

# AQUILA ENERGY EFFICIENCY TRUST PLC

HALF-YEARLY FINANCIAL REPORT  
FOR THE SIX MONTHS TO 30 JUNE 2023



# INVESTING WITH IMPACT HALF-YEARLY FINANCIAL REPORT 2023

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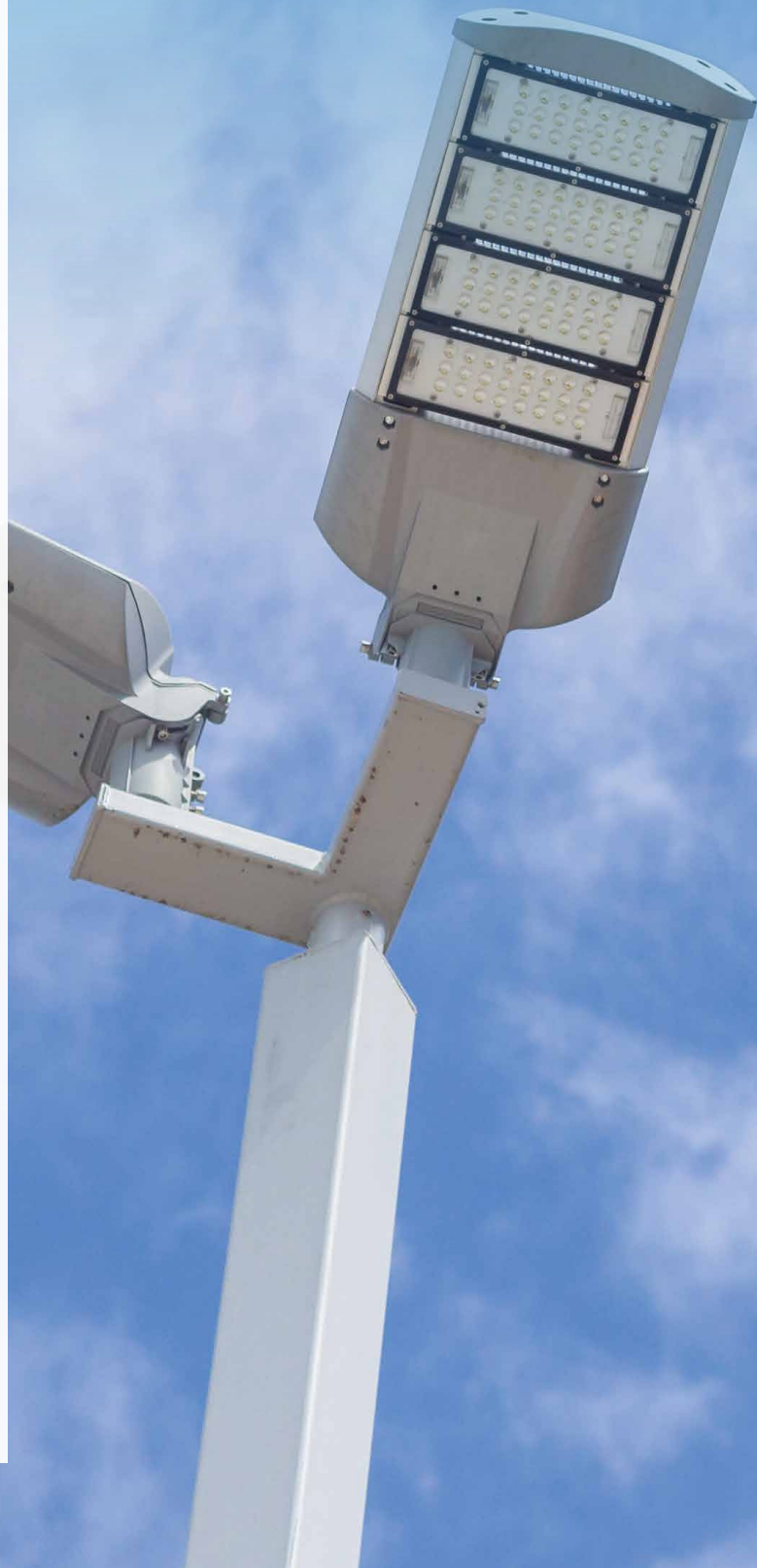
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## Consolidated Financial Highlights

Financial information	At 30 June 2023	At 31 Dec 2022
Net asset value ("NAV") per Ordinary Share (pence)	93.54	95.23
Ordinary Share price (pence)	62.00	71.00
Ordinary Share price discount to NAV <sup>1</sup>	(33.7%)	(25.4%)
Net assets (in £ million)	93.54	95.23
Ongoing charges <sup>1</sup>	3.5%	2.6%

Performance summary	% change	% change
NAV total return per Ordinary Share <sup>1</sup>	(0.5)	0.1
Share price total return per Ordinary Share <sup>1</sup>	(11.2)	(23.5)

<sup>1</sup> These are Alternative Performance Measures ("APMs") for the period ended 30 June 2023. Definitions of these APMs and other performance measures used by the Company, together with how these measures have been calculated, can be found on page 37.

## CHAIR'S STATEMENT

I am presenting my Chair's Statement for the Company's Half-yearly Financial Report (the "Half-yearly Report") which covers the six months to 30 June 2023 (the "Period"). The Company's 2022 Annual Report for the year ended 31 December 2022 was published on 2 May 2023 (the "2022 Annual Report and Accounts") and, therefore, there is some duplication in the content of the 2022 Chair's Statement and this Statement.

### Investment Performance

The Company's unaudited NAV as at 30 June 2023 on a cum-income basis was 93.54 pence per ordinary share (95.23 pence as at 31 December 2022), representing a decrease of only 1.8%. The Company's share price traded at a significant discount to NAV over the period to 30 June 2023, resulting in a total return of minus 33.7%.

### Contractual obligations and Deployment

As at 30 June 2023, the Company had investments of £65.7 million and contractual obligations to fund committed investments equivalent to £23.4 million. Following the failure of the February 2023 Continuation Vote on 28 February 2023, which was followed by a successful combined Continuation Managed Run-Off Resolution on 14 June 2023, (the "Continuation Votes"), the Company has been operated with the primary intention of preserving cash to be returned to shareholders. As a result, it was decided, after the Period end, not to proceed with one investment of £4.5 million which, therefore, reduces the Company's contractual obligations to fund investments to £18.9 million. The Investment Adviser expects that the majority of this amount will be deployed by the end of January 2024, leaving only £1.7 million to be invested in the subsequent months of 2024. These funding obligations and deployment are covered in full detail in the Investment Adviser's Report.

By 31 March 2024, as a result of the expected run-off of certain investments, in particular the Superbonus projects, the Investment Adviser expects the Company and its immediate investment holding entities, to have no less than £24.0 million of cash (prior to any dividend or return of capital to shareholders). It should be noted that the nature of the Company's investments in Superbonus projects is such that it is difficult to be sure when the investments will be realised. They will, however, continue to be income producing if actual redemption is later than forecast.

### Continuation Managed Run-Off and next steps

As noted above, the successful vote in favour of the Continuation and Managed Run-Off Resolution in June 2023 has resulted in a fundamental change to the governance of the Company, ensuring that the shareholders' instruction to see that a return of their investment capital is effected in an orderly manner. However, as we have highlighted on a number of occasions, the 37 assets that comprised the Company's portfolio as at 30 June 2023 are complex in structure, spanning several geographies and include many investments with long maturities (some as long as 18 years). A return of capital is, therefore, a complicated process. The Board, together with its advisers, has been fully engaged in ensuring that the realisation process and maximisation of return is conducted effectively. The Board

continues to review strategic options for the portfolio, which include the sale of all of the Company's assets as well as other proposals to address the Company's size and liquidity. On 16 August 2023, we provided shareholders with an update on the process to market test the portfolio sale which is being conducted by Stifel Nicolaus Europe Limited. That process is underway – albeit, it may not result in a sale – and the Board will keep shareholders updated on progress, as appropriate.

I cannot conclude this brief statement without some comment on the costs associated with the production of the Company's 2022 Annual Report and Accounts, two Continuation Votes in a six-month period and preparation for a possible complex sale process. The results for the six months ended 30 June 2023 include Investment Adviser's fees which have been based on the level of committed assets. This was agreed with the Investment Adviser in the course of the Investment Strategy Review conducted in early 2022 and resulted in relatively low Investment Adviser fees in 2022. The results for the Period also include exceptional costs relating to the two Continuation Votes conducted in the Period, and the actions initiated by the Board following those votes, as well as costs for the preparation of the 2022 Annual Report and Accounts. The latter included the increased costs resulting from the necessary assessment and implementation of a revised accounting approach for the valuation of

some of the Company's investments. The Board will be further considering whether there is scope to recoup these increased costs from its service providers.

### Dividends

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. The Board has decided that in the current circumstances, a dividend will not be paid in respect of the Period.

