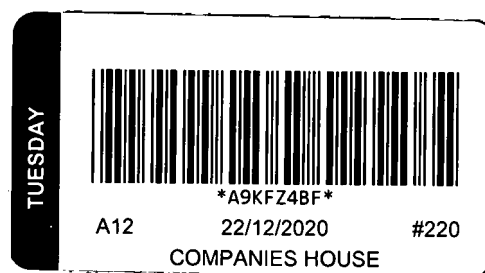


Registered number: 09242012

# **EQUITIX ESI RETROFIT FINANCE LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**COMPANY INFORMATION**

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**Directors** J C Smith (appointed 8 April 2019)  
D J Harding (appointed 8 April 2019)  
E D Archer (resigned 8 April 2019)  
B M Cashin (resigned 8 April 2019)

**Registered number** 09242012

**Registered office** 3rd Floor  
South Building  
200 Aldersgate Street  
London  
EC1A 4HD

**Independent auditor** KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

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## **EQUITIX ESI RETROFIT FINANCE LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors of Equitix ESI Retrofit Finance Limited (the "Company") present their report and the financial statements for the year ended 31 December 2019.

#### **RESULTS AND DIVIDENDS**

The Company's performance reflects the position under the various intercompany and intergroup agreements that have been put in place during the year. The results for the year ended 31 December 2019 are shown on page 10 in the Statement of Comprehensive Income. This shows a loss before tax of £843k (2018: 293k). The Directors do not recommend payment of a dividend (2018: £nil).

#### **DIRECTORS**

The Directors who served throughout the year, except as noted, are shown on page 2.

#### **GOING CONCERN**

The Company's forecasts and projections, taking account of reasonable possible changes in trading performance show that the Company should be able to operate within the level of its current resources. The Directors of the Company have had regard in this assessment to the support available from other companies within the Energy Saving Investments LP and Equitix Energy Efficiency Fund LP group and their ability to provide this support. The Company has obtained letters of support from its parent entities, Equitix Energy Efficiency Fund LP and Energy Saving Investments LP. As a consequence, the Directors believe the Company is well placed to manage its risks successfully despite the current economic uncertainties and the economic outlook. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, period of at least 12 months from the date of financial statements, taking into account both the loss incurred in the period and the net liabilities position at the period end. Accordingly, the going concern basis continues to be adopted in preparing the annual report and accounts.

The Directors of the Company have considered the impact of the COVID-19 global pandemic which has arisen in 2020 when preparing these financial statements. Refer to Note 2 Accounting Policies and Note 17 Post Balance Sheet Events.

#### **FUTURE DEVELOPMENTS**

Details of future developments can be found in the Strategic report on page 6 and form part of this report by cross-reference.

#### **FINANCIAL RISK MANAGEMENT**

The Directors' report has been prepared in accordance with the special provisions relating to small companies under s417 Companies Act 2006. As such the Company is exempt from including financial risk management disclosures in the Directors' report.

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**AUDITOR**

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board and signed on its behalf.



J C Smith  
Director

Date: 18th December 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors are responsible for preparing the Strategic report, the Directors report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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## **EQUITIX ESI RETROFIT FINANCE LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **PRINCIPAL ACTIVITIES AND BUSINESS MODEL**

Equitix ESI Retrofit Limited (the "Company") is the funding company for all project companies (refer to note 15) in which Equitix ESI Retrofit Limited holds shares.

#### **BUSINESS REVIEW**

The Company's financial assets, including loans to project companies are held at amortised cost. The carrying amount of these loans are assumed to approximate their fair values. In order to determine the fair value of the loans the Company takes into consideration the fair value of all the underlying portfolio companies.

#### **KEY PERFORMANCE INDICATORS**

The key performance indicators for the Company are primarily client and financially focused; including those listed below:

- tracking the performance and delivery of the services in conjunction with the KPIs set by local authorities;
- the progress of the individual project companies;
- the comparison of actual cash flows costs to those that have been forecast;
- the value of investments held in the company portfolio in association with the expected future cash flows; and
- that all operational projects are performing within the restrictions of all project documentation.

