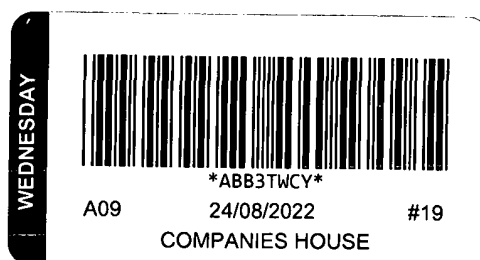


Registered number: 09430484

EQUITIX ESI CHP FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



EQUITIX ESI CHP FINANCE LIMITED

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EQUITIX ESI CHP FINANCE LIMITED

COMPANY INFORMATION

Directors F Boshell (appointed 25 October 2021)
D J Harding
J C Smith (resigned 25 October 2021)

Registered number 09430484

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

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

EQUITIX ESI CHP FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the audited financial statements of Equitix ESI CHP Finance Limited (the "Company") for the year ended 31 December 2021.

DIRECTORS

The Directors who served during the year, are shown on page 2.

RESULTS AND DIVIDENDS

The Company's performance reflects the position under the various intra-group loan agreements held during the year. Further loan notes totalling £3,508k (2020 - £3,794k) were issued during the year to related group entities under existing arrangements. In addition, loan notes totalling £3,508k (2020 - £3,794k) were issued to EEEF and ESI Finco Limited being £3,508k (2020 - £3,794k) of Listed Eurobond loan notes under existing arrangements and £nil (2020 - £650k) of 364 day loans with fixed rates of 10%. Please refer to page 12 for results.

FINANCIAL RISK MANAGEMENT

The Company's management of financial risks including interest rate, credit and liquidity risk during the year are detailed in note 13.

GOING CONCERN

There is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Company is in a net current liability position and relies on the support of its ultimate parent entities, Equitix Energy Efficiency Fund LP and Energy Saving Investments LP (the 'Parents'), to meet its liabilities as they fall due for the foreseeable future.

The Parents have indicated that they will continue to provide such support. However, the Parents also have a contractual agreement with investors to commence winding themselves up within the next twelve months and a sales process is currently underway whereby the Parents are seeking to sell their interest in the Company. Consequently, the current Parents' support will cease upon the sale of the Company. The directors cannot determine the actions of any new shareholders, including whether they will retain the current holding company structure or not, albeit they consider that the Company has long term and stable investments in a diverse portfolio of infrastructure assets and a consequential anticipated income flow and therefore see no reason why any new shareholder will not support the Company as necessary.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, as a result of these matters there is a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and therefore whether the Company will realise its assets and settle its liabilities in the ordinary course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

Details of future developments can be found in the Strategic Report on page 6 and 7 and form part of this report by cross-reference.

EQUITIX ESI CHP FINANCE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

AUDITOR

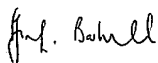
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- 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.



F Boshell
Director

Date: 7th July 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for preparing the Strategic report, Directors' report and 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 UK-adopted international accounting standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards and applicable law;
- 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.

EQUITIX ESI CHP FINANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL ACTIVITIES

Equitix ESI CHP Finance Limited (the "Company") is the funding company for all project companies in which Equitix ESI CHP Limited holds shares.

REVIEW OF THE YEAR

The Company's performance reflects the position under the various inter-group agreements held during the year. An impairment loss on loans due from related parties of £2,684k (2020: £38,626k) was recognised during the year. See Directors' Report for further details. Please refer to page 12 for results.

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 the individual project company
- 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 group portfolio in association with the expected future cash flows; and
- that all operational projects are performing within the restrictions of all project documentation.

The result for the year is shown on page 12 in the Statement of Total Comprehensive Income. This shows a loss before tax of £2,684k (2020 - loss of £38,626k). The loss for the period includes an impairment in the loans to related parties of £2,684k (2020 - £38,626k). The Directors recommended dividends of £nil during the year (2020 - £nil).