### Outlook

We are now exploring a portfolio sale process which inevitably will take some time given the complexity of the asset portfolio and the Board's intention to carefully consider the potential options for realising value for shareholders. As such, it is not possible, at this early stage, to provide further clarity on the timescale for realisation.



**Miriam Greenwood OBE DL,**  
Chair

**Miriam Greenwood OBE DL**

Chair of the Board  
26 September 2023

## INVESTMENT ADVISER'S REPORT

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 as announced on 16 August 2023. While pre-existing contractual commitments are being honoured, the Investment Adviser has taken opportunities to withdraw the Company from commitments of £5.4 million as at 31 December 2022 to invest into two Spanish projects. In addition, since 30 June 2023 an agreement in principle has been reached to withdraw from a partially invested Solar PV investment which was valued at £0.7 million at 30 June 2023 and had an unfunded commitment of £4.5 million (see "Investments in Spain" section below). Repayment to the Company of the initial funding and accrued interest is expected in October which would take the number of projects to 36.

During the first six months of 2023, £19.7 million was deployed taking total invested capital, before redemptions and value adjustments, to £68.0 million. £12.8 million was deployed into nine commitments which had already been made as at 31 December 2022 and the balance of £6.9 million to nine new commitments. These new investments comprised:

- Three Spanish Solar PV investments with three new ESCOs for a total commitment of £4.8 million of which £4.2 million was deployed as at 30 June 2023;
- Two additional rooftop Solar PV projects in Italy, with a total commitment of £1.3 million of which £0.8 million was deployed as at 30 June 2023; these projects are with Noleggio Energia and take the total number of projects with this ESCO to seven and the total committed capital to £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 30 June 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.

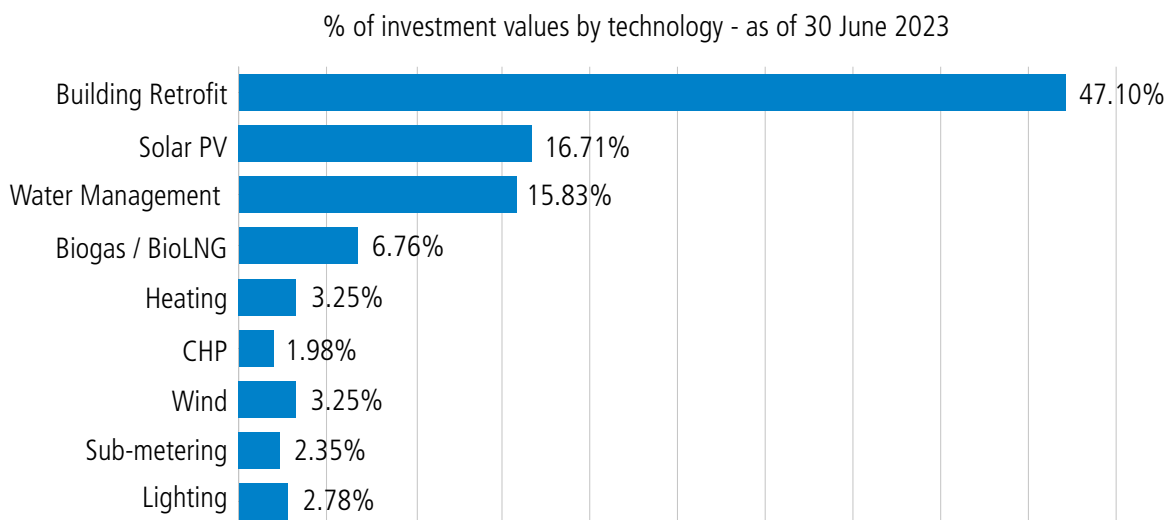
As a result of the agreement to withdraw from a partially invested Solar PV investment, in principle, to sell the investment with an unfunded commitment of £4.5 million, as referred to in the Chair's Statement, the Company now forecasts a further £18.9 million will be invested into existing commitments following 30 June 2023 (including expected transaction costs). The majority of this capital is forecast to be deployed by the end of January 2024, of which £0.4 million has been deployed since the Period end, leaving only £1.7 million to be deployed through the remainder of 2024.

By 31 March 2024, as a result of the expected run-off of certain investments, in particular the Superbonus projects, the Investment Adviser expects the Company and its immediate investment holding entities to have no less than £24.0 million of cash (prior to any dividend or return of capital to shareholders).

## PORTFOLIO OVERVIEW

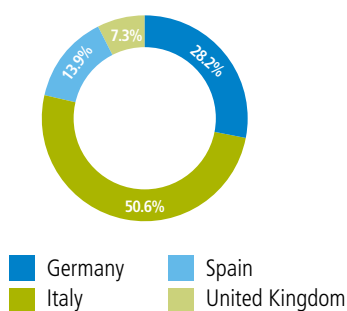
As at 30 June 2023, the Company's portfolio of 37 energy efficiency investments was diversified across geographies (Italy, Spain, Germany and the United Kingdom), technologies, counterparties and ESCO partnerships. The Company's portfolio is characterised by projects with (i) a low technology risk through 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



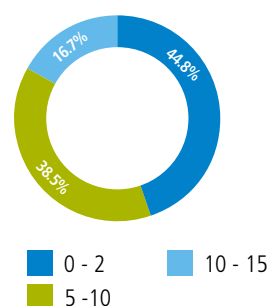
ii) Projects by Country

% of investment values by country - as of 30 June 2023



iii) Projects by Maturity Range, years

% of investment values by maturity, years - as of 30 June 2023



Approximately 77% of the Company's forecast project cash flows are investment grade, 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 83% of the total investment value provides a fixed rate of return from contractual cash flows, approximately 17% 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 yield of 8% per annum, in line with the figure reported in the Audited Annual Report and Accounts for the year ended 31 December 2022.

**Investments in Italy (£37.4m committed; £32.7m deployed at Period end)**

In the six months to 30 June 2023, the Company committed £1.3 million to two new rooftop Solar PV projects developed by Noleggio Energia, with whom the Company has now made seven investments. During the Period, £11.7 million was deployed to both these new investments and other existing commitments in Italy, the majority of which was deployed into Superbonus projects.

As at 30 June 2023, total cash deployed into investments in Italy was £32.7 million with £4.7 million of outstanding commitments across a total of 13 investments. The Investment Adviser forecasts that only £1.5 million of these outstanding commitments will be deployed,

primarily to two rooftop Solar PV investments because it expects that only a further £0.2 million (instead of £3.4 million) will be deployed to Superbonus projects due to the expected timings of cash inflows versus cash outflows on individual projects. The full commitment of £4.7 million may be required if the timings of cash receipts from completing projects are later than expected.

**Investments in Italian "Superbonus" projects (£32.5m committed; £29.0m deployed at Period end)**

The Company had committed £32.5 million to five clusters of Superbonus projects, as at 30 June 2023, a small increase in base currency terms compared with the position as at 31 December 2022 of £33.0 million. The net cash deployed increased from £18.1 million as at 31 December 2022 to £29.0 million as at 30 June 2023. Significant progress has been made on the 109 individual projects within the five clusters such that construction has been completed on 84 of these projects to date. 40 of these 84 projects have secured their final tax credit accreditation and 9 projects have been fully completed, with payments totalling £0.9 million for those tax credits received. However, the ESCOs are experiencing delays in receiving certification that the projects qualify for tax credits and the buyers of the tax credits are taking time to make the payments due. As a result of this, the projects now have a longer maturity than originally forecast. This results in additional interest, currently at the rate of 10% per annum, being earned by the Company on the capital committed and deployed. As a result of the delays, the ESCOs are expecting the majority of the capital deployed to be redeemed by the end of the second quarter of 2024 with final payments expected in September 2024. This compares with their earlier expectation of the majority of capital deployed being redeemed by the end of January 2024.

"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.

#### *Solar PV Investments for self-consumption in Italy (£4.9m committed; £3.7m deployed)*

As at 30 June 2023, the Company had committed £4.9 million to eight rooftop Solar PV projects with an aggregate capacity of 5.1MWp. As at 30 June 2023, £3.7 million had been deployed into seven operational projects with one project under construction. The balance of the commitments is expected to be deployed by the end of September 2023. These projects enable companies to reduce their energy expenses and CO2 emissions and avoid grid losses through the self-consumption of the electricity produced.

#### *Projects with Noleggio Energia*

Of these eight 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% p.a..

