Investmentgesellschaft mbH

30 April 2024

INVESTMENT POLICY

As at the date of this Annual Report, the Company's Investment Policy (including defined terms) is as adopted at the June 2023 AGM pursuant to the Continuation Managed Run-Off Resolution, which replaced the previous investment objective and policy in its entirety and is set out below.

The Company will be managed with the intention of realising all remaining assets in the portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning cash to Shareholders in an orderly manner.

The Company will pursue its investment objective by effecting an orderly realisation of its assets in a manner that seeks to achieve the best balance for Shareholders between maximising the value received from those assets and making timely returns of capital to Shareholders. This process might include sales of individual assets, mainly structured as loans/receivables, or groups of assets, or running off the portfolio in accordance with the existing terms of the assets, or a combination.

The Company will cease to make any new investments or to undertake capital expenditure except where, in the opinion of both the Board and the Investment Adviser (or, where relevant, the Investment Adviser's successors):

- the investment is a follow-on investment made in connection with an existing asset in order to comply with the Company's pre-existing obligations; or
- failure to make the follow-on investment may result in a breach of contract or applicable law or regulation by the Company; or
- the investment is considered necessary to protect or enhance the value of any existing investments or to facilitate orderly disposals,

and in these circumstances the Company will observe the following restrictions when making any such 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;
- 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 Shareholder protections in place.

Any cash received by the Company as part of the realisation process prior to its distribution to Shareholders will be held by the Company as cash on deposit and/or as cash equivalents.

The Company will not undertake new borrowing.

As required by the Listing Rules, any material change to the Investment Policy of the Company will be made only with the approval of Shareholders by way of ordinary resolution.

Currency and Hedging

The Company does not 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 £2.5 million in cash as collateral for these forward foreign exchange contracts.

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.

THE BOARD MEASURES THE COMPANY'S SUCCESS IN ACHIEVING ITS INVESTMENT OBJECTIVE BY REFERENCE TO THE KEY PERFORMANCE INDICATORS ("KPIS") DESCRIBED BELOW:

Efficient Return of Capital

In line with the Managed Run-Off status of the Group, the Board is focused on the efficient return of capital to Shareholders.

As announced on 6 March 2024, the Board proposes to return no less than £17.5 million to Shareholders by way of a tender offer at a fixed price of 94.28 pence per share which is the Company's last published NAV per share (the "Tender Offer"). Eligible Shareholders will each be able to elect to tender that proportion of their holding, at the time, as is represented by their entitlement under the Tender Offer, or such lower number as they wish.

On 19 April 2024, the Board published a circular, which includes further details of the Tender Offer (including the amount to be returned to Shareholders in the Tender Offer and the maximum number of shares to be acquired). A General Meeting will be convened on 13 May 2024 to approve the Tender Offer.

As and when sufficient cash has been accumulated, the Board's current intention is there will be further tender offers to Shareholders.

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 39.3% discount to the NAV as at 31 December 2023.

Following the failed Continuation Vote in February 2023, a new Investment Policy to reflect the managed run-off of the Company was put to Shareholders at the AGM in June. Following the approval of the Continuation Managed Run-Off Resolution, the Board continued to review the strategic options for the portfolio. On 16 August 2023, the Company announced a process to market-test a portfolio sale which was conducted by Stifel Nicolaus Europe Limited ("Stifel"). As announced on 6 March 2024, despite interest from a number of parties who entered into the sale process, the Board has not received a definitive proposal which it believes could deliver greater value to Shareholders than the Managed Run-Off. Given the complexity and the very long-dated nature of some of the investments, the Board is continuing to seek and evaluate any other strategic proposals which would deliver greater value to its Shareholders than would otherwise be achieved under the Managed Run-Off.

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. Expenses were higher in 2023 due to the cost of the market-testing process announced on 16 August 2023 and the ongoing significant involvement of advisers following the failure of the Continuation Vote in February 2023. Based on the Group's average net assets during the year ended 31 December 2023, the Group's ongoing charges figure calculated in accordance with the AIC methodology was 3.5% (31 December 2022: 2.6%).

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. Each service provider has a role with respect to the identification of risks:

1. Investment Adviser: the Investment Adviser submits a quarterly report on the investment portfolio to the Board which includes risks faced by the projects in the portfolio, plus an update on hedging;

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;

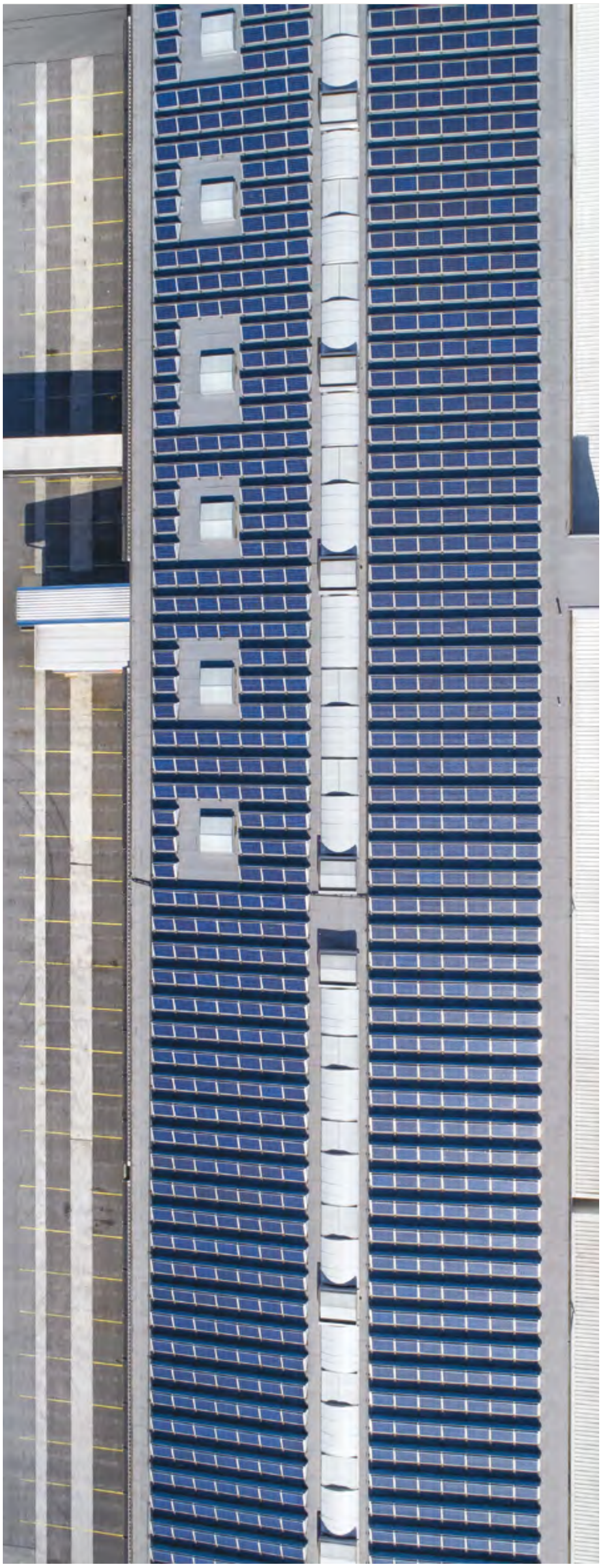
3. Broker: provides advice periodically specific to the Company on the Company's sector, competitors and the investment company market whilst working with the Board and Investment Adviser to communicate with Shareholders;

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

The 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.

Portfolio		
Principal Risks	**Potential Impact/Description**	**Mitigation**
Counterparty/ credit	The risk that the Company has allocated 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 has sought 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 has sought 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 has also sought to structure investments whereby contracts can be adapted/extended to accommodate periods of payment defaults. Diversification of counterparties and service providers reduces the potential 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.
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 has performed detailed due diligence on ESG for each asset prior to recommendation and continues to capture and monitor ESG data relating to the operation of the assets. 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

Principal Risks	Potential Impact/Description	Mitigation
Discount management	Market sentiment has moved the share price to a persistent discount to Net Asset Value. There is a risk that the Company will not be able to find ways to bring the share price back to NAV, leading to 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 maintain engagement with Shareholders and ensure good market information is available to investors. Following the successful continuation and managed run-off vote in June 2023, the Board, with its advisers, is considering strategic options to maximise value for Shareholders. For more information regarding the continuation and managed run-off of the Company, please see the Chair's Statement on pages 4 and 5.
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. Although energy prices have fallen from the heights they reached in mid-2022, the current geopolitical environment uncertainty in Europe could in turn lead to increased price volatility again in the future.	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 has sought 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.
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.
Act of war/ sanctions	As evidenced with conflict in the Ukraine and the Middle East, various sanctions may be 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. Conflict 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, Russia or the Middle East, there are also no direct business relationships with counterparties from these countries; therefore assessments lead the Company to the conclusion that its investments in Europe are not impacted directly at this time.

Principal Risks continued

Operational		
Principal Risks	**Potential Impact/Description**	**Mitigation**
Service provider risk	Risks that the Company's third party service providers do not perform to the appropriate standards. Potential lack of resource, experience or depth in the Investment Adviser's team to manage the Company's investments. This may be exacerbated by the Managed Run-Off status of the Company which will lead, in time, to reduced fees for the Investment Adviser. 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 Board continues to monitor the quality of services provided by all of its service providers, and in particular the Investment Adviser. Where it is deemed that work carried out by any service provider is of insufficient quality, the Board will procure additional services from other service providers with a view to ensuring the required standard of portfolio management and reporting is maintained. The Board will reserve its right to recover the cost of such additional services from the current service providers. 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. The Investment Adviser has substantial resources. 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.
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.

Financial

Principal Risks	Potential Impact/Description	Mitigation
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 judgemental. 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 judgements.	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.

Emerging Risks

Principal Risks	Potential Impact/Description	Mitigation
Capital Preservation	During the run-off, there is a risk that overdistribution of cash will leave the Company short of sufficient liquidity to meet ongoing expenditure.	The Board, Investment Adviser and AIFM will review the ongoing liquidity requirements and cashflow forecasts of the Company prior to making distributions to ensure that sufficient funds are maintained throughout the run-off process.
Relations with ESCOs during managed run-off	Entering a managed run-off has strained relations with some ESCOs who may have expected further business from AEET over time, giving rise to further counterparty/credit risk for the Company.	Communications with the ESCOs from the Investment Adviser take into account these considerations and professional advice has been sought by the Company where needed. The Board and Investment Adviser will continue to monitor relations with ESCOs as the run-off progresses.