#### **FUTURE DEVELOPMENTS**

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease; the Company will continue to act as funding company for all project companies (refer to note 15) in which Equitix ESI Retrofit Limited holds shares.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's main concerns are attributable to the sound operation of the underlying non domestic energy efficiency infrastructure assets, ensuring that the modelled cash flows, made up of dividends and other fees are received. The Company will monitor actual and projected cash flows to ensure that the returns are as expected. In addition, the Company will also look to optimise returns from the underlying non domestic energy efficiency infrastructure assets through achieving efficiencies at project level.

This report was approved by the board and signed on its behalf.



**J C Smith**  
Director

Date: 18th December 2020

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX ESI RETROFIT FINANCE LIMITED**

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### **Opinion**

We have audited the financial statements of Equitix ESI Retrofit Finance Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX ESI RETROFIT FINANCE LIMITED

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### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX ESI RETROFIT FINANCE LIMITED**

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### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Matthew Williams (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants

15 Canada Square  
London  
E14 5GL

Date: 18th December 2020

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	2019 £000	2018 £000
Interest income	7	680	700
Impairment loss on trade and other receivables	10	(24)	(293)
Impairment loss on loans to related parties	10	(819)	-
<b>Operating (loss)/profit</b>	<b>5</b>	<b>(163)</b>	<b>407</b>
Finance cost	8	(680)	(700)
<b>Loss before tax</b>	<b>5</b>	<b>(843)</b>	<b>(293)</b>
Tax	9	-	-
<b>Loss for the financial year</b>		<b>(843)</b>	<b>(293)</b>

All the above items relate to continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

The Company has no other comprehensive income, and therefore no separate Statement of Total Comprehensive Income has been presented.

**EQUITIX ESI RETROFIT FINANCE LIMITED**  
**REGISTERED NUMBER: 09242012**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Loans to related parties	<b>10</b>	4,981	5,435
		<u>4,981</u>	<u>5,435</u>
<b>Current assets</b>			
Loans to related parties	<b>10</b>	-	282
Trade and other receivables	<b>10</b>	496	1,245
		<u>496</u>	<u>1,527</u>
<b>Total assets</b>		<u>5,477</u>	<u>6,962</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	<b>12</b>	5,800	5,435
		<u>5,800</u>	<u>5,435</u>
<b>Current liabilities</b>			
Payables	<b>11</b>	813	1,820
		<u>813</u>	<u>1,820</u>
<b>Total liabilities</b>		<u>6,613</u>	<u>7,255</u>
<b>Net liabilities</b>		<u>(1,136)</u>	<u>(293)</u>

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**EQUITIX ESI RETROFIT FINANCE LIMITED**  
**REGISTERED NUMBER: 09242012**

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**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

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	Note	2019 £000	2018 £000
<b>Equity</b>			
Share capital	13	-	-
Retained losses		(1,136)	(293)
<b>Shareholders' deficit</b>		<u>(1,136)</u>	<u>(293)</u>

The notes can be found on pages 15 to 27 and form part of these financial statements.

The financial statements of Equitix ESI Retrofit Finance Limited, registered number 09242012, were approved by the Board of Directors and were signed on its behalf by:



**J C Smith**  
Director

Date: 18th December 2020

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	<b>Retained losses £000</b>	<b>Total equity £000</b>
<b>At 1 January 2018</b>	-	-
Loss for the year	(293)	(293)
<b>Total comprehensive loss for the year</b>	<u>(293)</u>	<u>(293)</u>
<b>At 31 December 2018</b>	<u>(293)</u>	<u>(293)</u>
<b>At 1 January 2019</b>	(293)	(293)
Loss for the year	(843)	(843)
<b>Total comprehensive loss for the year</b>	<u>(843)</u>	<u>(843)</u>
<b>At 31 December 2019</b>	<u><u>(1,136)</u></u>	<u><u>(1,136)</u></u>

The notes on pages 15 to 27 form part of these financial statements.