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

Counterparty	Description	Commitment £k	Capacity kWp	Credit Rating	Term Yrs
<b>Acetificio Galletti SNC</b>	Producer of vinegars, dressings, pickles, and other food products	312	238	B	7
<b>Enofrigo</b>	Manufacturer of wine cabinets and hot and cold food display units	116	127	BBB+ / BBB-	7
<b>Tecnocryo</b>	Manufacturer of machines for handling cryogenic fluids	1,285	1,000	BB+ / BB	10
<b>Ali Group</b>	Manufacturer of food service equipment	335	443	A-	7
<b>Orlandi</b>	Manufacturer of non-woven fabric products for a range of applications	796	876	BB+ / BB	10
<b>Marangoni</b>	Manufacturer of tyre retreading systems and products	829	1,000	BB+ / BB	10
<b>Carpigiani</b>	Manufacturer of machinery to produce ice cream	498	479	A-	5
<b>Total</b>		<b>4,171</b>	<b>4,163</b>		

#### *Project with CO-VER Power Technologies*

In January 2022, the Company refinanced the acquisition of an existing rooftop Solar PV plant in Ascoli Piceno (Central Italy) with a generating capacity of 902 kWp. The investment is based on the purchase of receivables generated by an energy service contract between the leading Italian engineering firm CO-VER Power Technologies ("CO-VER") and its subsidiary Futura APV S.r.l. ("Futura"). The contract governs the management of an operating roof-mounted solar PV plant through until April 2028. Thereafter, the investment is based on a feed-in tariff for an additional six years, aggregating to a 12-year tenor. The investment is forecast to generate a return of 7.2% p.a.. CO-VER has a successful 20-year history in developing industrial projects in the areas of energy storage systems, co/tri-generation plants and renewable energies. Futura is the owner of the PV plant which benefits from feed in tariffs payable by Gestore dei Servizi Energetici ("GSE"). GSE is a joint stock company managed by the Italian government which is responsible for promoting and developing the growth of renewable assets in Italy. GSE has a credit rating of BBB+ from the Italian government.

### **Investments in Spain (£28.7m committed; £10.8m deployed)**

In the six months to 30 June 2023, the Company committed £4.5 million to a further three Solar PV projects in Spain with three new project developers, including a £3.4 million project at the site of a Spanish agricultural company and two smaller commitments of £0.7 million and £0.6 million to finance groups of projects across Spain.

During the Period, £6.1 million was deployed to these investments and existing commitments.

As at 30 June 2023, the Company had made total commitments of £28.7 million to 11 investments in Spain. Ten of these investments, with total commitments of £24.5 million, are Solar PV investments for self-consumption and a £4.2 million commitment to a building energy efficiency investment.

As at 30 June 2023, cash deployed into these investments was £10.8 million with £17.9 million of commitments outstanding. The Investment Adviser expects that the majority of these commitments will be deployed by the end of January 2024, primarily to complete Solar PV projects, leaving £1.7 million to be invested in the subsequent months of 2024 to complete the building energy efficiency investment programme. The reduction in forecast deployment is primarily due to the decision to not proceed with one Solar PV project due to the project not satisfying the conditions precedent contractually agreed for the release of the subsequent tranche. This is expected to result in the repayment of the initial tranche and accrued interest by the project developer.

#### ***Solar PV investments in Spain (£24.6m committed; £9.3m deployed)***

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.

Six of these investments are now operating while four projects remain to be constructed and/or financed, including a single large project of £8.7 million, which requires certain conditions precedent to be fulfilled.

#### ***Buildings Energy Efficiency investments in Spain (£4.2m committed; £1.5m deployed)***

The Spanish Government has established incentive schemes to promote buildings energy efficiency measures, including the "Programa de Rehabilitación 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 buildings, improving their energy rating by at least one energy class. Under this scheme, the Company has committed £4.2 million to fund the refurbishment of condominiums, which is being managed by a leading ESCO specialised in designing and implementing energy efficiency and renewable energy projects in Spain. The investment cash flows are based on the purchase of receivables generated by the underlying energy saving contracts between the ESCO and the "Comunidad de Proprietarios"; the legal entities which represent each of the owners of the apartments in a residential building. The receivables have been rated at the S&P equivalent of A+/A. £1.5 million has been deployed as at 30 June 2023 and the balance is forecast to be deployed in full by the end of 2024.

### **Investments in Germany (£22.7m committed; £19.1m deployed)**

In the Period, no further investments were made in Germany. The Company has four investments in Germany, across four distinct technologies including smart metering technologies, water management solutions, heat pumps and Bio-LNG, with total commitments of £22.7 million, of which £19.1 million has been deployed. £3.7 million of the outstanding commitments of £3.8 million is expected to be deployed in the fourth quarter of 2023 or in the first quarter of 2024, following receipt of all necessary permits, to finance the installation of liquefaction equipment at a biogas plant in Northern Germany.

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% p.a., which is equivalent to 8% of revenue generated by the asset company, capped at £1.1 million across eight years. This arrangement results in an overall forecast return from this project of 9.0% p.a..

### **Investments in the United Kingdom (£6.2m committed; £5.3m deployed)**

In the Period, the Company committed £2.1 million to four new investments taking total commitments to investments in the UK to £6.2 million across ten investments with seven ESCOs. 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 £1.3 million of which £0.2 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 30 June 2023, total cash deployed to investments in the UK was £5.3 million with £0.7 million of commitments outstanding including £0.2 million for lighting investments to be deployed in Q4 2023. The remaining outstanding commitment of £0.5 million is to a CHP investment, for a food producer, Vale of Mowbray, to which £0.9 million has been previously deployed. As previously reported, this project remains on hold because Vale of Mowbray has been 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 been focused on repurposing the site to cold store operations and 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 made an ECL provision of £0.24 million against this investment and the Company is forecasting that no further capital will be deployed to this investment.

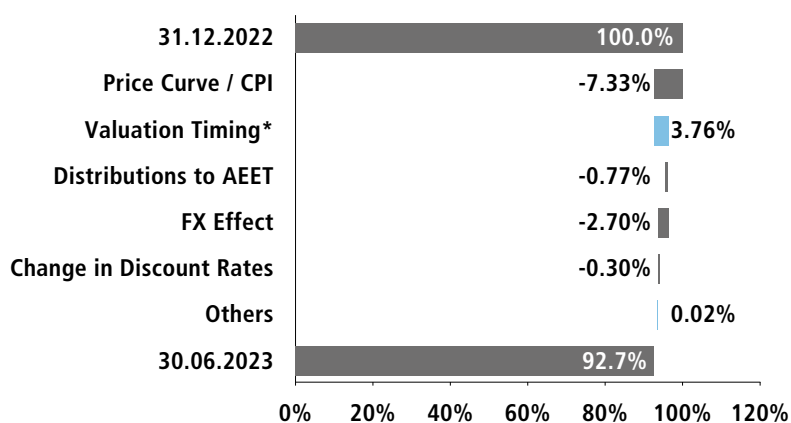
The UK investments in the wind power projects are variable return investments due to the variability of export tariffs, which are renewed each year, although a significant percentage of revenues are based on feed in tariffs which benefit from annual inflation adjustments. The other investments in CHP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

### Valuations and Expected Credit Loss Provisions as at 30 June 2023

As at 30 June 2023, the Company's investments had a book value of £65.7 million with investments held at amortised cost valued at £54.1 million and investments held at fair value through profit or loss valued at £11.6 million (see Note 3 of the Interim Accounts).

The investments held at amortised cost are net of expected credit loss provisions of £0.36 million, which increased by £0.22 million from £0.14 million as at 31 December 2022. The principal reason for the increase is the provision made against the Ega Energy Vale of Mowbray investment, referred to above, for which the provision increased to £0.24 million. Apart from this project, the Company has not experienced significant payment issues on the receivables due to be paid to it in the Period.

The half year valuation of the investments held at fair value through profit or loss resulted in a loss of £1.7 million, a change of minus 7.3%, which is summarised in the chart below:



\* Time value of money effect between the two valuation dates (6 months)

While there were relatively minor upwards adjustments to the Company's investments held at fair value in Germany and the UK, there was an overall downwards valuation adjustment in the Period, mainly due to the Spanish Solar PV investments. This downwards adjustment in Spanish Solar is due mainly to a reduction in forecast power prices, after CPI inflation adjustments. Further downward adjustments have resulted from foreign exchange effects and an increase in discount rates of c. 20bps compared with those used at 31 December 2022. The discount rate increase is attributable to interest rate rises.

The downwards valuation adjustment to the Spanish Solar PV investments seen in this Period is greater than the positive valuation adjustment reported for the year ended 31 December 2022. This means that these investments held at fair value are currently valued at £4.4 million, which is lower than cost of £5.8 million. A significant part of this negative valuation, compared with cost, is expected to be recovered in October when one of the investments, as referred to in the Chair's Statement, is expected to be realised. This investment will be realised at cost, plus a holding interest rate of 8.5% p.a., in accordance with the agreement in principle, which has been reached with the relevant ESCO.