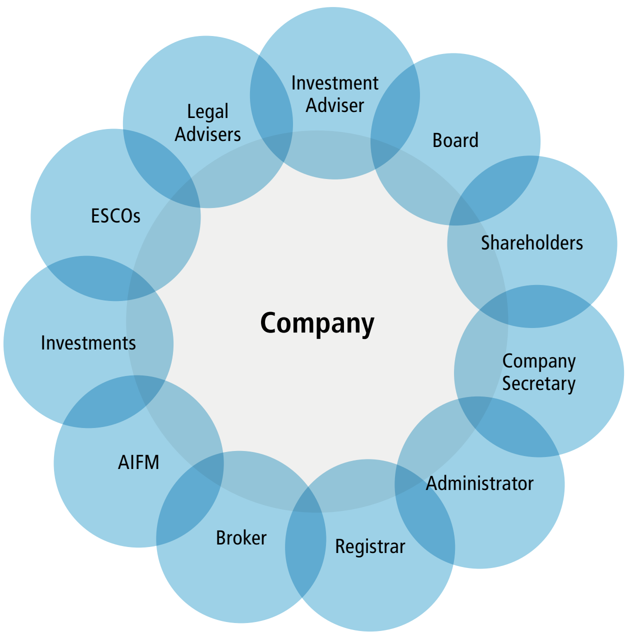
SECTION 172 REPORT

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 Advisers, Registrar, 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 36. 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).

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 on pages 4 and 5 and following the General Meeting held on 14 June 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 12 June 2024 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

Continuation Vote, Managed Run-Off and review of strategic options

As set out in the 2022 Annual Report and Accounts, the Company held a General Meeting on 28 February 2023, at which 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 in February 2023, the Board proposed a change of investment policy (the "New Investment Policy") whereby the Company would be placed into a managed run-off. This resolution was successfully passed at the Company's AGM on 14 June 2023. In accordance with the New Investment Policy, the Company entered a continuation and managed run-off of its portfolio ("Managed Run-Off") meaning that it is not making any new investments (save for the limited circumstances as set out in the New Investment Policy) and its investing activity is solely in respect of funding legal commitments to existing investments.

The Board has continued to assess proposals and will continue to do so in the context of delivering greater value to Shareholders in a shorter timeframe than would otherwise be achieved under the Managed Run-Off. On 16 August 2023, the Company announced a process to market-test a portfolio sale which was conducted by Stifel Nicolaus Europe Limited ("Stifel"). An extensive number of UK and international investors were approached through this process which completed in early February. As announced on 6 March 2024, despite interest from a number of parties who entered into the sale process, the Board did not receive a definitive proposal which it believed could deliver greater value to shareholders than the Managed Run-Off.

As announced on 6 March 2024 and 19 April 2024, the Board has proposed to return, £17.5 million to shareholders by way of a tender offer at a fixed price of 94.28 pence per share which is the Companys last published NAV per share (the "Tender Offer"). This is subject of the approval of shareholders at the General Meeting on 13 May 2024. As and when sufficient cash has been accumulated, the Board's current intention is there will be further tender offers to shareholders.

Investments

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 objectives, Investment Policy and strategy. Following the failure of the Continuation Vote on 28 February 2023, no new commitments were made from that date, but contractually committed sums were invested to honour existing contractual obligations.

As at 31 December 2023, the total amounts committed and deployed were £74.9 million and £69.5 million, respectively. Further details for these acquisitions can be found in the Investment Adviser's report on pages 6 to 18.

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.

Decisions Following Year End

Investments

Following the year end, £4.19 million was deployed in the period up to 30 April 2024.

Task Force on 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.

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 themself 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 2023 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 41).

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 2026 (the "Look-forward Period").

Following the AGM held in June 2023, and in accordance with the New Investment Policy, the Company entered a managed run-off of its portfolio, meaning that it is not making any new investments (save for in limited circumstances as set out in the New Investment Policy) and its investing activity is solely in respect of funding legal commitments to existing investments (the "Managed Run-Off"). The Board has continued and will continue to review strategic options 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. On 16 August 2023, the Company announced a process to market-test a portfolio sale which was conducted by Stifel Nicolaus Europe Limited ("Stifel"). An extensive number of UK and international investors were approached through this process which completed in early February. As announced on 6 March 2024, despite interest from a number of parties who entered into the sale process, the Board did not receive a definitive proposal which it believed could deliver greater value to shareholders than the Managed Run-Off. As announced on 6 March 2024 and 19 April 2024, the Board has proposed to return £17.5 million to shareholders by way of a tender offer at a fixed price of 94.28 pence per share (the "Tender Offer"). This is subject to the approval of Shareholders at the General Meeting on 13 May 2024.

As referred to above, the Company is operating currently under a Managed Run-Off with the term of some of the Company's assets being several years. While the Company is continuing to explore other strategic options, there remains no certainty that any of these options will materialise and be put to Shareholders for consideration. Accordingly, the Directors recognise that these conditions indicate the existence of material uncertainty which may cast significant doubt about the Group and Company's viability over the look forward period.

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.

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 4 and the Investment Adviser's Report on page 6.

Strategic Report

The Strategic Report set out on pages 4 to 34 of this Annual Report was approved by the Board of Directors on 30 April 2024.

For and on behalf of the Board

Miriam Greenwood OBE DL
Chair of the Board

30 April 2024

The Directors present their report and financial statements for the year ended 31 December 2023.

Corporate Governance

The Corporate Governance Statement on pages 41 to 49 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 the United Kingdom. It is an investment company as defined in section 833 of the Act and has a premium listing on the London Stock Exchange.

The Company 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 2023, 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 sections 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 Company has outsourced operations to third parties, there are no significant GHG emissions to report in relation to the operation of the Company. In relation to the Company'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 Company as a 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

For more information on the unsuccessful Continuation Vote, see the Chair's Statement on pages 4 and 5.

Alternative Investment Fund Manager ("AIFM")

The Company is classified as an Alternative Investment Fund under the Alternative Investment Fund Managers Directive ("AIFMD") 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 the portfolio management of the Company's assets, 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 its Investment Policy and the Investment Restrictions in accordance with the AIFM risk management policies and procedures and providing regular updates to the Board; and
- 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 the purpose of 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 and the EU AIFM Directive; and
- the reimbursement of the investment advisory 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 ongoing monitoring of the Energy Efficiency Investments.

The Company will benefit from the advisory services provided to the AIFM by the Investment Adviser 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 twelve 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 the NAV (plus VAT) of the Company up to and including £500 million; and

(ii) 0.75% per annum of the NAV (plus VAT) of the Company above £500 million.

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.

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 is 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 rigorous review by the Board. The continuing appointment of the Investment Adviser is recommended by the Board.

Share Capital

As at 31 December 2023, the Company's issued share capital comprised 100,000,000 Ordinary Shares (31 December 2022: 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 profit after tax for the year amounted to £0.9 million (31 December 2022: £0.34 million). Following the failure of the February 2023 Continuation Vote, the Board announced that future dividends will only be paid from net income, and after reviewing cash flow forecasts, only in respect of six-month periods, not quarterly periods. An interim dividend was not paid in respect of the period ended 30 June 2023 and the Board has decided that, in the current circumstances, a dividend will not be paid in respect of the year ended 31 December 2023. As announced on 6 March 2024 and 19 April 2024, the Board proposes to return no less than £17.5 million to Shareholders by way of a tender offer at a fixed price of 94.28 pence per share, which is the Company's last published NAV per share (the "Tender Offer"). This is subject to the approval of Shareholders at the General Meeting on 13 May 2024.

Notifiable Shareholders

As at 31 December 2023, 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
Rathbones Investment Management Ltd	22,889,862	22.89	22/09/2023
Pangaea Life Umbrella S. A., SICAV-RAIF*	12,978,637	12.98	23/02/2022
Schroders Plc	12,124,934	12.12	17/09/2021
Stichting Juridisch Eigendom Privium Sustainable Impact Fund	6,000,000	6.00	02/06/2021
Marmarkon 4 S.à r.l.	5,847,819	5.85	28/06/2021
City of Bradford – West Yorkshire Pension Fund	5,000,000	5.00	03/06/2021

** Aquila Capital acquired the shares on behalf of Lion Umbrella Fund I A.A. SICAV-RAIF 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.*

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

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. The Chair engaged closely with the major Shareholders during the year to discuss their expectations and requirements.

The Company's Annual General Meeting will be held on 12 June 2024 at 2:00pm at the offices of CMS Cameron McKenna Nabarro Olswang LLP located at Cannon Place, 78 Cannon Street, London EC4N 6AF. 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.

Appointment of Auditors

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 Annual 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 continue to meet day-to-day liquidity needs through their cash resources. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

In reaching this conclusion, the Directors have considered the Group's investment commitments, cash position, income and expense flows. As at 31 March 2024, the latest practicable date before publication of this report, the total commitments were £4.92 million. The value of investments as at 31 December 2023 was £65.5 million and has not changed materially since that date. The investments are mostly fully operational and income producing. As at 31 March 2024, the Group had cash of £31.2 million (including the £2.5 million held as collateral for FX hedging). The Directors reviewed downside scenarios which assumed some delay in cash receipts and are satisfied that the Group and the Company would continue to meet its obligations as they fall due. Total expenses for the year were £3.30 million (excluding impairment losses) (2022: £2.4 million), which represented approximately 3.49% of average net assets during the year (2022: 2.63%). At the date of approval of these financial statements, based on the aggregate of investments and cash held, the Group and Company have substantial operating expenses cover.

At the Annual General Meeting of the Company (the "AGM") held on 14 June 2023, Shareholders voted in favour of the Company's change of investment policy (the "New Investment Policy"). Following the AGM, and in accordance with the New Investment Policy, the Company entered a continuation and managed run-off of its portfolio ("Managed Run-Off"), meaning that it is not making any new investments (save for the limited circumstances as set out in the New Investment Policy) and its investing activity is solely in respect of funding legal commitments to existing investments.

The Continuation and Managed Run-Off Resolution was put forward as a resolution to Shareholders in response to the outcome of the Company's Continuation Vote held in February 2023, which did not pass.

On 6 March and 19 April 2024, the Company announced, subject to the approval of Shareholders, a return of capital to Shareholders by way of a tender offer of not less than £17.5 million.

As referred to above, the Group is operating currently under a Managed Run-Off with the term of some of the Group's assets being several years. The Company is continuing to explore other strategic options, such as an asset sale or structural solution, there remains no certainty that any of these options will materialise and be put to Shareholders for consideration, or on the potential timing of other strategic options.

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

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 12 June 2024 at the offices of CMS Cameron McKenna Nabarro Olswang LLP located at Cannon Place, 78 Cannon Street, London EC4N 6AF. 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 aeetcosecmbx@apexfs.group.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM to be held on 12 June 2024.