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Company does not have a bank account and therefore has no cash transactions (2018: none restated)

In the prior year financial statements a cash flow statement presented certain transactions as cash transactions however the company did not have a bank account. As such all transactions were non-cash and for this reason the prior year cash flow statement has been restated.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. GENERAL INFORMATION**

Equitix ESI Retrofit Finance Limited (the "Company") is a private company limited by shares incorporated, domiciled and registered in England and Wales in the UK under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the Directors' report on pages 3 and 4. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the company operates. All figures stated in the financial statements have been rounded to the thousand, unless stated otherwise.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). A summary of the principal accounting policies, all of which have been applied consistently throughout the current and prior year are set out below. The Company has taken advantage of the small companies exemption under section S398 of the Companies Act 2006.

**2.2 Going Concern**

Notwithstanding net current liabilities of £317k and net liabilities of £1,136k as at 31 December 2019, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its borrowings from its parents, to meet its liabilities as they fall due for that period. Those forecasts are dependent on the parent entities not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £5,800k, and providing additional financial support during that period. The parent entities, Equitix Energy Efficiency Fund LP and Energy Saving Investments LP, indicated their intention to continue to make available such funds as are needed by the Company, and that they do not intend to seek repayment of the amounts due at the statement of financial position date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As part of these enquiries, the Directors have also considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The main risk resulting from COVID-19 for the Company is in respect of the impact on the valuation of investments held at fair value in the borrowing company. This Company's performance is intrinsically linked with the performance of the borrowing company and the Directors have considered the impact on the Company of potentially lower valuations and do not consider there to be any significant impact on the going concern basis of preparations of company's financial statements. Whilst the company holds a single sector investment, the investment has a higher degree of revenue backed by Guaranteed Minimum Offtake, ROCs and other Government subsidies. Therefore, the Directors consider that no severe but plausible downside event would prevent the Company being able to meet its liabilities as the fall due. In conjunction with this assessment, the Directors believe that the company has sufficient reserves and business controls to address any financial impact and therefore the Directors consider there is no significant impact on the going concern basis of preparation of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (continued)**

**2.2 Going Concern (continued)**

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**2.3 Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. It is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

**2.4 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

**2.5 Taxation**

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

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

*Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are recognised for temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and the rates that have been enacted at the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company, and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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2. ACCOUNTING POLICIES (continued)

2.6 Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of an instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments'.

*Financial assets*

Financial assets, including loans to project companies are classified as 'amortised cost'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Loans and receivables*

Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'amortised cost'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are in greater than 12 months after the statement of financial position date which are classified as non current assets. The Company's loans and receivables comprise 'trade and other receivables' in the statement of financial position.

*Impairment of financial assets*

Financial Assets are assessed for impairment under the expected credit loss model ("ECL"). Assessment for impairment is based on a three-stage approach based on changes in credit risk since initial recognition, with each stage representing a change in the credit risk of Financial Assets. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to stage two but is not yet deemed to be credit impaired; financial instruments that are deemed to be credit impaired are moved to stage three. The expected credit loss for stage one financial instruments is equal to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for stage two and three financial instruments is equal to expected credit losses on a lifetime basis. ECLs are recognised in the Statement of Comprehensive Income. Amounts receivable from Financial Assets are written off, when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the receivable. Amounts receivable from Financial Assets are reviewed regularly and write off will be prompted by insolvency, adverse changes in operations and similar events associated with the Financial Asset.

*Financial liabilities and equity*

Debt instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities, including borrowings, are classified as 'amortised cost' and are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. ACCOUNTING POLICIES (continued)**

**2.6 Financial instruments (continued)**

*Derecognition of financial liabilities*

A financial liability should be removed from the Statement of Financial Position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

**2.7 Financial risk management**

The Company had loans from Equitix Energy Efficiency Fund LP and Energy Saving Investments LP, the Company's joint owners, with fixed interest rates, which were transferred to EEEF Finco Limited and ESI Finco Limited (previously EEEF Holdco Limited and ESI Holdco Limited) respectively on 8 December 2017. The amount of the loan shown on the Statement of Financial Position represents the fair value of the loan on that date. The Company does not have any other borrowings, loans or overdrafts that expose the Company to financial risks.

**2.8 Assessable risks**

*Credit risk*

The Company is not susceptible to significant credit risk as diversification is being realised as each project developer is different, different boiler installers, different boiler technology providers and different fuel providers are being used, together with a significant proportion of the portfolio that is not directly exposed to any fuel stock risk. Each counterparty is scored for credit worthiness before contracts are entered into. In addition, between 15% - 100% of the income from projects is underpinned through government subsidy rather than derived from the client end user which also reduces credit risk exposure. Credit risk is subsumed in overall performance risk of the underlying project company.