## Summary of Investments as at 30 June 2023

Description	Receivables Weighted Avg. Credit rating	Contract term years	Technology	Status	Country	Committed, Dec 22 (FX rate at 1.1295 EUR to GBP) £'000	Committed, June 23 (FX rate at 1.1647 EUR to GBP) £'000	Deployed, Dec 22 (FX rate at 1.1295 EUR to GBP) £'000	Deployed, June 23 (FX rate at 1.1647 EUR to GBP) £'000
238 kWp Solar PV plant at food manufacturer in Lombardy; fixed income	BB-	7	Solar PV	Operating	Italy	314	312	310	301
127 kWp Solar PV plant installed at manufacturer in Veneto; fixed income	BBB+ / BBB-	7	Solar PV	Operating	Italy	120	116	120	116
Superbonus scheme; fixed income from sales of tax credits	BB-	1 - 2	Building Retrofit	Construction	Italy	5,498	5,952	5,498	5,146
Superbonus scheme; fixed income from sales of tax credits	BBB+ / BBB-	1 - 2	Building Retrofit	Construction	Italy	10,793	10,346	10,539	10,048
LED lighting contracts with 6 UK companies; fixed income with RPI	BBB+ / BBB-	5	Lighting	Operating	United Kingdom	390	390	362	362
901.6 kWp Solar PV plant at site in Ascoli Piceno (Central Italy); fixed & variable income	BBB+ / BBB-	12	Solar PV	Operating	Italy	740	718	730	708
Superbonus scheme; fixed income from sales of tax credits	AAA / AA-	1 - 2	Building Retrofit	Operating	Italy	1,609	1,552	1,600	1,552
1,000 kWp Solar PV plant at manufacturer in Lombardy; fixed income	BBB+ / BBB-	10	Solar PV	Operating	Italy	1,325	1,285	1,316	1,275
Sub-metering contracts with landlords of multi-occupancy buildings; fixed income	A-	9	Sub-meters	Operating	Germany	1,821	1,768	1,787	1,733
CHP energy services for major conference centre in Wales; fixed income	BBB+ / BBB-	6	CHP	Operating	United Kingdom	200	200	171	171
CHP energy services for food manufacturer; fixed income	CCC / CC	7	CHP	Construction	United Kingdom	1,396	1,395	907	907
Superbonus scheme; fixed income from sales of tax credits	BBB+ / BBB-	1 - 2	Building Retrofit	Construction	Italy	8,722	8,450	7,099	6,641

Description	Receivables Weighted Avg. Credit rating	Contract term years	Technology	Status	Country	Committed, Dec 22 (FX rate at 1.1295 EUR to GBP) £'000	Committed, June 23 (FX rate at 1.1647 EUR to GBP) £'000	Deployed, Dec 22 (FX rate at 1.1295 EUR to GBP) £'000	Deployed, June 23 (FX rate at 1.1647 EUR to GBP) £'000
3,830 kWp Solar PV plant at facility in Tarragona, Northern Spain; variable income from PPA	BBB+ / BBB-	15	Solar PV	Construction	Spain	2,947	2,851	1,467	1,423
Three Solar PV plants for poultry producer; variable income from PPA	BB-	15	Solar PV	Operating	Spain	286	273	134	260
CHP energy services for a hotel in the Midlands; fixed income	BB+ / BB	8	CHP	Operating	United Kingdom	433	433	407	407
Superbonus scheme; fixed income from sales of tax credits	BB+ / BB	2	Building Retrofit	Construction	Italy	6,356	6,164	6,347	6,155
Five Solar PV plants in Spain; variable income from PPAs with multiple counterparties	BBB+ / BBB-	15-18	Solar PV	Construction	Spain	9,888	9,342	639	623
8,800 kWp Solar PV plant in Zaragoza; variable income from PPAs with multiple counterparties	BB+ / BB	15	Solar PV	Construction	Spain	6,321	6,138	1,549	1,503
Two Solar PV plants at two businesses in Spain; fixed income	BB-	10 & 12	Solar PV	Operating	Spain	155	150	153	148
443 kWp Solar PV plant at foodservice equipment manufacturer in Veneto; fixed income	BBB+ / BBB-	7	Solar PV	Operating	Italy	345	335	-	335
745.5 kWp Solar PV project at Spanish ceramic tiles manufacturer; variable income from PPA	BBB+ / BBB-	15	Solar PV	Operating	Spain	966	918	733	888
Three operating wind turbines in the UK; variable income from FiTs and export tariffs	BBB+ / BBB-	10.6	Wind	Operating	United Kingdom	484	484	400	400
Operating bio-gas plant in Northern Germany with planned upgrade to a Bio-LNG1 facility; fixed & variable income	A-	8.25	Biogas / BioLNG	Operational (Phase 2 construction)	Germany	8,282	8,036	4,429	4,295



Description	Receivables Weighted Avg. Credit rating	Contract term years	Technology	Status	Country	Committed, Dec 22 (FX rate at 1.1295 EUR to GBP) £'000	Committed, June 23 (FX rate at 1.1647 EUR to GBP) £'000	Deployed, Dec 22 (FX rate at 1.1295 EUR to GBP) £'000	Deployed, June 23 (FX rate at 1.1647 EUR to GBP) £'000
Solar PV for agricultural company in Cordoba; variable income from PPA	BB-	15	Solar PV	Operating	Spain	677	303	-	296
875.6 kWp Solar PV plant at non-woven fabrics manufacturer in Lombardy; fixed income	BB-	10	Solar PV	Construction	Italy	821	796	-	-
Water management services for condominiums and multi-family homes; fixed income	BBB+ / BBB-	10	Water management	Operating	Germany	11,067	10,698	10,978	10,647
Two energy saving contracts for five Spanish condominiums located around Madrid, Guadalajara and Gerona; fixed income	A+ / A	15	Building Retrofit	Construction	Spain	5,959	4,164	211	1,472
Two operating wind turbines in Scotland; variable income from FiTs and export tariffs	BBB+ / BBB-	13	Wind	Operating	United Kingdom	1,162	1,494	1,132	1,447
Heat pump service and maintenance contracts for the residential sector throughout Germany; fixed income	AAA / AA-	15	Heating	Construction & Operational	Germany	2,240	2,173	2,213	2,146
4,000 kWp Solar PV plants for leading agricultural business; fixed income	BB+ / BB	10	Solar PV	Operating	Spain	-	3,378	-	3,306
869 kWp Solar PV plants at two sites around Alicante, Spain; variable income from PPAs	BB+ / BB	14 & 15	Solar PV	Operating	Spain	-	598	-	581
1,300 kWp Solar PV plants at four sites in Spain; variable income from PPAs and grid sales	BBB+ / BBB-	18	Solar PV	Construction	Spain	-	607	-	138
Metering and LED contracts with eleven different counterparties in the UK; fixed income with RPI	BBB+ / BBB-	5 to 7	Various	Construction	United Kingdom	-	875	-	662

Description	Receivables Weighted Avg. Credit rating	Contract term years	Technology	Status	Country	Committed, Dec 22	Committed, June 23	Deployed, Dec 22	Deployed, June 23
						(FX rate at 1.1295 EUR to GBP) £'000	(FX rate at 1.1647 EUR to GBP) £'000	(FX rate at 1.1295 EUR to GBP) £'000	(FX rate at 1.1647 EUR to GBP) £'000
1,000 kWp Solar PV plant at leading tyre retreading business in Central Italy; fixed income with RPI	BB+/BB	10	Solar PV	Construction	Italy	-	829	-	343
478.8 kWp Solar PV plant at ice cream equipment manufacturer in Northern Italy; fixed income	BBB+ / BBB	5	Solar PV	Operating	Italy	-	498	-	491
LED lighting contracts for 17 different clients in the UK; fixed income	BBB+ / BBB-	10	Lighting	Operating	United Kingdom	-	456	-	456
LED lighting contract for UK logistics business; fixed income	BBB+ / BBB-	5	Lighting	Operating	United Kingdom	-	432	-	411

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Investment Approach and ESG Approach

Prior to the New Investment Policy (as adopted consequent to the passage of the Continuation Managed Run-Off Resolution), the Company's goal was to generate attractive returns for investors by reducing Primary Energy Consumption ("PEC"). AEET's investments positively contribute to the environment by reducing carbon dioxide emissions, by decreasing PEC and by increasing the amount of renewable energy used. The synergies generated by the reduction of PEC and simultaneously using renewable energy sources to further support global energy decarbonization<sup>1</sup>. This is reflected across the investment philosophy and approach, including the Company's Investment Adviser, which has a strong focus on the energy transition.

Over the Period, the portfolio performed as follows<sup>2</sup>:

- 7,883.1 tonnes of avoided CO2 emissions; and
- 24,544.9 MWh of energy saved,
- For total emission savings equivalent to 3,449 passenger flights around the world<sup>3</sup>.