Special Resolution 9

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 (i) in the event that the Tender Offer has not taken place in accordance with its terms, 14,990,000 Ordinary Shares; or (ii) in the event that the Tender Offer has taken place in accordance with its terms, 12,207,596 Ordinary Shares, representing approximately 14.99 per cent. of Ordinary Shares in issue as at (i) 29 April 2024, being the latest practicable date prior to the publication of the Notice of Annual General Meeting, or (ii) following completion of the Tender Offer, (subject to the condition that not more than 14.99 per cent. 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 continue to provide flexibility in the management of the Company's capital resources. 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 Continuation and Managed Run-Off of the Company, the Directors do not consider it necessary to seek authority from Shareholders to issue additional new Ordinary Shares at the AGM.

Resolution 10

Authority to call General Meetings (other than Annual General Meetings) on 14 clear days' notice

The minimum notice period for General Meetings of the Company is 21 days unless Shareholders approve a shorter period for General Meetings (other than an Annual General Meeting), which cannot be less than 14 clear days. The Board believes that it is in the best interests of Shareholders to have the ability to call meetings on 14 clear days' notice on matters requiring urgent approval and resolution 10 seeks such approval.

In accordance with the Companies (Shareholders' Rights) Regulation 2009, the Company will offer Shareholders the ability to vote by electronic means. This facility will be accessible to all Shareholders, should the Board call a General Meeting at 14 clear days' notice. Short notice will only be used by the Board under appropriate circumstances. If given, the approval would be effective until the Company's next Annual General Meeting.

Outlook

The outlook for the Company, including the future development and performance of the Company, is discussed in the Chair's Statement on page 4 and the Investment Adviser's Report on page 6.

By order of the Board

Sinead van Duuren
For and on behalf of
Apex Listed Companies Services (UK) Limited
Company Secretary
30 April 2024

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 2023 the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code except, as explained below, where the Company does not believe it appropriate to comply.

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 22. 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 senior independent director of Canopius Group Limited, a non-executive director of Canopius Managing Agents, Encyclis Holdco Limited and Liontrust Asset Management plc, and 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, Senior Independent 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 is also a director and Audit Committee Chairman at Ecofin US Renewables Infrastructure Trust plc. 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.

Janine Freeman

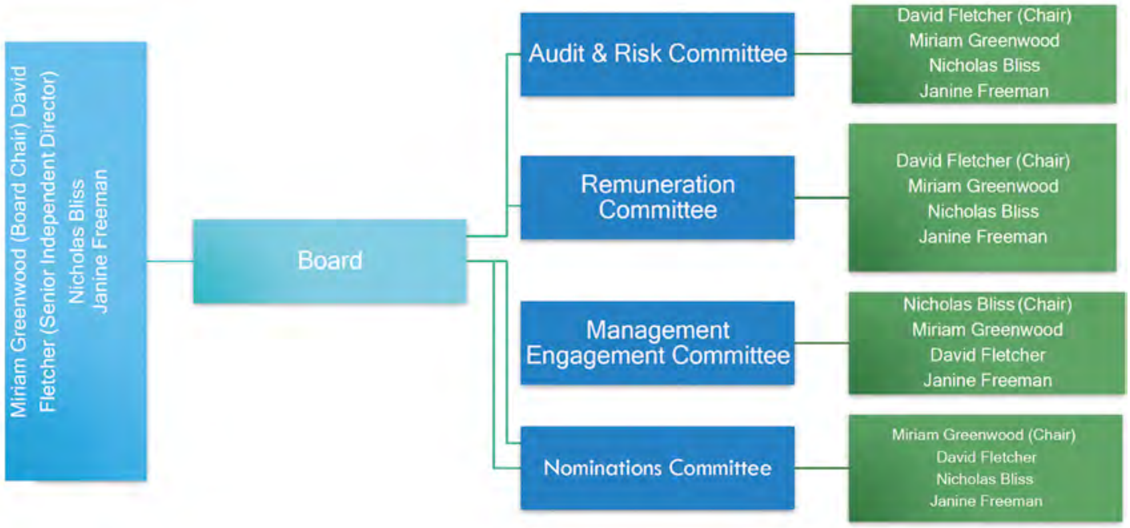
*Non-executive Director**
Appointed on 2 November 2022

Janine 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 advising on M&A 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 three 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 54 to 57. The Committee comprises all the independent non-executive Directors and is chaired by David Fletcher. In accordance with the AIC Code, the Chair of the Board is a member of the Audit and Risk Committee as she was independent on appointment and she remains so.

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 payments 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 and is chaired by David Fletcher.

Nomination Committee

The Committee has formal terms of reference which clearly define roles and responsibilities. It meets at least once per annum however, given the continuation and managed run-off status of the Company, the Committee's duties were discharged by the Board during the year ended 31 December 2023. Its principal duties include:

i. 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;

ii. determining director nominees for each Committee of the Board;

iii. considering the appropriate composition of the Board and its Committees; and

iv. 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.

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 2023

	Board	Audit and Risk Committee	Management Engagement Committee	Remuneration Committee
Miriam Greenwood	8/8	6/6	1/1	2/2
David Fletcher	8/8	6/6	1/1	2/2
Nicholas Bliss	8/8	5/6	1/1	1/2
Janine Freeman	8/8	6/6	1/1	2/2

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

The Senior Independent Director provides a sounding board to the Chair, and serves as an intermediary for the other Directors and Shareholders.

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).

As set out in the Company's announcement on 6 March 2024, which provided an update on the return of capital to Shareholders, the principal objectives of the Board are the implementation of the Tender Offer, the run-off of the portfolio and the continuing evaluation of any strategic proposals. 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 2023. 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 42 and 43.

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 Company's policy is that the Board should have an appropriate level of diversity in the boardroom with the overriding aim of ensuring that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Investment Adviser. All Board appointments will be made on merit and have regard to diversity including factors such as ethnicity, gender, skills, background and experience. There will be no discrimination on the grounds of gender, religion, race, ethnicity, sexual orientation, age or physical ability. As at 31 December 2023, the Company had four Directors, two of whom were female and two of whom were male. As at the date of this report, the Company has four Directors, two female and two male.

The Board takes account of the FCA's Listing Rule (LR9.8.6R (9)(a)) concerning public disclosures on whether a company has met the following targets on board diversity:

a) at least 40% of individuals on the board are women;

b) at least one of the senior board positions (defined by the FCA as either the chair, senior independent director, chief executive or chief financial officer) is held by a woman; and

c) at least one individual on the board is from a minority ethnic background.

As at 31 December 2023, the Board meets the criteria of two of the three targets as a) 50% of the Board are women, and b) the Chair of the Board is a woman. The Board does not meet target c) as no Board members are from a minority ethnic background. There have been no new appointments to the Board in 2023, however the Board would seek to include candidates from minority ethnic backgrounds on a shortlist as part of the recruitment of a new Director.

The below tables set out the diversity data required under LR 9.8.6R(10) as at 31 December 2023. As an externally managed investment company, the Board employs no executive staff, and therefore does not have a chief executive officer ("CEO") or a chief financial officer ("CFO"), both of which are deemed senior board positions by the FCA.

The following information has been provided by each Director. There have been no changes since 31 December 2023.

Board diversity as at 31 December 2023

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	50%	1[1]
Women	2	50%	1[2]
Prefer not to say	–	–	–

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or Other White (including minority white groups)	4	100%	2[1,2]
Asian/Asian British	0	0	0
Prefer not to say	–	–	–

1 David Fletcher is Senior Independent Director.

2 Miriam Greenwood is Chair of the Board.

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

An internal annual performance evaluation was conducted on the Board, the Chair and the Committees for the year ended 31 December 2023.

The evaluation was conducted by the Chair and the Senior Independent Director. The results of the Board performance evaluation were positive and demonstrated that the Directors were committed to the fulfilment of their duties and with a high level of engagement.

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 examines the robustness of the audit process, the independence and objectivity of the auditors and the quality of delivery.

The Audit and Risk Committee satisfies itself that the Annual Report taken as a whole is fair, balanced and understandable. The assessment of the performance during the year ended 31 December 2023 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 25 to 29.

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 reviewed the effectiveness of the internal control system throughout the year ended 31 December 2023.

Financial aspects of internal control

These are detailed in the Report of the Audit and Risk Committee on page 54.

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 enables the Board to monitor the Company's progress towards its objectives and encompasses 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 and the 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.

DIRECTORS' REMUNERATION REPORT

Annual Chair's Statement

I am pleased to present the Remuneration Committee (the "Committee") Report for the year ended 31 December 2023. 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 2023 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 auditors 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 twice during the year under review.

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 appointments as non-executive Directors of the Company and as non-executive Directors of Attika Holdings Limited, a wholly owned subsidiary of the Company, 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 and the Senior Independent Director), and 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 Director's 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 99.93% votes in favour.

Effective Date

The Remuneration Policy was effective from 25 July 2022, being the date at which the Policy was approved by Shareholders at the Company's General Meeting. At the Annual General Meeting on 14 June 2023, the Directors' Remuneration Report as set out in the 2022 Annual Report was approved with 99.89% in favour.

Remuneration Implementation Report

Directors' remuneration

During the year ended 31 December 2023, the Remuneration Committee undertook a review of Directors' fees.

With effect from 1 July 2023, each of the Directors was entitled to receive a fee of £43,676 per annum (31 December 2022: £40,478) with the Chair of the Board (who is also Chair of the Nomination Committee) entitled to receive an additional fee of £26,643 per annum (31 December 2022: £19,692). With effect from 1 July 2023, the Chair of the Audit and Risk and Remuneration Committees was appointed by the Board as Senior Independent Director of the Company and in total received an additional fee of £11,297 per annum, which included a fee for his new role as Senior Independent Director (31 December 2022: £5,470). The Management Engagement Committee Chair received an additional fee of £5,902 per annum (31 December 2022: £5,470).

The other Director, who was not Chair of the Management Engagement Committee, received an additional fee of £5,902 per annum to reflect her role and significant involvement in reviewing the first time production of the consolidated accounts for the year ended 31 December 2022 and the subsequent monitoring.

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 that the split of Directors' fees between the Company and Attika Holdings Limited of 70%/30% respectively remained appropriate with effect from 1 July 2023.

The Board believes that the level of increase and resulting fees appropriately reflects the level of demands on the individual Directors (in particular, as a result of the failure of the Continuation Vote on 28 February 2023 and the processes that the Board then undertook in assessing the various potential options for realising value for Shareholders), 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 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 early 2023 the Board was 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 were beyond those normally expected as part of their appointment. Therefore, in accordance with Principle 8 of the AIC Code, it was decided that provision should be 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 and 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. This was set out in detail in the Remuneration Report within the Annual Report for the year ended 31 December 2022.