*Liquidity risk*

The Company adopts a prudent approach to liquidity management and maintains sufficient cash reserves at group level to meet its obligations.

*Foreign exchange risk*

The Company does not currently have any exposure to foreign currency exchange risk, nor does it have any immediate plans to geographically deviate its focus.

**2.9 Share capital**

Ordinary shares are classified as equity.

**2.10 Expenses**

All expenses are accounted for on an accruals basis. The Company's fees, finance costs and all other expenses are charged through the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Eurobonds interest note

i) Loans, receivables, and payables

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.

ii) Borrowings

Intercompany loans are held at amortised cost. Carrying amount of borrowings are assumed to approximate their fair values.

**4. INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") - ADOPTION OF NEW AND REVISED STANDARDS**

A number of new standards are effective 1 January 2019 but do not have a material effect on the Company's financial statements. The notable new standards are listed below:

- IFRS 16 'Leases' (1 January 2019)
- IFRIC-23 'Uncertainty over Income Tax Treatments' (1 January 2019)
- Amendments resulting from the annual improvements to IFRS Standards 2015-2017 Cycle (1 January 2019)

*Standards issued but not yet effective*

The following Adopted IFRSs have been issued however the Company has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards and Revised Conceptual Framework (effective 1 January 2020)
- Definition of Material (Amendments to IAS 1 and IAS 8) (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)

The directors do not expect that the adoption of the other standards listed above will have a material impact on the Company in future periods.

**5. OPERATING (LOSS)/PROFIT**

The operating loss of the Company of £163k (2018: £407k profit) is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee for Equitix ESI Retrofit Finance Limited of £3,400 (2018: £2,700) has been shared between Energy Saving Investments LP and Equitix Energy Efficiency Fund Holdco LP, Company's joint owners, who will not seek compensation from the Company. There were no non-audit fees (2018: none).

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**6. DIRECTORS' REMUNERATION**

No staff were directly employed by the Company (2018: none). No Directors received any remuneration for services to the Company during the year (2018: none). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2018: none).

**7. INTEREST INCOME**

	2019 £000	2018 £000
Recognised in the Statement of Comprehensive Income		
Interest income on loans to project companies	680	700
	<u>680</u>	<u>700</u>

**8. FINANCE COSTS**

	2019 £000	2018 £000
Recognised in the Statement of Comprehensive Income		
Interest expense on loans from joint owners	680	700
	<u>680</u>	<u>700</u>

**9. TAX ON LOSS**

	2019 £000	2018 £000
Current tax	-	-
	<u>-</u>	<u>-</u>

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**9. TAX ON LOSS (continued)**

The differences between the total current tax shown above and the amount calculated by applying the average rate of UK corporation tax to the loss before tax are as follows:

	2019 £000	2018 £000
Loss before tax	(843)	(293)
	<u>(843)</u>	<u>(293)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(160)	(56)
Impairment loss on trade and other receivables	5	56
Impairment loss on loans to related parties	155	-
	<u>-</u>	<u>-</u>
<b>Total tax expense for the year</b>	<u><u>-</u></u>	<u><u>-</u></u>

**Changes in tax rates and factors affecting the future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

**10. RECEIVABLES**

	2019 £000	2018 £000
Loan principal receivable from Project Companies	4,981	5,717
Interest receivable from Project Companies	496	1,245
	<u>5,477</u>	<u>6,962</u>
<b>Total receivables</b>	<u><u>5,477</u></u>	<u><u>6,962</u></u>
Included on the Statement of Financial Position as follows:		
Current	496	1,527
Non-current	4,981	5,435
	<u>5,477</u>	<u>6,962</u>

Interest receivable represents accrued interest on subordinated debt loans to the Project Companies listed in note 15.