The Company has adopted Aquila Capital's ESG policy, ensuring that environmental, social and governance criteria which are incorporated into day-to-day investment decisions as well as generating a positive contribution for society. AEET's 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 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 typically include:

- LED Lighting System;
- LED Street Lighting System;
- Solar PV;
- Biomass Boilers;
- HVAC/Buildings;
- Smart Metering/Submetering; and
- Electrification of transportation vehicles (batteries).

### Environmental Contribution

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

Aquila Capital ensures all required regulations and corresponding approvals are completed prior to the acquisition of the assets, for example, planning permissions.

<sup>1</sup> 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>

<sup>2</sup> The energy (in kWh) and avoided emission (in t CO2e) are reported to Aquila Capital by third parties, including the development companies, ESCO, 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 reconciles the reported values for plausibility. Only energy savings and avoided emissions for operational projects are considered on a pro-rata basis for the time of operation during the reporting period. Avoided CO2e emissions are estimated in gross terms and derived from energy savings in kWh using a conversion factor (except CHP) 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.

<sup>3</sup> Passenger flights around the world: This number is derived from passenger flight emissions data retrieved on April 4th 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 CO2.



**ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

CONTINUED

**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 in order to make sure casualties and injuries are avoided. Aquila Capital's ESG policy, as adopted by the Company, excludes 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 is 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 Advisor performs detailed ESG due diligence for each asset prior to investment. The investment management team follows a structured screening, due diligence and investment process which is designed to ensure that investments are reviewed and compared on a consistent basis. Execution of this process is facilitated by the team's deep experience in energy efficiency project investing. As part of this process, the Investment Adviser, as relevant for each investment, considers:

- Total PEC reduction, and implied CO2 emissions reduced and/or avoided; and/or
- Total energy production from renewable and non-renewable sources.

**Governance Framework**

AEET has an independent Board of Directors, with FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) as the Alternative Investment Fund Manager ("AIFM"). The Board of Directors supervise 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 to inform the implementation of appropriate controls and processes. 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 CO2 savings, where appropriate, monitoring additional environment and ESG relevant developments both at the portfolio and asset level;
- Annual reporting, including ESG aspects, to relevant stakeholders including ad-hoc reporting of any material and urgent issues identified in the monitoring process; and
- A semi-annual ESG risk report to the Board will be implemented later in 2023.

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

**Aquila Capital Investmentgesellschaft mbH**

26 September 2023



# Interim Management Report





## INTERIM MANAGEMENT REPORT

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Chair's Statement on page 2 and the Investment Adviser's Report on pages 3 to 13 of this Half-yearly Report, provide details of the important events which have occurred during the six months ended 30 June 2023 (the "Period") and their impact on the financial statements. The statement on related party transactions and the Directors' Statement of Responsibility (below), the Chair's Statement and the Investment Adviser's Report together constitute the Interim Management Report of the Company for the Period. The outlook for the Company for the remaining six months of the year ending 31 December 2023 is discussed in the Chair's Statement and the Investment Adviser's Report.

A breakdown of the investments held at the Period end can be found on pages 8 to 11.

### Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are summarised below:

- (i) The consequences of the shareholder vote not to continue the Company
- (ii) Service provider risk
- (iii) Counterparty / credit risk
- (iv) Inappropriate investment advice
- (v) Portfolio valuation
- (vi) Interest rate / inflation
- (vii) Liquidity / discount risk
- (viii) Political risk
- (ix) Investment performance
- (x) IT security
- (xi) Act of war / sanctions
- (xii) ESG
- (xiii) Exchange rates

Since the end of the financial year ended 31 December 2022, the decision by shareholders on 28 February 2023 not to continue the Company and the subsequent approval at the Annual General Meeting on 14 June 2023 of the Continuation and Managed Run-Off Resolution, the Board has paid and continues to pay particular attention to the first two risks in the above list and is reviewing on a regular basis the performance of its service providers, in particular in terms of level of resource deployed in delivering services to the Company and the standard of performance of those services.

The Company's Annual Report for the period ended 31 December 2022 contains more detail on the Company's principal risks and uncertainties, including the Board's ongoing process to identify, and where possible mitigate, the risks (pages 39 to 44). The Annual Report can be found on the Company's website.

### Related Party Transactions

Details of the investment advisory arrangements were provided in the Annual Report. There have been no changes to the related party transactions described in the Annual Report that could have a material effect on the financial position or performance of the Company. Amounts payable to the Investment Adviser in the Period are detailed in the unaudited Statement of Profit or Loss and Comprehensive Income on page 18.

### 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 this document.

In reaching this conclusion, the Directors have considered the Group's investment commitments, cash position, income and expense flows. As at 31 August 2023, the latest practicable date before publication of this report, the total commitments were £94.6 million and income generating capital deployed since IPO was £68.1 million. As at 31 August 2023, the Group had cash of £28.56 million (including the £2.5 million held as collateral for FX hedging). The Directors are also satisfied that the Group and Company would continue to remain viable under downside scenarios. Total expenses for the Period were £1.65 million (excluding impairment losses) (from the period from incorporation to 30 June 2022: £1.4 million annualised), which, when annualised, represented approximately 3.5% of average net assets during the Period (period from incorporation to 30 June 2022: 1.44%). At the date of approval of this document, based on the aggregate of investments and cash held, the Group and Company has substantial operating expenses cover.

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, 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 Managed Run-Off").

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.



## INTERIM MANAGEMENT REPORT

CONTINUED

The Board continues to review the strategic options for the portfolio, including a sale of all of the Company's assets, and other proposals that address the Company's size and liquidity. Accordingly, the process to market test the portfolio sale commenced on 16 August 2023 and is being conducted by Stifel Nicolaus Europe Limited on behalf of the Company.

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.

However, 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.

### Directors' Statement of Responsibility

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R; and
- the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R.

#### **Miriam Greenwood OBE DL**

Chair of the Board of Directors  
26 September 2023

#### **David Fletcher**

Chair of the Audit & Risk Committee  
26 September 2023

# Financial Statements



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	For the six months to 30 June 2023			For the six months to 30 June 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised (loss)/gain on investments		–	(3,277)	(3,277)	–	555	555
Unrealised (loss)/gain on derivatives		–	(300)	(300)	–	81	81
Realised gains on derivatives		–	2,515	2,515	–	–	–
Net foreign exchange (loss)/gain		–	(87)	(87)	–	21	21
Investment Income	4	2,584	–	2,584	667	–	667
Investment Advisory fees	5	(447)	–	(447)	(112)	–	(112)
Impairment loss	3	(224)	–	(224)	–	–	–
Other expenses		(1,202)	–	(1,202)	(837)	–	(837)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>711</b>	<b>(1,149)</b>	<b>(438)</b>	<b>(282)</b>	<b>657</b>	<b>375</b>
Taxation	6	–	–	–	–	–	–
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>711</b>	<b>(1,149)</b>	<b>(438)</b>	<b>(282)</b>	<b>657</b>	<b>375</b>
Return per Ordinary Share	7	0.71p	(1.15p)	(0.44p)	(0.28p)	0.66p	0.38p

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

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

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

The notes on pages 26 to 35 are an integral part of these financial statements.



## COMPANY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	For the six months to 30 June 2023			For the six months to 30 June 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised (loss)/gain on investments		–	(800)	(800)	–	946	946
Net foreign exchange (loss)/gain		–	(549)	(549)	–	61	61
Investment income	4	2,082	–	2,082	314	–	314
Investment Advisory fees	5	(447)	–	(447)	(112)	–	(112)
Other expenses		(953)	–	(953)	(694)	–	(694)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>682</b>	<b>(1,349)</b>	<b>(667)</b>	<b>(492)</b>	<b>1,007</b>	<b>515</b>
Taxation	6	–	–	–	–	–	–
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>682</b>	<b>(1,349)</b>	<b>(667)</b>	<b>(492)</b>	<b>1,007</b>	<b>515</b>
Return per Ordinary Share	7	0.68p	(1.35p)	(0.67p)	(0.49p)	1.01p	0.52p

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 Period.

(Loss)/profit on ordinary activities after taxation is also the “Total comprehensive (expense)/income for the Period”.

The notes on pages 26 to 35 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 £'000	As at 31 December 2022 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	3	11,625	11,742
Investments at amortised cost	3	54,048	38,550
		<b>65,673</b>	<b>50,292</b>
<b>Current assets</b>			
Trade and other receivables		606	70
Cash and cash equivalents		28,687	46,625
		<b>29,293</b>	<b>46,695</b>
<b>Creditors: amounts falling due within one year</b>		<b>(1,127)</b>	<b>(904)</b>
<b>Derivative financial instrument</b>	<b>3</b>	<b>(300)</b>	<b>(856)</b>
<b>Net current assets</b>		<b>27,866</b>	<b>44,935</b>
<b>Net assets</b>		<b>93,539</b>	<b>95,227</b>
<b>Capital and reserves: equity</b>			
Share capital	8	1,000	1,000
Special reserve	9	93,500	94,750
Capital reserve		(718)	431
Revenue reserve		(243)	(954)
<b>Shareholders' funds</b>		<b>93,539</b>	<b>95,227</b>
Net assets per Ordinary Share	10	93.54	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 26 September 2023.