With effect from 1 July 2023, and taking into account the approval by Shareholders of the Managed Run-Off resolution at the June 2023 Annual General Meeting, and the continuing review of strategic options for the portfolio, including the possible sale of assets and other options, these monthly fees have been maintained and increased to £2,930 for the Chair of the Board, £2,291 for the Chair of the Audit and Risk Committee, Chair of the Remuneration Committee and Senior Independent Director and £1,239 for the other Directors.

The standard fees for Directors are reviewed annually and the additional monthly fees are subject to regular review.

Directors' Remuneration

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

	Date of appointment to the Board	Fees for the year ended 31 December 2023[1] (£)	Taxable benefits	Total	Fees for the year ended 31 December 2022[1] (£)
Miriam Greenwood	19 April 2021	92,852	–	92,852	57,585
Nicholas Bliss	9 April 2021	59,794	–	59,794	42,226
David Fletcher	29 April 2022	71,861	–	71,861	30,557
Janine Freeman	2 November 2022	56,512	–	56,512	6,642
Total		**281,019**	**–**	**281,019**	**137,010**

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

No additional expenses were paid to the Directors (2022: £nil). None of the above fees were paid to third parties.

The annual percentage change in remuneration in respect of the financial years prior to the current year in respect of each Director is as follows:

	% change 2022 to 2023	% change 2021 to 2022[1]
Miriam Greenwood[2]	61.24	–
Nicholas Bliss[3]	41.60	–
David Fletcher[4]	135.17	–
Janine Freeman[5]	750.83	–

1 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 and two Directors joined the Board in 2022. Accordingly, a year-on-year percentage change has not been included in the table above.

2 The 61.24% increase in 2023 for Miriam Greenwood arose mainly from the introduction of an additional monthly fee to reflect the extra duties and responsibilities as Chair of the Board arising from the failed Continuation Vote at the end of February 2023, the approval of the Managed Run-Off resolution at the end of June 2023 and the continuing review of strategic options for the portfolio as detailed in this Remuneration Report.

3 The 41.60% increase in 2023 for Nicholas Bliss arose mainly from the introduction of an additional monthly fee to reflect the extra duties and responsibilities arising from the failed Continuation Vote at the end of February 2023, the approval of the Managed Run-Off resolution at the end of June 2023 and the continuing review of strategic options for the portfolio as detailed in this Remuneration Report.

4 The 135.17% increase in 2023 for David Fletcher arose mainly from (i) his appointment part-way through 2022 (29 April 2022), (ii) the introduction of an additional monthly fee to reflect the extra duties and responsibilities arising from the failed Continuation Vote at the end of February 2023, the approval of the Managed Run-Off resolution at the end of June 2023 and the continuing review of strategic options for the portfolio and (iii) his appointment to the role of Senior Independent Director of the Board on 1 July 2023 as detailed in this Remuneration Report.

5 The 750.83% increase in 2023 for Janine Freeman arose mainly from (i) her appointment part-way through the year as a Director on 2 November 2022, (ii) the introduction of an additional monthly fee to reflect the extra duties and responsibilities arising from the failed Continuation Vote at the end of February 2023, the approval of the Managed Run-Off resolution at the end of June 2023 and the continuing review of strategic options for the portfolio and (iii) to reflect her role and particular involvement on the Audit and Risk Committee as detailed in this Remuneration Report.

Directors' Service Contracts, Term and Loss of Office

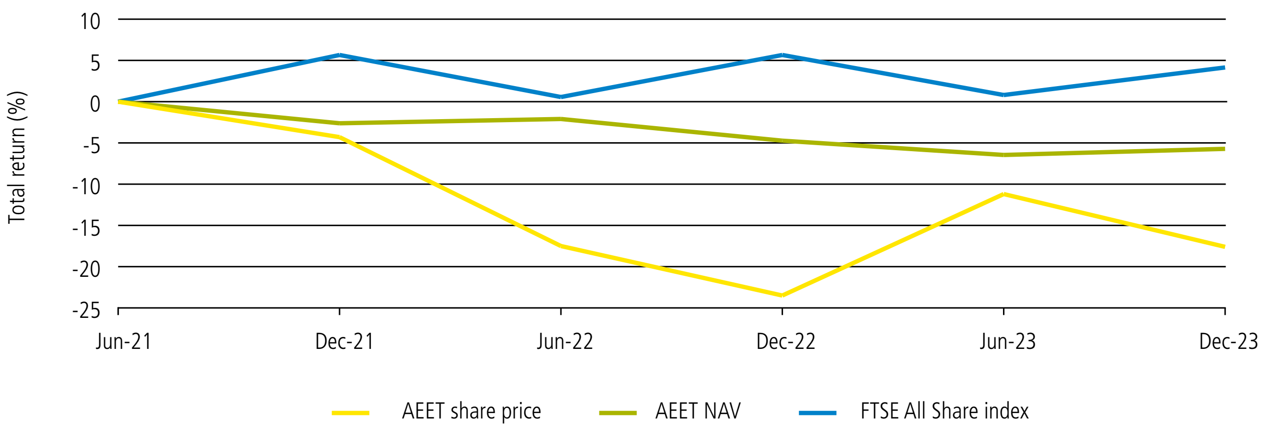
The Directors do not have service contracts with the Company. The Directors have appointment letters which provide for an initial term of three years. In accordance with the AIC Code, each member of the Board will seek annual re-election by Shareholders at the AGM. There are no agreements in place to 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 2023	Year ended 31 December 2022
Spend on Directors' fees	281,019	143,472
Company's operating expenses and advisory fees	2,972,000	2,537,000
Dividends paid and payable to Shareholders	1,250,000	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 2023 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	42,425	14,181	56,606
Nicholas Bliss	20,000	–	20,000
Janine Freeman	–	–	–

Remuneration Consultants

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

Recruitment Agencies

The Board has not paid and will not pay any incentive fees to any person to encourage them to become a Director of the Company.

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 2023:

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 2024

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 2023. 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.

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 falls 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 Committee as she was independent on appointment and she remains so. The experience of the members of the Committee can be assessed from the Directors' biographies set out on pages 42 and 43.

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 2023 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;
- considered the ongoing assessment of the Company as a going concern;
- considered the appointment, independence, objectivity and remuneration of the auditors;
- 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 and Accounts;
- 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; and
- considered the financial and other implications on the independence of the auditors arising from the provision of non-audit services.

In the half-year report to Shareholders for the six months to June 2023, the Chair referred to the additional costs associated with the production of the Company's 2022 Annual Report and Accounts, including the additional cost in respect of preparing the consolidated accounts for the first time. The results for the year ended 31 December 2023 include significant audit fees in both the year ended 31 December 2022 which were not budgeted for or included in that year's results and in the year ended 31 December 2023 due to the increase in scope of the audit and the need to audit consolidated financial statements. The budgeted audit fees for the current year reflect the amount of work now expected to be undertaken given, inter alia, the number of assets owned by the Company following deployment, the different valuation methodologies for the assets and the complexities involved. The results for the year ended 31 December 2023 also include significant professional fees relating to the two Continuation Votes and the consequences of the votes. The Board continues to consider whether there is scope to recoup at least some of these increased costs from its service providers.

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 38.

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 25 and the Company's principal risks can be found on pages 26 to 29.

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 which provide reasonable assurance on the effectiveness of internal financial controls.

The Statement of Directors' Responsibilities in respect of the financial statements is on page 58 and a Statement of Going Concern is on page 38. The Report of the Independent Auditors is on pages 59 to 66.

Financial Statements and Material Accounting Matters

The Committee reviewed the financial statements and considered the following material accounting issues in relation to the Company's financial statements for the year ended 31 December 2023.

Investment Entity Status

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. This has continued to be the position in 2023.

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 judgements. 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 were selected as the Company's auditors at the time of the Company's launch. The auditors were formally engaged in November 2021. This is Richard McGuire's third year as the Company's audit partner. The appointment of the auditors 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 2023 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 auditors and the objectivity of the audit process and is satisfied that PwC has fulfilled its obligations to Shareholders and as independent auditors to the Company for the year ended 31 December 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 auditors 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 auditors. The Audit and Risk Committee has determined that the Company's appointed auditors 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 auditors 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 2023.

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 have been 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.

Conclusion with Respect to the Annual Report continued

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 31 December 2023, 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 2024

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 2024

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 2023 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 2023; 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, comprising material accounting policy information and other explanatory information.

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 held a continuation vote in February 2023 which did not pass. At the Annual General Meeting of the Company (the "AGM") held on 14 June 2023, Shareholders voted in favour of the Company's change of investment policy (the "New Investment Policy"). Following the AGM, and in accordance with the New Investment Policy, the Company entered a continuation and managed run-off of its portfolio ("Managed Run-Off"), meaning that it is not making any new investments (save for the limited circumstances asset out in the New Investment Policy) and its investing activity is solely in respect of funding legal commitments to existing investments. The Group is operating currently under a Managed Run-Off with the term of some of the Group's assets being several years. The Company is continuing to explore other strategic options, such as an asset sale or structural solution. There remains no certainty that any of these options will materialise and be put to Shareholders for consideration or on the potential timing of other strategic options. 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;
- 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; and
- 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.

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

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, and;
- 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 (Group and Company)
- Valuation of investments held at fair value through profit or loss (Group)
- Carrying value of investments at amortised cost (Group)
- Investment in subsidiary held at fair value through profit or loss (Company)

Materiality

- Overall Group materiality: £1,886,000 (2022: £1,904,000) based on 2% of net assets.
- Overall Company materiality: £1,791,000 (2022: £1,809,000) based on 2% of net assets capped at 95% of Group materiality.
- Performance materiality: £1,414,000 (2022: £1,428,000) (Group) and £1,344,000 (2022: £1,357,000) (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.