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**10. RECEIVABLES (continued)**

The original value of the interest receivable assets was adjusted for an impairment loss resulting in the net recoverable position presented above. The carrying value of these assets approximates their fair value. Expected credit loss analysis was performed as per IFRS 9 and due to uncertainty over realisation of cash flow optimisation's, the following provision has been made:

	<b>2019 £000</b>	<b>2018 £000</b>
Opening balance	293	-
Additions	843	293
Closing balance	<u>1,136</u>	<u>293</u>

Expected credit loss analysis was performed as per IFRS 9 and due to uncertainty over realisation of cash flow optimisations, the following provision has been made: 2019: £843k (2018: £293k).

**11. PAYABLES**

	<b>2019 £000</b>	<b>2018 £000</b>
Interest payable to joint owners	813	1,820
	<u>813</u>	<u>1,820</u>
Included on the Statement of Financial Position as follows:		
Current	813	1,820
	<u>813</u>	<u>1,820</u>

Interest payable to joint owners in the current and prior year represents accrued interest on loan note borrowings from EEEF Finco Limited and ESI Finco Limited (note 12). The carrying amount of these liabilities approximates their fair value.

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**12. BORROWINGS**

	2019 £000	2018 £000
Loans from Parent Companies	5,800	5,435
	<u>5,800</u>	<u>5,435</u>
Included on the Statement of Financial Position as follows:		
Non-current	5,800	5,435
	<u>5,800</u>	<u>5,435</u>

Amounts owing comprise of £5,800k (2018: £5,435k) of Eurobond Loan Notes, listed on the The International Stock Exchange on various dates, and subscribed to by EEEF Finco Limited and ESI Finco Limited. The loan note agreements fix the loan interest coupon between 10% and 13% and are due for repayment on 25 April 2023.

**13. SHARE CAPITAL**

	2019 Number	2019 £	2018 Number	2018 £
<b>Allotted, called up and unpaid:</b>				
Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

All shares in issue are of the same class.

**14. FINANCIAL INSTRUMENTS***Capital risk management*

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt. The capital structure of the Company borrowings are as disclosed in note 12, equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 13. The Company is not subject to any externally imposed capital requirements.

*Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

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**EQUITIX ESI RETROFIT FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**14. FINANCIAL INSTRUMENTS (continued)**

## a) Categories of financial instruments

	2019 £000	2018 £000
<b>Financial assets</b>		
Loans and receivables at amortised cost		
Loan principal	4,981	5,717
Interest receivable from Project companies	496	1,245
	<u>5,477</u>	<u>6,962</u>
 Borrowings	 (5,800)	 (5,435)
Interest payable to joint owners	(813)	(1,820)
	<u>(6,613)</u>	<u>(7,255)</u>

The carrying amount of the loans approximates their fair value.

## b) Financial risk management objectives

*Risk management objectives*

The Directors provide advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk.

The Company does not enter into financial derivative contracts.

*Market risk*

The Company's activities expose it primarily to the financial risks of interest rates.

*Interest rate risk management*

The Company has limited exposure to interest rate risk as loans held with EEEF Finco Ltd and ESI Finco Ltd have fixed interest rates of between 10% and 13%. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

*Performance risk management*

Performance risk management refers to the risk that the underlying project companies will not perform in line with expectations, and as such the Company will not receive forecast cashflows as expected. To mitigate this risk, the projects are closely managed by the asset management team and risks of non-performance are passed on to service providers and subcontractors by the PFI contract structure, leaving the PFI investment insulated from issues of non-performance.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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14. FINANCIAL INSTRUMENTS (continued)

*Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. Other financial assets consist of amounts receivable from related parties. Credit risk is generated through the overall performance risk of the projects, deterioration of which might impact their ability to service equity payments. This risk is mitigated through the PFI contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

The Company only transacts with creditworthy PFI / PPP concession companies that have a cash flow derived from projects in agreement with government or semi-government authorities.

*Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

	2019 £000	2018 £000
<b>Less than 1 year</b>		
Interest payable	813	1,820
<b>5+ years</b>		
Borrowings	5,800	5,435
	<hr/>	<hr/>
	6,613	7,255
<b>Total</b>		
Borrowings	5,800	5,435
Interest payable	813	1,820
	<hr/>	<hr/>
	6,613	7,255
	<hr/>	<hr/>

In addition to the above there is interest payable due in 2-5 years of £1,133k.