Signed on behalf of the Board of Directors

**Miriam Greenwood OBE DL**

Chair of the Board of Directors

**David Fletcher**

Chair of the Audit & Risk Committee

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

The notes on pages 26 to 35 are an integral part of these financial statements.

## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 £'000	As at 31 December 2022 £'000
<b>Fixed assets</b>			
Investment in subsidiaries	3	33,660	31,220
Loans to subsidiary	3	27,514	–
		<b>61,174</b>	<b>31,220</b>
<b>Current assets</b>			
Cash and cash equivalents		20,930	32,714
Intercompany receivable		11,791	32,966
Interest Income Receivable from a subsidiary		967	–
Trade and other receivables		110	33
		<b>33,798</b>	<b>65,713</b>
<b>Creditors: amounts falling due within one year</b>		<b>(1,006)</b>	<b>(1,050)</b>
<b>Net current assets</b>		<b>32,792</b>	<b>64,663</b>
<b>Net assets</b>		<b>93,966</b>	<b>95,883</b>
<b>Capital and reserves: equity</b>			
Share capital	8	1,000	1,000
Special reserve	9	93,500	94,750
Capital reserve		650	1,999
Revenue reserve		(1,184)	(1,866)
<b>Shareholders' funds</b>		<b>93,966</b>	<b>95,883</b>

The prior period comparison figures for the period from 1 January 2022 to 30 June 2022 consolidated financial statements have been restated as a result of the acquisition of AHL and the Italian SPV on 1 January 2022.

Approved by the Board of directors and authorised for issue on 26 September 2023.

Signed on behalf of the Board of Directors

**Miriam Greenwood OBE DL**  
Chair of the Board of Director

**David Fletcher**  
Chair of the Audit & Risk Committee

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

The notes on pages 26 to 35 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the six months to 30 June 2023</b>						
<b>Opening equity as at 1 January 2023</b>		<b>1,000</b>	<b>94,750</b>	<b>431</b>	<b>(954)</b>	<b>95,227</b>
Dividends paid	11	–	(1,250)	–	–	(1,250)
Loss for the Period		–	–	(1,149)	711	(438)
<b>Closing equity as at 30 June 2023</b>		<b>1,000</b>	<b>93,500</b>	<b>(718)</b>	<b>(243)</b>	<b>93,539</b>

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the six months to 30 June 2022</b>					
<b>Opening equity as at 1 January 2022</b>	<b>1,000</b>	<b>97,000</b>	<b>(46)</b>	<b>(573)</b>	<b>97,381</b>
Impact of the acquisition of subsidiaries on 1 January 2022	–	–	–	(41)	(41)
Profit for the Period	–	–	657	(282)	375
<b>Closing equity as at 30 June 2022</b>	<b>1,000</b>	<b>97,000</b>	<b>611</b>	<b>(896)</b>	<b>97,715</b>

The prior period comparison figures for the period from 1 January 2022 to 30 June 2022 consolidated financial statements have been restated as a result of the acquisition of AHL and the Italian SPV on 1 January 2022.

The notes on pages 26 to 35 are an integral part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the six months to 30 June 2023</b>						
<b>Opening equity as at 1 January 2023</b>		<b>1,000</b>	<b>94,750</b>	<b>1,999</b>	<b>(1,866)</b>	<b>95,883</b>
Dividends paid	11	–	(1,250)	–	–	(1,250)
Loss for the Period		–	–	(1,349)	682	(667)
<b>Closing equity as at 30 June 2023</b>		<b>1,000</b>	<b>93,500</b>	<b>650</b>	<b>(1,184)</b>	<b>93,966</b>
<b>For the six months to 30 June 2022</b>						
<b>Opening equity as at 1 January 2022</b>		<b>1,000</b>	<b>97,000</b>	<b>(46)</b>	<b>(573)</b>	<b>97,381</b>
Profit for the Period		–	–	1,007	(492)	515
<b>Closing equity as at 30 June 2022</b>		<b>1,000</b>	<b>97,000</b>	<b>961</b>	<b>(1,065)</b>	<b>97,896</b>

The notes on pages 26 to 35 are an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	For the six months to 30 June 2023 £'000	For the six months to 30 June 2022 £'000
<b>Operating activities</b>			
(Loss)/profit on ordinary activities before taxation		(438)	375
Adjustments for:			
Unrealised loss/(gain) on investments		3,277	(555)
Unrealised loss/(gain) on derivative instruments		300	(81)
Impairment loss		224	–
Non-cash currency (gains)/loss		(718)	51
(Increase)/decrease in trade and other receivables		(536)	498
Increase/(decrease) in creditors: amounts falling due within one year		223	(858)
<b>Net cash flow from/(used in) operating activities</b>		<b>2,332</b>	<b>(570)</b>
<b>Investing activities</b>			
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
Purchase of investments		(19,658)	(9,556)
Repayment of investments		638	47
<b>Net cash flow (used in)/from investing activities</b>		<b>(19,020)</b>	<b>7,242</b>
<b>Financing activities</b>			
Dividends paid	11	(1,250)	–
<b>Net cash flow used in financing activities</b>		<b>(1,250)</b>	<b>–</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(17,938)</b>	<b>6,672</b>
<b>Cash and cash equivalents at start of Period</b>		<b>46,625</b>	<b>80,129</b>
<b>Cash and Cash equivalents at end of Period</b>		<b>28,687</b>	<b>86,801</b>

The prior period comparison figures for the period from 1 January 2022 to 30 June 2022 consolidated financial statements have been restated as a result of the acquisition of AHL and the Italian SPV on 1 January 2022.

The notes on pages 26 to 35 are an integral part of these financial statements.

## COMPANY STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	For the six months to 30 June 2023 £'000	For the six months to 30 June 2022 £'000
<b>Operating activities</b>			
(Loss)/profit on ordinary activities before taxation		(667)	515
Adjustments for:			
Unrealised loss/(gain) on investments		800	(946)
Non-cash currency exchange gain		(88)	–
Decrease/(increase) in intercompany receivables		21,175	(7,685)
Increase in interest income receivable from a subsidiary		(967)	–
(Increase)/decrease in trade and other receivables		(77)	4,825
Increase in creditors: amounts falling due within one year		44	176
<b>Net cash flow from/(used in) operating activities</b>		<b>20,220</b>	<b>(3,115)</b>
<b>Investing activities</b>			
Purchase of investments	3	(3,851)	(61)
Repayment of investments	3	611	–
Loans to subsidiary	3	(27,514)	–
<b>Net cash flow used in investing activities</b>		<b>(30,754)</b>	<b>(61)</b>
<b>Financing activities</b>			
Dividends paid	11	(1,250)	–
<b>Net cash flow used in financing activities</b>		<b>(1,250)</b>	<b>–</b>
<b>Decrease in cash and cash equivalents</b>		<b>(11,784)</b>	<b>(3,176)</b>
<b>Cash and cash equivalents at start of Period</b>		<b>32,714</b>	<b>80,129</b>
<b>Cash and cash equivalents at end of Period</b>		<b>20,930</b>	<b>76,953</b>

The notes on pages 26 to 35 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 30 JUNE 2023

### 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 so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, as amended.

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

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

The Company's New Investment Policy Objective is to realise all the remaining assets in the Portfolio in a prudent manner consistent with the principles of good investment management 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.

FundRock Management Company (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") 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 included in this Interim Report have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies, critical accounting judgements, estimates and assumptions are consistent with those used in the latest audited consolidated financial statements to 31 December

2022 and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 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 consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The interim 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") issued in July 2022.

These consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2022. The audited consolidated annual accounts for the year ended 31 December 2022 have been delivered to Companies House. The audit report thereon was unmodified.

The financial statements are presented in Sterling rounded to the nearest thousand.

#### Company Financial Statements

The financial statements included in this Interim Report have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies, critical accounting judgements, estimates and assumptions are consistent with those used in the latest audited financial statements to 31 December 2022 and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 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 financial statements for the year ended 31 December 2022 have been prepared in accordance with the UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The interim financial statements have also been prepared as far as is relevant and applicable to the Company in accordance with the SORP issued by the AIC in July 2022.

These financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as of 31 December 2022. The audited annual accounts for the year ended 31 December 2022 have been delivered to the Companies House. The audit report thereon was unmodified.

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.

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### Basis of consolidation

The Group's financial statements consolidate those of the Company and of its subsidiaries at 30 June 2023. 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 Period-end rate for the Statement of Financial Position accounts and at an average rate during the Period 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.