Investment in subsidiary held at fair value through profit or loss is a new key audit matter this year. Investment entity status, which was a key audit matter last year, is no longer included because there have been no changes to the Company's business and therefore limited consideration in the current year of whether the Company meets the characteristics of an investment entity. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments held at fair value through profit or loss (Group)	
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 £10,492k. 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 size 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 the investments held at fair value. Our internal valuations experts developed a range to benchmark against management's discount rates 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.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments at amortised cost (Group) As stated above, 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 amortised cost of the Group are £54,990k. 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 size 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.	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. 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 in subsidiary held at fair value through profit or loss (Company) The Company's investment in subsidiaries is held at £45,654k split between an investment in Attika Holdings Limited of £9,971k held at cost less impairment and an investment in one compartment of SPV Project 2013 S.r.l (the "Italian SPV") held at fair value through profit or loss. The fair value of the Italian SPV as at 31 December 2023 has been determined through an aggregation of the fair value of the Italian SPV's individual investments adjusted for the cash and liabilities of the Italian SPV at 31 December 2023. The fair values of the Italian SPV's individual investments take account of projections of future cash flows and discount rates which seek to take account of the risk profile of the counterparty, and other areas of judgment. The valuation of the investment in the Italian SPV was identified as a key audit matter given the components of the underlying valuation such as forecast cash flows and discount rates are inherently subjective.	We obtained management's calculations of the fair value of the investment in the Italian SPV. We performed the following procedures: • Tested the mathematical accuracy of the calculation and agreed the inputs to the supporting documentation; and • In respect of the underlying investments in the Italian SPV, we agreed the forecast cash flows to supporting documentation such as signed contracts, tested the mathematical accuracy of the valuation models and assessed the discount rates used. No material issues 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. As part of our procedures over the valuation of investments held at fair value through profit or loss, we obtained the third party technical advice used by management to forecast energy production. We have reviewed the appropriateness of disclosures included in the financial statements and have read the Annual Report to consider whether other climate change disclosures are materially consistent with the financial statements and our knowledge obtained in the audit. Based on our procedures performed, no significant findings have been noted.

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
Overall materiality	£1,886,000 (2022: £1,904,000).	£1,791,000 (2022: £1,809,000).
How we determined it	2% of net assets	2% of net assets capped at 95% of Group materiality
Rationale for benchmark applied	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 between £1,128,000 and £1,794,000. 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% (2022: 75%) of overall materiality, amounting to £1,414,000 (2022: £1,428,000) for the Group financial statements and £1,344,000 (2022: £1,357,000) 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.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £94,000 (Group audit) (2022: £95,000) and £90,000 (Company audit) (2022: £90,000) 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 2023 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 Section 1158 of 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 or carrying value of investments held at amortised cost. 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 of investments held at amortised cost (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;
- 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 members on 16 November 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2021 to 31 December 2023.

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 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		For the year ended 31 December 2023			For the year ended 31 December 2022		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Unrealised (loss)/gain on investments	4	–	(2,380)	(2,380)	–	1,211	1,211
Unrealised gain/(loss) on derivatives		–	122	122	–	(1,016)	(1,016)
Realised gain on derivatives		–	1,713	1,713	–	–	–
Net foreign exchange (loss)/gain		–	(64)	(64)	–	282	282
Investment income	5	5,948	–	5,948	2,197	–	2,197
Investment advisory fees	6	(808)	–	(808)	(615)	–	(615)
Impairment loss	4	(1,735)	–	(1,735)	(136)	–	(136)
Other expenses	7	(2,492)	–	(2,492)	(1,786)	–	(1,786)
Profit/(loss) on ordinary activities before taxation		**913**	**(609)**	**304**	**(340)**	**477**	**137**
Taxation	8	–	–	–	–	–	–
Profit/(loss) on ordinary activities after taxation		**913**	**(609)**	**304**	**(340)**	**477**	**137**
Return per Ordinary Share	9	0.91p	(0.61p)	0.30p	(0.34p)	0.48p	0.14p

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. 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 75 to 98 are an integral part of these financial statements.

COMPANY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		For the year ended 31 December 2023			For the year ended 31 December 2022		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Unrealised gain on investments	4	–	961	961	–	2,144	2,144
Net foreign exchange loss		–	(37)	(37)	–	(99)	(99)
Investment income	5	4,080	–	4,080	697	–	697
Investment advisory fees	6	(808)	–	(808)	(615)	–	(615)
Other expenses	7	(1,912)	–	(1,912)	(1,375)	–	(1,375)
Impairment loss		(2,041)	–	(2,041)	–	–	–
(Loss)/profit on ordinary activities before taxation		**(681)**	**924**	**243**	**(1,293)**	**2,045**	**752**
Taxation	8	–	–	–	–	–	–
(Loss)/profit on ordinary activities after taxation		**(681)**	**924**	**243**	**(1,293)**	**2,045**	**752**
Return per Ordinary Share	9	(0.68p)	0.92p	0.24p	(1.29p)	2.05p	0.75p

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 75 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments at fair value through profit or loss	4	10,492	11,742
Investments at amortised cost	4	54,990	38,550
		65,482	**50,292**
Current assets			
Trade and other receivables	10	652	70
Derivative financial instrument	4	122	–
Cash and cash equivalents		29,082	46,625
		29,856	**46,695**
Creditors: amounts falling due within one year	11	(1,057)	(904)
Derivative financial instrument		–	(856)
Net current assets		**28,799**	**44,935**
Net assets		**94,281**	**95,227**
Capital and reserves: equity			
Share capital	12	1,000	1,000
Special reserve	13	93,500	94,750
Capital reserve		(178)	431
Revenue reserve		(41)	(954)
Shareholders' funds		**94,281**	**95,227**
Net assets per Ordinary Share	14	94.28p	95.23p
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 2024.

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 75 to 98 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investment in subsidiaries	4	45,654	31,220
Current assets			
Cash and cash equivalents		22,548	32,714
Intercompany receivable	10	–	32,966
Shareholder loan receivable	17	27,293	–
Trade and other receivables	10	255	33
		50,096	**65,713**
Creditors: amounts falling due within one year	11	(874)	(1,050)
Net current assets		**49,222**	**64,663**
Net assets		**94,876**	**95,883**
Capital and reserves: equity			
Share capital	12	1,000	1,000
Special reserve	13	93,500	94,750
Capital reserve		2,923	1,999
Revenue reserve		(2,547)	(1,866)
Shareholders' funds		**94,876**	**95,883**

Approved by the Board of Directors and authorised for issue on 30 April 2024.

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 75 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

For the year ended 31 December 2023	Notes	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2023		**1,000**	**94,750**	**431**	**(954)**	**95,227**
Dividends paid	15	–	(1,250)	–	–	**(1,250)**
(Loss)/profit for the year		–	–	(609)	913	**304**
Closing equity as at 31 December 2023		**1,000**	**93,500**	**(178)**	**(41)**	**94,281**

For the year ended 31 December 2022	Notes	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'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**

The notes on pages 75 to 98 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

For the year ended 31 December 2023	Notes	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2023		**1,000**	**94,750**	**1,999**	**(1,866)**	**95,883**
Dividends paid	15	–	(1,250)	–	–	**(1,250)**
Profit/(loss) for the year		–	–	924	(681)	**243**
Closing equity as at 31 December 2023		**1,000**	**93,500**	**2,923**	**(2,547)**	**94,876**

For the year ended 31 December 2022	Notes	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2022		**1,000**	**97,000**	**(46)**	**(573)**	**97,381**
Dividends paid	15	–	(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**

The notes on pages 75 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000
Operating activities			
Profit on ordinary activities before taxation		304	137
Adjustments for:			
Unrealised loss/(gain) on investments	4	2,380	(1,211)
Unrealised loss/(gain) on derivative instruments	4	(122)	1,016
Realised gains on derivative instruments		(108)	–
Impairment loss		1,735	136
Net foreign exchange loss		116	–
(Increase)/decrease in trade and other receivables		(310)	34
Increase in creditors: amounts falling due within one year		968	570
Interest receivable from amortised cost investments		(2,420)	(1,349)
Net cash flow from/(used in) operating activities		**2,543**	**(667)**
Investing activities			
Purchase of investments	4	(21,834)	(47,602)
Repayment of investments	4	3,050	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		**(18,784)**	**(30,587)**
Financing activities			
Dividends paid	15	(1,250)	(2,250)
Net cash flow used in financing activities		**(1,250)**	**(2,250)**
Decrease in cash and cash equivalents		**(17,491)**	**(33,504)**
Cash and cash equivalents at start of year		46,625	80,129
Effect of foreign currency exchange translation		(52)	–
Cash and cash equivalents at end of year		**29,082**	**46,625**

The notes on pages 75 to 98 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000
Operating activities			
Profit on ordinary activities before taxation		243	752
Adjustments for:			
Unrealised gain on investments	4	(961)	(2,144)
Net foreign exchange loss		(17)	–
Shareholder loan interest income		(1,912)	–
Impairment loss		2,041	–
Increase in intercompany receivables		(1,901)	(27,796)
(Increase)/Decrease in trade and other receivables		(91)	71
(Decrease)/Increase in creditors		(175)	544
Net cash flow used in operating activities*		**(2,773)**	**(28,573)**
Investing activities			
Purchase of investments	4	(4,808)	(16,592)
Repayment of investments		1,306	–
Net cash flow used in investing activities		**(3,502)**	**(16,592)**
Financing activities			
Loan to subsidiary	10	(4,437)	–
Shareholder loan interest income received		1,782	–
Dividends paid	15	(1,250)	(2,250)
Net cash flow used in financing activities		**(3,905)**	**(2,250)**
Decrease in cash and cash equivalents		**(10,180)**	**(47,415)**
Cash and cash equivalents at start of year		32,714	80,129
Effect of foreign currency exchange translation		14	–
Cash and cash equivalents at end of year		**22,548**	**32,714**
*Cash flows from operating activities were presented after the below non-cash transactions:			
Conversion of intercompany receivables to investment in subsidiary		11,791	–
Conversion of intercompany receivable to shareholder loan		23,076	–
		34,867	–

The notes on pages 75 to 98 are an integral part of these financial statements.

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.

Further to the adoption of a new investment policy at the 2023 AGM, the Company is being managed with the intention of realising all remaining assets in the Portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning cash to Shareholders in an orderly manner.

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

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

The financial statements have also been prepared as far as is relevant and applicable to the Company in accordance with the Statement of Recommended Practice ("SORP") issued by the AIC in July 2022.

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 the 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.

2. BASIS OF PREPARATION CONTINUED

Basis of consolidation
The Group's financial statements consolidate those of the Company and of its subsidiaries at 31 December 2023. 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 the 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. the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;

II. the 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. the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

Investment entity status
The Directors determined that the Company does not meet the characteristics 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.

The financial statements are presented on a consolidated basis of the Company, AHL and the Italian SPV.

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 a 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 continue to meet day-to-day liquidity needs through their cash resources. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date approval of these financial statements.