## EQUITIX ESI RETROFIT FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15. TRANSACTIONS WITH RELATED PARTIES

##### Statement of Comprehensive Income items

		Interest income 2019 £	Interest income 2018 £	Interest expense 2019 £	Interest expense 2018 £
Related party	Transaction description				
Boxed Esco Services Limited	Interest Receivable	488,039	507,676	-	-
Equitix ESI Retrofit (Lighting) Limited	Interest Receivable	116,141	116,141	-	-
Sharc (Caledonia) Limited	Interest Receivable	76,054	76,054	-	-
ESI Finco Limited	Interest Payable	-	-	(333,315)	(342,937)
EEEE Finco Limited	Interest Payable	-	-	(346,919)	(356,934)
		<b>680,234</b>	<b>699,871</b>	<b>(680,234)</b>	<b>(699,871)</b>

##### Statement of Financial Position items

		Amounts owed by related parties 2019 £	Amounts owed by related parties 2018 £	Amounts owed to related parties 2019 £	Amounts owed to related parties 2018 £
Related party	Transaction description				
Boxed Esco Services Limited	Interest debtor	495,837	1,054,421	-	-
Equitix ESI Retrofit (Lighting) Limited	Interest debtor	8,007	230,929	-	-
Sharc (Caledonia) Limited	Interest debtor	309,699	253,643	-	-
Boxed Esco Services Limited	Loan note debtor	4,253,515	3,988,104	-	-
Equitix ESI Retrofit (Lighting) Limited	Loan note debtor	785,626	967,839	-	-
Sharc (Caledonia) Limited	Loan note debtor	760,545	760,545	-	-
Energy Saving Investments LP	Interest creditor	-	-	619	619
Equitix Energy Efficiency Fund Holdco Limited	Interest creditor	-	-	644	644
ESI Finco Limited	Interest creditor	-	-	(399,255)	(754,725)
EEEE Finco Limited	Interest creditor	-	-	(415,551)	(785,530)
ESI Finco Limited	Loan note creditor	-	-	(2,841,846)	(2,801,079)
EEEE Finco Limited	Loan note creditor	-	-	(2,957,840)	(2,915,410)
Equitix Energy Efficient GP 1 Limited (on behalf of Energy Saving Investments LP)	Share capital	49	49	-	-
Equitix Energy Efficiency Fund Holdco Limited	Share capital	51	51	-	-
		<b>6,613,329</b>	<b>7,255,581</b>	<b>(6,613,229)</b>	<b>(7,255,481)</b>

Equitix Energy Efficient GP 1 Limited and Equitix Energy Efficiency Fund Holdco Limited are both related parties of Equitix ESI Retrofit Finance Limited as they have joint control over the Company.

Boxed Esco Services Limited, Equitix ESI Retrofit (Lighting) Limited and Sharc (Caledonia) Limited are all subsidiaries of Equitix ESI Retrofit Limited, a holding company under common control, and therefore related parties of the Company.

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## **EQUITIX ESI RETROFIT FINANCE LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **16. ULTIMATE PARENT**

The Company's joint owners are Equitix Energy Efficiency Fund LP and Energy Saving Investments LP. The Company's immediate parent is Equitix Energy Efficiency Fund Holdco Limited, a Guernsey limited company with the registered address, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB. The Company's ultimate parent and controlling entity is Equitix Energy Efficiency Fund LP, a limited partnership registered in England and Wales with the registered address, 3rd Floor (South), 200 Aldersgate Street, London, EC1A 4HD. The Company's results are not consolidated as the immediate parent and ultimate parent entity meet the criteria of Investment Entities under IFRS 10 and do not prepare consolidated accounts.

#### **17. POST BALANCE SHEET EVENTS**

During the period from the date of the Statement of Financial Position to the date of the financial statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The quantum of the effect on the underlying investment portfolio and activity of the Company is difficult to determine, however the Directors are monitoring the situation and considering the effect it may have on the valuation of any impacted underlying portfolio companies in the future. The Directors do not believe there is any financial impact to the Financial Statements as at 31 December 2019 as a result of this non-adjusting subsequent event.

Sharc Caledonia Limited, a debt investment of the Company, was sold to a third party on 13 March 2020 for £1.