### Restatement of six-month period ended 30 June 2022 comparatives

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

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

For the Period, the financial statements are presented on a consolidated basis of the Company, AHL and the Italian SPV. The prior period comparative figures for the period from 1 January 2022 to 30 June 2022 consolidated financial statements have been restated as a result of the acquisition of AHL and the Italian SPV on 1 January 2022. The net impact on the consolidated NAV as at 30 June 2022 in comparison to the Company's NAV as at 30 June 2022 is to reduce the NAV by £181,000, mainly due to the valuation of the Italian SPV compared to consolidating the Italian SPV within the Group. At the Company level, the NAV of the Company as at 30 June 2022 remained the same. The comparative figures as at 31 December 2022 are as stated in the audited Annual Report and reflect the acquisition of AHL and Italian SPV.

### Acquisition of AHL

The Net Assets acquired by the Company from AHL on 1 January 2022 amounted to £153,000. The amount of assets and liabilities as at 1 January 2022 of AHL have been consolidated by the Company at the acquisition date. The opening assets, liabilities, equity and

reserves of the Company remained the same due to the acquisition of the subsidiary.

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

### Acquisition of the Italian SPV

The amount of assets and liabilities as at 1 January 2022 of the Italian SPV have been consolidated by the Company at the acquisition date. The opening assets, liabilities, equity and reserves of the Company remained the same due to the acquisition of this wholly owned compartment.

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

### 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 finances its subsidiary, AHL, under the terms of an intercompany loan agreement effective as of 1 January 2023 and AHL finances Energy Efficiency Investments 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 the notes. The Company does not have an economic interest in any of the other securities receivables issuances by other compartments of 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 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 this document; refer to pages 18 to 19 for details.

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### **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 3 to the consolidated financial statements for the Period.

#### ***Investment fair value***

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

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

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

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

#### ***Expected Credit Loss ("ECL") allowance for financial assets measured at amortised cost***

The calculation of the Group's ECL allowances and provisions against receivable purchase agreements under IFRS 9 is complex and involves the use of significant judgement and estimation. Fixed interest investment provisions represent an estimate of the losses incurred in the loan portfolios at the balance sheet date. Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. The calculation involves the formulation and incorporation of multiple conditions into ECL to meet the measurement objective of IFRS 9. Refer to Note 3 to the consolidated financial statements for the Period for more details.

## 3. INVESTMENTS

### **Investments at fair value through profit and loss**

#### ***Fair value measurements***

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

#### ***Level 1***

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

#### ***Level 2***

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

#### ***Level 3***

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



## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

Group	30 June 2023				31 December 2022			
	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	–	–	11,625	11,625	–	–	11,742	11,742
Derivative financial instrument	–	(300)	–	(300)	–	(856)	–	(856)
	–	(300)	11,625	11,325	–	(856)	11,742	10,886

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

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

Company	30 June 2023				31 December 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in subsidiaries	–	–	33,660	33,660	–	–	31,220	31,220
Loans to subsidiary	–	–	27,514	27,514	–	–	–	–
	–	–	61,174	61,174	–	–	31,220	31,220

There were no transfers between investment levels for the Company during the Period/year.

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

	30 June 2023 £'000	31 December 2022 £'000
Opening balance	11,742	–
Additions during the Period/year	1,675	10,926
Disposals during the Period/year	(92)	(43)
Unrealised (loss)/gain on investments	(1,700)	859
<b>Closing balance</b>	<b>11,625</b>	<b>11,742</b>

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

	30 June 2023 Company £'000	31 December 2022 Company £'000
Opening balance	31,220	12,307
Additions for investment in subsidiaries during the Period/year	3,851	16,769
Disposals for investment in subsidiaries during the Period/year	(611)	–
Unrealised (loss)/gain on investments in subsidiaries	(800)	2,144
Additions for loans to subsidiary*	27,514	–
<b>Closing balance</b>	<b>61,174</b>	<b>31,220</b>

\* On 27 July 2023, Aquila Energy Efficiency Trust Plc (the 'Lender') and Attika Holdings Limited (the 'Borrower') entered and signed a Shareholder loan agreement effective 1 January 2023. By way of a non-interest intercompany transaction, the Lender has provided to the Borrower an amount of £32,966,000 of which a portion of £23,076,000 as the advanced amount was transformed into a loan under the facility. The Lender and the Borrower verbally agreed in January 2023 that the Lender would provide a loan facility to the Borrower in the amount of up to £70,000,000 to be made available to the Borrower by the Lender in whole or in partial amounts. Interest rate on the loan outstanding is at 7.9%. As of 30 June 2023, the outstanding balance of the loan from the Lender to the Borrower is £27,514,000.

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### 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 30 June 2023 but for which fair value is disclosed:

	30 June 2023 Carrying Value £'000	30 June 2023 Fair Market Value £'000	31 December 2022 Carrying Value £'000	31 December 2022 Fair Market Value £'000
<b>Assets</b>				
Investments at amortised cost	54,048	55,506	38,550	38,755
<b>Total</b>	<b>54,048</b>	<b>55,506</b>	<b>38,550</b>	<b>38,755</b>

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 30 June 2023. The Directors have satisfied themselves as to the fair value of the debt instrument investments as at 30 June 2023.

#### Valuation Assumptions

The Investment Adviser has carried out fair market valuations on some of the debt instruments held by the subsidiaries as at 30 June 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 as well as operational performance data (where applicable) by taking into account regional expertise of a second analyst.
Inflation rates	Long-term inflation is based on central bank targets for the respective jurisdiction.
Capital expenditure	Based on the contractual position (e.g. engineering, procurement and construction agreement), where applicable.

#### Valuation Sensitivities

For each of the sensitivities, it is assumed that potential changes occur independently of each other with no effect on any other base case assumption, and that the number of investments remains static throughout the modelled life.

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

#### Discount rate:

	30 June 2023		31 December 2022	
Discount rate	-0.5% Change (£'000)	+0.5% Change (£'000)	-0.5% Change (£'000)	+0.5% Change (£'000)
Net Asset Value	(645)	674	(488)	512

The weighted average valuation discount rate applied to calculate the investment valuation is 8.2% as at 30 June 2023 (31 December 2022: 8.3%).

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Power price:

	30 June 2023		31 December 2022	
	-10.0% Change (£'000)	+10.0% Change (£'000)	-10.0% Change (£'000)	+10.0% Change (£'000)
<b>Power price</b>				
Valuation	(426)	439	(542)	547

Energy yield:

	30 June 2023		31 December 2022	
	-10.0% Change (£'000)	+10.0% Change (£'000)	-10.0% Change (£'000)	+10.0% Change (£'000)
<b>Energy yield</b>				
Valuation	(2,009)	2,027	(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.

The following table analyses loans by Stages for the Group as at 30 June 2023:

Group	30 June 2023			31 December 2022		
	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000
<b>Fixed Value Investments at amortised cost</b>						
Stage 1	53,458	(123)	53,335	37,735	(77)	37,658
Stage 2	950	(237)	713	951	(59)	892
<b>Total Assets</b>	<b>54,408</b>	<b>(360)</b>	<b>54,048</b>	<b>38,686</b>	<b>(136)</b>	<b>38,550</b>

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### b) Expected Credit Loss allowance for IFRS 9

Impairment provisions are driven by changes in the 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	30 June 2023 £'000	31 December 2022 £'000
Opening Balance	136	–
Charge for the Period – Stage 1	46	77
Charge for the Period – Stage 2	178	59
<b>Impairment loss</b>	<b>224</b>	<b>136</b>
<b>Ending Balance</b>	<b>360</b>	<b>136</b>

### Measurement uncertainty and sensitivity analysis of ECL

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

The ECL recognised in the financial statements reflect the effect on expected credit losses of a range of two possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described in Note 2 of the 2022 annual 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 two outcomes that have been evaluated to estimate the 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 the base case scenario, the ECL at Period end is £254,413. Under the downside scenario the ECL increases to £677,647. Giving the base case a 75% weighting and the downside scenario a 25% weighting, this results in an ECL provision in the accounts of £360,222.

Furthermore, if the Investment Adviser assumes that in the downside scenario loss given default (“LGD”) increased to 100%, this would increase the provision to £1,171,578. Finally, using an LGD of 100% even in the base case scenario, the maximum ECL would total £2,514,358.

## 4. INVESTMENT INCOME

Group	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Investment interest income	2,186	518
Bank interest income	398	149
<b>Total Investment Income</b>	<b>2,584</b>	<b>667</b>

Company	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Investment interest income	851	186
Bank interest income	264	128
Loans to subsidiary interest income	967	–
<b>Total Investment Income</b>	<b>2,082</b>	<b>314</b>

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### 5. INVESTMENT ADVISORY FEES

Group	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment Advisory fees	447	–	447	112	–	112

Company	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment Advisory fees	447	–	447	112	–	112

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.