In reaching this conclusion, the Directors have considered the Group's investment commitments, cash position, income and expense flows. As at 31 March 2024, the latest practicable date before publication of this report, the total commitments were £4.92 million. The value of investments as at 31 December 2023 was £65.5 million and has not changed materially since that date. The investments are mostly fully operational and income producing. As at 31 March 2024, the Group had cash of £31.2 million (including the £2.5 million held as collateral for FX hedging). The Directors reviewed downside scenarios which assumed some delay in cash receipts and are satisfied that the Group and the Company would continue to meet its obligations as they fall due. Total expenses for the year were £3.30 million (excluding impairment losses) (2022: £2.4 million), which represented approximately 3.49% of average net assets during the year (2022: 2.63%). At the date of approval of these financial statements, based on the aggregate of investments and cash held, the Group and Company have substantial operating expenses cover.

At the Annual General Meeting of the Company (the "AGM") held on 14 June 2023, Shareholders voted in favour of the Group's change of investment policy (the "New Investment Policy"). Following the AGM, and in accordance with the New Investment Policy, the Company entered a continuation and managed run-off of its portfolio ("Managed Run-Off"), meaning that it is not making any new investments (save for the limited circumstances as set out in the New Investment Policy) and its investing activity is solely in respect of funding legal commitments to existing investments.

The Continuation and Managed Run-Off Resolution was put forward as a resolution to Shareholders in response to the outcome of the Company's Continuation Vote held in February 2023, which did not pass.

On 6 March 2024, the Company announced, subject to the approval of Shareholders, a return of capital to Shareholders by way of a tender offer of not less than £17.5 million.

As referred to above, the Group is operating currently under a Managed Run-Off with the term of some of the Group's assets being several years. The Company is continuing to explore other strategic options, such as an asset sale or structural solution. There remains no certainty that any of these options will materialise and be put to Shareholders for consideration, or on the potential timing of other strategic options.

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

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 cash flows 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. Loan impairment 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 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 2023
A number of new standards and amendments to standards are effective for the annual periods beginning after 1 January 2023. 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 or adopted early by the Group
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.

2. BASIS OF PREPARATION CONTINUED

Amendments to IAS 1 Presentation of Financial Statements –Classification of Liabilities as Current or Non-current

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

3. MATERIAL 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, shareholder loan receivables 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.

Derivatives

Derivatives comprise of foreign currency swaps used to hedge the Group's foreign currency exposure. The fair value of the foreign currency swaps is the difference between the spot rate and the forward rate that were applied at the date of the Statement of Financial Position. Realised gains/(losses) on derivatives relates to actual cash received/(paid) at the end of the term of foreign currency swaps and are recognised upon settlement.

Investment in subsidiaries

The Company's investment in its subsidiary, AHL, is composed of equity shares. The Company's investments in AHL is held at cost less impairment in the Company's Statement of Financial Position. Impairment charge has been determined to be the net liability amount of AHL less any impairment associated with the shareholder loan receivable.

The Company's investment in its subsidiary, SPV, is composed of loan notes receivables. The Company's investments in the SPV is held at fair value through profit or loss. The fair value of SPV as at 31 December 2023 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 2023. The fair values of SPV's individual investments take account of forecast projections of future cash flows and discount rates which seek to take account of the risk profile of the counterparty, and other areas of judgement.

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 2023 due to the subsidiaries being in a loss position. 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.

3. MATERIAL ACCOUNTING POLICIES CONTINUED

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 the 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 accruals basis.

Expenses

All expenses are accounted for on an accrual 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 the 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.

Repurchases 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 twelve months to more than fifteen years. Individual agreements provide for the receivables to be paid mostly on a monthly or quarterly basis.

In addition to past events and current conditions, reasonable and supportable forecasts affecting collectability are also considered when determining the amount of impairment in accordance with IFRS 9. 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 (twelve-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 twelve 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 twelve 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 has also designed a downside and upside scenario based on historic data. Company financials are modified to reflect various factors leading to a deterioration in performance.

- In each of the scenarios, various macro and financial variables are flexed and applied in the calculation. The macro variables are GDP growth, inflation, unemployment rate and interest rate. The financial variables are turnover, net debt, shareholder equity, working capital, tangible assets, interest expense, EBITDA, EBIT and net income. A base, optimistic and pessimistic scenario is applied for each of these above variables to calculate the corresponding expected credit loss.

The probability weighting of the scenarios was based on an analysis of the level of severity. It was determined that a weighting of 50% for the base case and 25% for each of the other scenarios was appropriate. The resulting forecasts are thus neither overly optimistic nor unduly conservative for IFRS 9 purposes.

	Optimistic	Base case	Pessimistic
IFRS 9 probability weighting	25%	50%	25%

- 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 twelve month or lifetime basis, where twelve month LGD is the percentage of loss expected to be made if the default occurs in the next twelve 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").

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 twelve 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.

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 cash flow/liquidity problems such as an ongoing 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.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The Group uses a rebuttable presumption that a credit deterioration (i.e. Stage 1 to Stage 2) 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 Directors do not believe that being 30 days overdue is considered a credit deterioration given the nature and payment profile of some of its small counterparties. Payments are different from consumer loan payments and often comprise of a very large quantity of payments each of a very small amount. There is also significant evidence of catch-up payments where a counterparty has just passed the 30 days and very rarely have these counterparties missed the payment completely.

We recognise that individual credit exposures, which define the Company'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, we do expect that in certain cases 90 days late payments may not lead to movements through the ECL stages.

4. INVESTMENTS

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 three 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:

	31 December 2023				31 December 2022			
Group	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss	–	–	10,492	10,492	–	–	11,742	11,742
Derivative financial instrument	–	122	–	122	–	(856)	–	(856)
	–	**122**	**10,492**	**10,614**	**–**	**(856)**	**11,742**	**10,886**

There were 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:

	31 December 2023				31 December 2022			
Company	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment in SPV, at fair value through profit or loss	–	–	35,683	35,683	–	–	31,220	31,220
	–	**–**	**35,683**	**35,683**	**–**	**–**	**31,220**	**31,220**

There were 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 2023 £'000	**31 December 2022 £'000**
Opening balance	11,742	–
Additions during the year	1,675	10,926
Disposals during the year	(1,551)	(43)
Unrealised (loss)/gain on investments	(1,374)	859
Closing balance	**10,492**	**11,742**

The movement on the Level 3 unquoted investments of the Company (Investment in SPV, at fair value through profit or loss) during the year is shown below:

	31 December 2023 Company £'000	31 December 2022 Company £'000
Opening balance	31,220	12,307
Additions during the year	4,808	16,769
Repayments during the year	(1,306)	–
Unrealised gain on investments	961	2,144
Closing balance	**35,683**	**31,220**

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 2023 but for which fair value is disclosed:

	31 December 2023		31 December 2022	
	Carrying value £'000	Fair market value £'000	Carrying value £'000	Fair market value £'000
Assets				
Investments at amortised cost	54,990	57,221	38,550	38,755
Total	**54,990**	**57,221**	**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 2023. The Directors have satisfied themselves as to the fair value of the debt instrument investments as at 31 December 2023.

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 2023 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.

4. INVESTMENTS CONTINUED

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 are 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 7.7% at 31 December 2023. An increase or decrease in this rate by 0.5% at investment level has the following effect on valuation.

	31 December 2023		31 December 2022	
Discount rate	**+0.5% Change £'000**	**-0.5% Change £'000**	**-0.5% Change £'000**	**+0.5% Change £'000**
Valuation	(242)	250	(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.

	31 December 2023		31 December 2022	
Power price	**-10.0% Change £'000**	**+10.0% Change £'000**	**-10.0% Change £'000**	**+10.0% Change £'000**
Valuation	(64)	66	(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 projects as explained above.

	31 December 2023		31 December 2022	
Energy yield	**-10.0% Change £'000**	**+10.0% Change £'000**	**-10.0% Change £'000**	**+10.0% Change £'000**
Valuation	(555)	533	(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 2023:

	31 December 2023			**31 December 2022**		
Group	**Gross carrying amount £'000**	**Allowance for ECL £'000**	**Net carrying amount £'000**	**Gross carrying amount £'000**	**Allowance for ECL £'000**	**Net carrying amount £'000**
Fixed value investments at amortised cost						
Stage 1	54,399	(259)	54,140	37,735	(77)	37,658
Stage 2	156	(24)	132	951	(59)	892
Stage 3	2,306	(1,588)	718	–	–	–
Total assets	**56,861**	**(1,871)**	**54,990**	**38,686**	**(136)**	**38,550**

As noted in the Investment Adviser's Report the Superbonus investments, which in total amount to £30.96 million of the gross carrying amount of £54.40 million of Stage I investments, have been experiencing delays with final payments from the buyers of the tax credits generated by these projects. The ECL provisions for Superbonus investments are based on the exposures being considered as remaining in Stage 1. Payments for validated tax credits in certain cases have not been made within 90 days of seeking payment from the buyers of the tax credits. The decision not to move the classification of these investments from Stage 1 to Stage 2 is based on the judgment that there has been no significant deterioration in the credit risk for the following reasons:

- there has been a significant de-risking of the construction risks in the Superbonus projects;
- the large majority of the 109 projects have now secured tax credit certification, a significant improvement on the position as at the end of September 2023;
- the delays in payment are attributable in large part to bureaucratic delays in processing large volumes of tax credits generated by other projects/ESCOs and not just those financed by the Company;
- payments for tax credits generated by tranches 1 and 2 of relevant projects have been made; and
- £2.9m of final payments have been received of which £2.0m in the year to date.

If the projects identified as experiencing payment delays of over 90 days were moved to Stage 2 there would be no increase in the allowance for ECL since the amounts due are within 12 months. Notwithstanding the comments above, by way of illustration, if the PDs and LGDs were increased by 4 times and 2 times respectively the allowance for ECL would increase by £0.45 million.

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	**2023 £'000**	**2022 £'000**
At 1 January	136	–
Charge for the year – Stage 1	182	77
Charge for the year – Stage 2	(35)	59
Charge for the year – Stage 3	1,588	–
Allowance for ECL at 31 December	**1,871**	**136**

4. INVESTMENTS CONTINUED

Stage 3 losses

The Stage 3 losses relate to two investments: Ega Energy and the sub-metering investment in Germany.

Ega Energy – (£475,000)

The CHP investment for a food producer, Vale of Mowbray, to which £0.9 million had been deployed, as previously reported, remains on hold because Vale of Mowbray was placed into administration. Discussions continue between Ega Energy, the developer of the original project, and the new owner of the site, a cold store logistics business. However, the new owner of the site has not yet decided whether or how to proceed with the CHP investment. Ega Energy remains confident that it will be able to deploy the CHP equipment either at this site or at the sites of other potential clients in the UK. Nevertheless, the Group has increased the provision against this investment from £0.06 million as at 31 December 2022 to £0.48 million at the period end and the Group is forecasting that no further capital will be deployed to this investment.

Sub-metering investment in Germany – (£1,111,000)

The Company invested a total of £1.7 million in the sub-metering investment in Germany investment in April and June 2022 of which £0.4 million had been redeemed at the year end. The investment was made by way of a subscription for a note issued by a SPV. The SPV is party to a series of contracts with various landlords for the provision of sub-metering, hardware, maintenance and billing services contracts. The SPV appointed an insolvency administrator in October 2023. The provision of £1,111,000 is based on an offer from a potential buyer.

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 reflects the effect on expected credit losses of a range of three 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) economic 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 scenarios represents three outcomes that have been evaluated to estimate ECL. As a result, the ECL calculated for the upside 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% 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 addition to the scenario analysis outlined above, two further extreme downside scenarios were provided as follows: the first scenario is LGD% assumed increased to 100%, in which event we calculate that this would result in an ECL of £2,906,575. A further second, harsher scenario would be to assume that in addition to an LGD% of 100%, the PD% is also increased by 50%. In this case the ECL would be £3,206,722.

Investment in Subsidiaries (Company level)

The Company has two subsidiaries, AHL and in the SPV. The Company's investment in its subsidiary, AHL, is composed of equity shares. The Company's investments in AHL is held at cost less impairment in the Company's Statement of Financial Position. The Company's investment in its subsidiary, SPV, is composed of loan notes receivables. The Company's investments in the SPV is held at fair value through profit or loss.

The composition of the Company's investment in subsidaries is as follows:

Company	2023 £'000	2022 £'000
Investment in SPV, at fair value through profit or loss	35,683	31,220
Investment in AHL, held at cost less impairment	9,971	–*
Investment in subsidiaries	**45,654**	**31,220**

The movement of the Company's investments in AHL are as follows:

Gross carrying amount	2023 £'000	2022 £'000
Balance 1 January	–	–
Additions during the year	11,791	–*
Balance 31 December	**11,791**	–*
Accumulated impairment		
Balance 1 January	–	–
Impairment loss recognised	(1,820)	–
Balance 31 December	(1,820)	–
Carrying amount at 31 December	**9,971**	**–***

** The investment in AHL for the year ended 31 December 2022 was £1.*

5. INVESTMENT INCOME

Group	For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000
Investment interest income	5,027	1,646
Bank interest income	921	551
Total investment income	**5,948**	**2,197**

Company	For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000
Investment interest income	3,426	235
Bank interest income	654	462
Total investment income	**4,080**	**697**

6. INVESTMENT ADVISORY FEES

	For the year ended 31 December 2023			For the year ended 31 December 2022		
Group	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Investment advisory fees	**808**	**–**	**808**	615	–	615

	For the year ended 31 December 2023			For the year ended 31 December 2022		
Company	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Investment advisory fees	**808**	**–**	**808**	615	–	615

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 2023 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Secretary and administrator fees	281	–	281	319	–	319
Tax compliance	62	–	62	37	–	37
Directors' fees	281	–	281	143	–	143
Broker's fees	182	–	182	61	–	61
Auditors' fees*						
- Fees payable to the Company's auditors for the audit of the Company's annual accounts	590	–	590	211	–	211
- Fees payable to the Company's auditors and its associates for other services: Audit of the accounts of subsidiaries	26	–	26	16	–	16
AIFM fees	91	–	91	98	–	98
Registrar's fees	23	–	23	16	–	16
Marketing fees	104	–	104	107	–	107
FCA and listing fees	26	–	26	17	–	17
Investment expenses	332	–	332	222	–	222
Legal fees	235	–	235	365	–	365
Other expenses	259	–	259	174	–	174
Total other expenses	**2,492**	**–**	**2,492**	**1,786**	**–**	**1,786**

Company	For the year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Secretary and administrator fees	199	–	199	233	–	233
Tax compliance	41	–	41	37	–	37
Directors' fees	203	–	203	108	–	108
Broker's fees	182	–	182	61	–	61
Auditors' fees*						
- Fees payable to the Company's auditors for the audit of the Company's annual accounts	590	–	590	211	–	211
- Fees payable to the Company's auditors and its associates for other services: audit of the accounts of subsidiaries	26	–	26	16	–	16
AIFM fees	91	–	91	98	–	98
Registrar's fees	23	–	23	16	–	16
Marketing fees	104	–	104	107	–	107
FCA and listing fees	26	–	26	17	–	17
Legal fees	235	–	235	351	–	351
Other expenses	192	–	192	120	–	120
Total other expenses	**1,912**	**–**	**1,912**	**1,375**	**–**	**1,375**

* *For the year to 31 December 2023, the statutory audit fees to the Company's auditors and its associates for the audit of the Company and consolidated financial statements was £336,000 (2022: £187,000) excluding VAT. The audit fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries is £21,500 (2022: £16,000) excluding VAT, which was paid for by the Parent entity. Included in the above audit fees are overruns relating to the previous year's audit amounting to £177,500 (2022: £nil), excluding VAT. This is explained further in the Audit and Risk Committee Report.*

8. TAXATION

(a) Analysis of charge in the year

Group	For the year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Corporation tax	–	–	–	–	–	–
Taxation	**–**	**–**	**–**	**–**	**–**	**–**

Company	For the year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Corporation tax	–	–	–	–	–	–
Taxation	**–**	**–**	**–**	**–**	**–**	**–**

(b) Factors affecting total tax charge for the year

The effective UK corporation tax rate applicable to the Group for the year is 23.5% (2022: 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 2023 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	913	(609)	304	(340)	477	137
Corporation tax at 23.5% (2022: 19%)	215	(143)	72	(65)	91	26
Effects of:						
Utilisation of carried forward tax losses/ management expenses	(320)	(35)	(355)	65	–	65
Movement on investments not taxable	(310)	178	(132)	–	–	–
Loss not recognised	415	–	415	–	(91)	(91)
Total tax charge for the year	**–**	**–**	**–**	**–**	**–**	**–**

Company	For the year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
(Loss)/Profit on ordinary activities before taxation	(681)	924	243	(1,293)	2,045	752
Corporation tax at 23.5% (2022: 19%)	(160)	217	57	(246)	389	143
Effects of:						
Utilisation of carried forward tax losses/ management expenses	(320)	–	(320)	246	–	246
Non-deductible impairment	480	–	480	–	–	–
Gain on investments not taxable	–	(217)	(217)	–	(389)	(389)
Total tax charge for the year	**–**	**–**	**–**	**–**	**–**	**–**

8. TAXATION CONTINUED

Investment companies which have been approved by 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.

The Company has not recognised a deferred tax asset of £89,000 (2022: £429,000) on trading losses of £369,000 (2022: £429,000) in the UK. The asset has not been recognised as it is considered unlikely that the Company will generate sufficient future profits against which to utilise the assets. There is no time limit for expiry of the losses. On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The increase to 25% was substantively enacted on 24 May 2021 and, accordingly, the unrecognised deferred tax asset has been measured using the 25% tax rate.

9. RETURN PER ORDINARY SHARE

Group
Return per share is based on the consolidated profit for the year of £304,000 (2022: £137,000) attributable to the weighted average number of Ordinary Shares in issue of 100,000,000 in the year to 31 December 2023 (2022: Ordinary Shares in issue 100,000,000). Consolidated revenue profit and capital loss are £913,000 (2022: Consolidated revenue loss of £340,000) and £609,000 (2022: Consolidated capital gains of £477,000) respectively.

Company
Return per share is based on the profit for the year of £243,000 attributable to the weighted average number of Ordinary Shares in issue of 100,000,000 in the year to 31 December 2023 (2022: Company gain of £752,000; weighted average number of Ordinary Shares in issue 100,000,000). Company revenue loss and capital gain are £681,000 (2022: Company revenue loss of £1,293,000) and £924,000 (2022: Company capital gain of £2,045,000) respectively.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023		As at 31 December 2022	
	Company £'000	**Group £'000**	**Company £'000**	**Group £'000**
Intercompany receivable	–	–	32,966	–
Shareholder loan receivable	27,293	–	–	–
Unsettled trades	–	272	–	–
Trade and other receivables	255	380	33	70
Total	**27,548**	**652**	**32,999**	**70**

As at 31 December 2023, the Company has an intercompany receivable from AHL in the amount of £nil (2022: £32,966,000).

The amount is non-interest bearing and payable on demand.

As at 31 December 2023, the Company has a shareholder loan receivable from AHL in the amount of £27,293,000 (2022: £nil), which is net of ECL provision of £221,000 (2022: £nil). The initial interest rate was 7.90% per annum which is then being adjusted every fourth quarter of the financial year in order for the Company not to have a gross margin of less than 50bps from its financing activities. The loan is repayable in full on 31 December 2046.

11. CREDITORS: AMOUNTS FALLING DUE IN ONE YEAR

	As at 31 December 2023		As at 31 December 2022	
	Company £'000	Group £'000	Company £'000	Group £'000
Accrued expenses	874	1,016	867	892
Unsettled payment of notes purchased	–	–	177	–
Unsettled trades	–	41	–	–
Other creditors	–	–	6	12
Total	**874**	**1,057**	**1,050**	**904**

12. SHARE CAPITAL

	As at 31 December 2023		As at 31 December 2022	
	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 on 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 December 2023	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 year ended 31 December 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

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 2023, the total special reserves were £93,500,000 (2022: £94,750,000).

14. NET ASSETS PER ORDINARY SHARE

The Group's net assets per Ordinary Share as at 31 December 2023 is based on £94,281,000 (2022: £95,227,000) of net assets of the Group attributable to the 100,000,000 Ordinary Shares in issue as at 31 December 2023 (2022: 100,000,000).