### 6. TAXATION

Group	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax	–	–	–	–	–	–
<b>Taxation</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Company	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax	–	–	–	–	–	–
<b>Taxation</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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 maintain such approval for the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation of investments.

### 7. RETURN PER ORDINARY SHARE

#### Group

Return per share is based on the consolidated loss for the Period of £438,000 attributable to the weighted average number of Ordinary Shares in issue of 100,000,000 in the Period (30 June 2022: profit of £488,000; weighted average number of Ordinary Shares in issue 100,000,000). Consolidated revenue profit and capital loss are £711,000 (30 June 2022: revenue loss of £169,000) and £1,149,000 (30 June 2022: capital gain of £657,000) respectively.

#### Company

Return per share is based on the loss for the Period of £667,000 attributable to the weighted average number of Ordinary Shares in issue of 100,000,000 in the Period (30 June 2022: profit of £628,000; weighted average number of Ordinary Shares in issue of 100,000,000). Company revenue profit and capital loss are £682,000 (30 June 2022: Company revenue loss of £492,000) and £1,349,000 (2021: Company capital gain of £1,007,000) respectively.



## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### 8. SHARE CAPITAL

	As at 30 June 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
<b>Total</b>	<b>100,000,000</b>	<b>1,000</b>	<b>100,000,000</b>	<b>1,000</b>

On incorporation, the issued share capital of the Company was 1 ordinary share of nominal value £0.01 and £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 admission of the Ordinary Shares to trading on the London Stock Exchange 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.

### 9. 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 30 June 2023 the total special reserves were £93,500,000 (31 December 2022: £94,750,000).

### 10. NET ASSETS PER ORDINARY SHARE

The Group's net assets per ordinary share as at 30 June 2023 is based on £93,539,000 (31 December 2022: £95,227,000) of net assets of the Group attributable to the 100,000,000 Ordinary Shares in issue as at 30 June 2023 (31 December 2022: 100,000,000).

The Company's net assets per ordinary share as at 30 June 2023 is based on £93,966,000 (31 December 2022: £95,883,000) of net assets of the Company attributable to the 100,000,000 Ordinary Shares in issue as at 30 June 2023 (31 December 2022: 100,000,000).

### 11. DIVIDEND

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

	For the period ended 30 June 2023		For the period ended 30 June 2022	
	Pence per Ordinary Share	Total £'000	Pence per Ordinary Share	Total £'000
<b>Total dividends paid in the Period</b>				
31 December 2022 interim – Paid 20 March 2023 (2022: Nil)	1.25p	1,250	–	–
<b>Total</b>	<b>1.25p</b>	<b>1,250</b>	<b>–</b>	<b>–</b>

	For the period ended 30 June 2023		For the period ended 30 June 2022	
	Pence per Ordinary Share	Total £'000	Pence per Ordinary Share	Total £'000
<b>Total dividends declared in the Period</b>				
30 June 2023: Nil (30 June 2022 interim – paid 31 October 2022)	–	–	1.00p	1,000
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1.00p</b>	<b>1,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

### 12. RELATED PARTY TRANSACTIONS

Fees payable to the Investment Adviser are shown in the Consolidated Statement of Profit or Loss and Comprehensive Income. As at 30 June 2023, the fee outstanding to the Investment Adviser was £447,000 (30 June 2022: £112,000; 31 December 2022: £463,000).

The Company owns 100% of AHL and 100% of the notes issued by one compartment of Italian SPV, as disclosed in note 1. All intercompany transactions between the subsidiaries and the Company are eliminated at the consolidation level.

Fees payable to the Directors during the Period were based on an annual rate of £60,170 to the Chair, £45,948 to the Chair of the Audit & Risk Committee, £45,948 to the Chair of the Management Engagement Committee and £40,478 to the remaining Director. As set out in the 2022 Annual Report the decision by Shareholders to vote against continuation of the Company at the end of February 2023 means that the duties of the Directors going forward will be beyond those normally expected as part of their appointment. Therefore, in accordance with the AIC Code, additional fees of £10,000 and £7,600 have been paid in the period from 1 March 2023 to 30 June 2023 to the Chair of the Board and the Chair of Audit and Risk respectively and £4,600 and £4,040 in the same period to the Chair of the Management Engagement Committee and the other Director. These additional fees are paid on a monthly basis and subject to regular review.

#### Directors' holdings

At 30 June 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 30 June 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 vehicle, owns underlying investments	Italy

### 13. DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of the special reserve and revenue reserve. Capital reserve represents unrealised gains and losses on 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 30 June 2023, the Company has no distributable revenue reserves as the Company is in an accumulated loss position of £1,184,000 (31 December 2022: Loss of £1,866,000).

The Company's special reserve, which is also distributable, was £93,500,000 as at 30 June 2023 (31 December 2022: £94,750,000).

### 14. SUBSEQUENT EVENTS

On 16 August 2023, the Company announced the commencement of the process to market test the sale of all of the Company's assets. This process is being conducted by Stifel Nicolaus Europe Limited on behalf of the Company.

# Other Information



## ALTERNATIVE PERFORMANCE MEASURES OF THE GROUP

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

### Discount

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

		Page	As at 30 June 2023
NAV per Ordinary Share (pence)	a	1	93.54
Share price (pence)	b	1	62.00
<b>Discount</b>	<b>(b÷a)-1</b>		<b>(33.7%)</b>

### Ongoing charges

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

		Page	As at 30 June 2023
Average NAV	a	n/a	94,383
Annualised expenses	b	n/a	3,324
<b>Ongoing charges</b>	<b>(b÷a)</b>		<b>3.5%</b>

### Total return

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

30 June 2023		Page	Share price	NAV
Opening at 1 January 2023 (pence)	a	n/a	71.00	95.23
Closing at 30 June 2023 (pence)	b	1	62.00	93.54
Dividend paid during the Period	c	37	1.25	1.25
Dividend/income adjustment factor <sup>1</sup>	d	n/a	0.8384	1.00
Adjusted Closing at 30 June 2023 (pence) (e=b+(c*d))	e	n/a	63.05	93.54
<b>Total return</b>	<b>(e÷a)-1</b>		<b>(11.2%)</b>	<b>(0.5%)</b>

<sup>1</sup> The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at share price and NAV per share, respectively.

n/a = not applicable



## GLOSSARY

<b>AIC</b>	Association of Investment Companies.
<b>Alternative Investment Fund or “AIF”</b>	An investment vehicle under AIFMD. Under AIFMD (see below) Aquila Energy Efficiency Trust Plc is classified as an AIF.
<b>Alternative Investment Fund Managers Directive or “AIFMD”</b>	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
<b>Annual General Meeting or “AGM”</b>	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.
<b>the Company</b>	Aquila Energy Efficiency Trust Plc.
<b>Discount</b>	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
<b>Dividend</b>	Income receivable from an investment in shares.
<b>Ex-dividend date</b>	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
<b>ESCO</b>	Energy Service Company.
<b>EU</b>	European Union.
<b>Financial Conduct Authority or “FCA”</b>	The independent body that regulates the financial services industry in the UK.
<b>General Meeting “GM”</b>	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.
<b>GWh</b>	Gigawatt hour.
<b>Group</b>	The Company, Holdco and Italian SPV.
<b>the Holdco</b>	Attika Holdings Limited (“AHL” or “Attika”).
<b>Investment company</b>	A company formed to invest in a diversified portfolio of assets.
<b>Investment Trust</b>	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.
<b>IPO</b>	Initial Public Offering.
<b>Italian SPV or “SPV”</b>	SPV Project 2013 S.r.l..
<b>Liquidity</b>	The extent to which investments can be sold at short notice.
<b>Net assets or net asset value (“NAV”)</b>	An investment company’s assets less its liabilities.
<b>NAV per Ordinary Share</b>	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
<b>Ongoing charges</b>	A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets.
<b>Ordinary Shares</b>	The Company’s ordinary shares in issue.
<b>Period</b>	The six months to 30 June 2023.
<b>Portfolio</b>	A collection of different investments held in order to deliver returns to Shareholders and to spread risk.
<b>Share price</b>	The price of a share as determined by a relevant stock market.
<b>Total return</b>	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

<b>Directors (all non-executive)</b>	Miriam Greenwood OBE DL (Chair) Nicholas Bliss David Fletcher Janine Freeman
<b>Registered office</b> <i>(Registered in England and Wales with Company number. 13324616)</i>	6th Floor 125 London Wall London England EC2Y 5AS
<b>AIFM</b>	FundRock Management Company (Guernsey) Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>Investment Adviser</b>	Aquila Capital Investmentgesellschaft mbH Valentinskamp 70 D-20335 Hamburg Germany
<b>Broker</b>	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
<b>Administrator and Company Secretary</b>	Apex Listed Companies Services (UK) Limited 6th Floor 125 London Wall London England EC2Y 5AS
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6AH
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

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HALF-YEARLY FINANCIAL REPORT 2023

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