The Company's net assets per Ordinary Share as at 31 December 2023 is based on £94,876,000 (2022: £95,883,000) of net assets of the Company attributable to the 100,000,000 Ordinary Shares in issue as at 31 December 2023 (2022: 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 2023		For the year ended 31 December 2022	
Total dividends paid in the year	**Pence per Ordinary Share**	**Total £'000**	**Pence per Ordinary Share**	**Total £'000**
30 June 2022 interim – Paid 31 October 2022	N/A	N/A	1.00p	1,000
30 September 2022 interim – Paid 9 December 2022	N/A	N/A	1.25p	1,250
31 December 2022 interim – Paid 20 March 2023	1.25p	1,250	N/A	N/A
Total	**1.25p**	**1,250**	**2.25p**	**2,250**

The dividend relating to the year ended 31 December 2023, 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 2023		For the year ended 31 December 2022	
Total dividends declared in the year	**Pence per Ordinary Share**	**Total £'000**	**Pence per Ordinary Share**	**Total £'000**
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**

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 cash flows 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 their revenues and expenses are in GBP and EUR. The Group and the Company are 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 £2.5 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 2023 is as follows:

	31 December 2023			31 December 2022		
Assets	**GBP £'000**	**EUR £'000**	**Total £'000**	**GBP £'000**	**EUR £'000**	**Total £'000**
Cash and cash equivalents	23,547	5,535	29,082	37,444	9,181	46,625
Trade and other receivables	159	493	652	33	37	70
Derivative financial instruments	122	–	122	–	–	–
Investments	3,566	61,916	65,482	4,306	45,986	50,292
Total assets	**27,394**	**67,944**	**95,338**	**41,783**	**55,204**	**96,987**
Liabilities						
Creditors	(901)	(156)	(1,057)	(900)	(4)	(904)
Derivative financial instruments	–	–	–	(856)	–	(856)
Total liabilities	**(901)**	**(156)**	**(1,057)**	**(1,756)**	**(4)**	**(1,760)**

If the value of Sterling against the Euro increased or decreased by 10% (2022: 10%), if all other variables remained constant, the NAV of the Group would increase or decrease by £6,794,000 (2022: £5,520,000).

The currency profile of the Company as at 31 December 2023 is as follows:

	31 December 2023			31 December 2022		
Assets	**GBP £'000**	**EUR £'000**	**Total £'000**	**GBP £'000**	**EUR £'000**	**Total £'000**
Cash and cash equivalents	19,884	2,664	22,548	32,169	545	32,714
Intercompany balance with Attika Holdings	–	–	–	16,371	16,595	32,966
Shareholder loan receivable	27,293	–	27,293			
Trade and other receivables	255	–	255	33	–	33
Investments	9,971	35,683	45,654	–	31,220	31,220
Total assets	**57,403**	**38,347**	**95,750**	**48,573**	**48,360**	**96,933**
Liabilities						
Creditors	(874)	–	(874)	(1,050)	–	(1,050)
Total liabilities	**(874)**	**–**	**(874)**	**(1,050)**	**–**	**(1,050)**

If the value of Sterling against the Euro increased or decreased by 10% (2022: 10%), if all other variables remained constant, the NAV of the Group would increase or decrease by £3,835,000 (2022: £4,836,000).

16. FINANCIAL RISK MANAGEMENT CONTINUED

(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 2023 are summarised below:

	31 December 2023			31 December 2022		
Assets	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**
Cash and cash equivalents	27,817	1,265	29,082	44,854	1,771	46,625
Trade and other receivables	–	652	652	–	70	70
Derivative financial instruments	–	122	122	–	–	–
Investments	54,990	10,492	65,482	38,550	11,742	50,292
Total assets	**82,807**	**12,531**	**95,338**	**83,404**	**13,583**	**96,987**
Liabilities						
Creditors	–	(1,057)	(1,057)	–	(904)	(904)
Derivative financial instruments	–	–	–	–	(856)	(856)
Total liabilities	**–**	**(1,057)**	**(1,057)**	**–**	**(1,760)**	**(1,760)**

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

	31 December 2023			31 December 2022		
Assets	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**
Cash and cash equivalents	21,606	942	22,548	31,174	1,540	32,714
Trade and other receivables	–	255	255	–	33	33
Intercompany receivable	–	–	–	–	32,966	32,966
Shareholder loan receivable	27,293	–	27,293	–	–	–
Investments	35,683	9,971	45,654	31,220	–	31,220
Total assets	**84,582**	**11,168**	**95,750**	**62,394**	**34,539**	**96,933**
Liabilities						
Creditors	–	(874)	(874)	–	(1,050)	(1,050)
Total liabilities	**–**	**(874)**	**(874)**	**–**	**(1,050)**	**(1,050)**

(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 2023, the Group held investments at fair value through profit or loss with an aggregate fair value of £10,492,000 (2022: £11,742,000). 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 £1,049,200 (2022: £1,174,000) in the profit after taxation for the year ended 31 December 2023 and the Group's net assets at 31 December 2023. The sensitivity of the investment valuation due to price risk is shown further in Note 4.

As of 31 December 2023, the Company held investments at fair value through profit or loss with an aggregate fair value of £35,683,000 (2022: £31,220,000). 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 £3,568,300 (2022: £3,122,000) in the profit after taxation for the year ended 31 December 2023 and the Company's net assets at 31 December 2023.

(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 are 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:

		As at 31 December 2023		As at 31 December 2022	
	Rating	**Company £'000**	**Group £'000**	**Company £'000**	**Group £'000**
Goldman Sachs – Liquid reserve fund	AAA (Fitch Rating)	6,632	6,632	7,752	7,752
EFG Deposit account	A (Fitch Rating)	15,858	19,248	23,904	23,957
Royal Bank of Scotland International	A–1/A (S&P Rating)	58	2,998	1,058	6,314
Bank of New York Mellon	AA (Fitch Rating)	–	204	–	8,602
		22,548	**29,082**	**32,714**	**46,625**

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

Group	**As at 31 December 2023**	**As at 31 December 2022**
A	5,871	4,138
B	31,890	23,895
C	16,509	10,517
D	720	–
	54,990	**38,550**

16. FINANCIAL RISK MANAGEMENT CONTINUED

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

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

(v) Liquidity risk
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 cash flows 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 2023				31 December 2022			
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Liabilities								
Creditors	(1,057)	–	–	(1,057)	(904)	–	–	(904)
Derivative financial instruments	–	–	–	–	(856)	–	–	(856)
	(1,057)	**–**	**–**	**(1,057)**	**(1,760)**	**–**	**–**	**(1,760)**

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

	31 December 2023				31 December 2022			
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Liabilities								
Creditors	(874)	–	–	(874)	(1,050)	–	–	(1,050)
	(874)	**–**	**–**	**(874)**	**(1,050)**	**–**	**–**	**(1,050)**

As at 31 December 2023, the Group has total commitments of £5.26 million (31 December 2022: £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 2023, the fee outstanding to the Investment Adviser was £361,000 (2022: £463,000).

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

	Date of appointment to the Board	Fees for the year ended 31 December 2023[1] (£)	Fees for the year ended 31 December 2022[1] (£)
Miriam Greenwood	19 April 2021	92,852	57,585
Nicholas Bliss	9 April 2021	59,794	42,226
Lisa Arnold[2]	9 April 2021	n/a	3,231
Laura Sandys[2]	9 April 2021	n/a	3,231
David Fletcher	29 April 2022	71,861	30,557
Janine Freeman	2 November 2022	56,512	6,642
Total		**281,019**	**143,472**

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 2023 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 2023			As at 31 December 2022		
	Shares	Connected person	Total	Shares	Connected person	Total
Miriam Greenwood	24,000	–	24,000	24,000	–	24,000
David Fletcher	42,425	14,181	56,606	41,785	13,951	55,736
Nicholas Bliss	20,000	–	20,000	20,000	–	20,000
Janine Freeman	–	–	–	–	–	–

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

17. RELATED PARTY TRANSACTIONS CONTINUED

Company related party transactions
As at 31 December 2023, the Company has an intercompany receivable from AHL in the amount of £nil (2022: £32,966,000). The amount is non-interest bearing and payable on demand.

As at 31 December 2023, the Company has a shareholder loan receivable from AHL in the amount of £27,293,000 (2022: £nil). The initial interest rate was 7.90% per annum which is then being adjusted every fourth quarter of the financial year in order for the Company not to have a gross margin of less than 50bps from its financing activities. The loan is repayable in full on 31 December 2046.

As at 31 December 2023, the Company has a total of £35,683,000 (2022: £31,220,000) notes at fair value through profit or loss in the Italian SPV.

As at 31 December 2023, the Company has a total of £9,971,000 (2022: £1.00) equity investment held at cost less impairment in AHL.

18. DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of the special reserve and revenue reserve. Capital reserve represents unrealised investments and 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 2023, the Company has no distributable revenue reserves as the Company is in a loss position of £2,547,000 (2022: loss of £1,866,000).

The Company's special reserve, which is also distributable, was £93,500,000 as at 31 December 2023 (2022: £94,750,000).

19. SUBSEQUENT EVENTS

On 19 April 2024, the Company published a circular in respect of proposals that up to 18,561,732 Ordinary Shares may be purchased under the Tender Offer for a maximum aggregate cash consideration of £17.5 million at a fixed price of 94.28 pence per Ordinary Share. The Company is convening a General Meeting for 11.30 a.m. on 13 May 2024 to consider and, if thought fit, pass the Tender Offer Resolution to authorise and to approve the terms under which the Tender Offer will be effected.

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. There have been no changes in these APMs from the prior year. 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 2023	As at 31 December 2022
NAV per Ordinary Share (pence)	a	3	94.28	95.23
Share price (pence)	b	3	57.25	71.00
Discount	**(b÷a)-1**		**(39.3%)**	**(25.4%)**

Ongoing charges

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company. The average net assets has been computed as the average of the published NAV for 31 December 2022, 30 June 2023 and 31 December 2023.

		Page	As at 31 December 2023	As at 31 December 2022
Average NAV	a	n/a	94,349	96,835
Annualised expenses	b	n/a	3,300	2,537[1]
Ongoing charges	**(b÷a)**		**3.5%**	**2.6%**

[1] Figure includes investment advisory fees and other expenses as disclosed in the Consolidated Statement of Profit or Loss and Comprehensive Income.

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 2023		**Page**	**Share price**	**NAV**
Opening at 1 January 2023 (pence)	a	n/a	71.00	95.23
Dividend adjustment	b		1.25	1.25
Closing at 31 December 2023 (pence)	c	3	57.25	94.28
Total return	**((c+b)÷a)-1**		**(17.6%)**	**0.3%**

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**		**(25.8%)**	**(2.2%)**

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.
ESCO	Energy Service Company.
EU	European Union.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
General Meeting or ''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.
the Group	Aquila Energy Efficiency Trust Plc and its subsidiaries, Attika Holdings Limited and SPV Project 2013 S.r.l.
GWh	Gigawatt hour.
The HoldCo	Attika Holdings Limited ("AHL" or "Attika").
Investment company	A company formed to invest in a diversified portfolio of assets.
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.
IPO	Initial Public Offering.
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).

GLOSSARY

CONTINUED

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
Registered office *(Registered in England and Wales with Company number 13324616)*	6th Floor 125 London Wall London England EC2Y 5AS
AIFM	FundRock Management Company (Guernsey) Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
Investment Adviser	Aquila Capital Investmentgesellschaft mbH Valentinskamp 70 D-20335 Hamburg Germany
Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Administrator and Company Secretary	Apex Listed Companies Services (UK) Limited 6th Floor, 125 London Wall London England EC2Y 5AS
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6AH
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