FUTURE DEVELOPMENTS

Refer to note 2.2

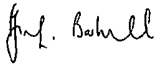
PRINCIPAL RISKS AND UNCERTAINTIES

The Company has entered into inter-group loan agreements with related group entities and with its subsidiaries. A principal risk is the Company not receiving interest payments in order to make interest payments to the lender company. Therefore, 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, but not limited to, subordinated debt principal repayments, subordinated debt interest payments, dividends and other fees are indeed received. The Company will monitor actual and projected cash flows in order to manage expected returns. 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 and by maximising synergies at portfolio level.

EQUITIX ESI CHP FINANCE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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



F Boshell
Director

Date: 7th July 2022

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

Opinion

We have audited the financial statements of Equitix ESI CHP Finance Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Total 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and applicable law; 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.

Material uncertainty related to going concern

We draw attention to note 2.2 to the financial statements which indicates that the Company relies on the financial support of its ultimate parent entities which are seeking to sell their interests in the Company. These events and conditions, along with the other matters explained in note 2.2, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as inquiring whether they have knowledge of any actual, suspected or alleged fraud;
- Reading minutes of the meetings of the Directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, money laundering and GDPR compliance recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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

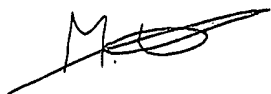
Auditor's responsibilities

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.

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: 11 July 2022

EQUITIX ESI CHP FINANCE LIMITED

**STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Interest income	6	8,201	7,718
Impairment of loans to related parties		(2,684)	(38,626)
Profit/(loss) from operations	4	5,517	(30,908)
Finance costs	7	(8,201)	(7,718)
Loss before tax		(2,684)	(38,626)
Tax	8	-	-
Loss for the year		(2,684)	(38,626)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,684)	(38,626)

All of the above relates to continuing activities.

The notes on pages 17 to 30 form part of these financial statements.

EQUITIX ESI CHP FINANCE LIMITED
REGISTERED NUMBER: 09430484

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Loans to related parties	9	35,516	26,490
		<u>35,516</u>	<u>26,490</u>
Total assets		<u>35,516</u>	<u>26,490</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	11	82,835	78,677
		<u>82,835</u>	<u>78,677</u>
Current liabilities			
Loans and borrowings		-	650
Payables	10	40,619	32,417
		<u>40,619</u>	<u>33,067</u>
Total liabilities		<u>123,454</u>	<u>111,744</u>
Net liabilities		<u>(87,938)</u>	<u>(85,254)</u>

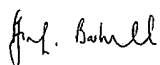
EQUITIX ESI CHP FINANCE LIMITED
REGISTERED NUMBER: 09430484

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Equity			
Share capital	12	-	-
Retained earnings		(87,938)	(85,254)
Shareholders' deficit		<u>(87,938)</u>	<u>(85,254)</u>

The notes on pages 17 to 30 form part of these financial statements.

The financial statements of Equitix ESI CHP Finance Limited, registered number 09430484, were approved by the Board of Directors and were signed on its behalf by:



F Boshell
Director

Date: 7th July 2022

EQUITIX ESI CHP FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Retained losses £000	Total equity £000
At 1 January 2020	(46,628)	(46,628)
Loss for the year	(38,626)	(38,626)
Total comprehensive loss for the year	<u>(38,626)</u>	<u>(38,626)</u>
At 31 December 2020	(85,254)	(85,254)
At 1 January 2021	<u>(85,254)</u>	<u>(85,254)</u>
Loss for the year	(2,684)	(2,684)
Total comprehensive loss for the year	<u>(2,684)</u>	<u>(2,684)</u>
At 31 December 2021	<u>(87,938)</u>	<u>(87,938)</u>

The notes on pages 17 to 30 form part of these financial statements.

EQUITIX ESI CHP FINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Company does not have a bank account and therefore has no cash transactions (2020 - none).

EQUITIX ESI CHP FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Equitix ESI CHP 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 and the Strategic report on pages 6 and 7. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the company operates. Monetary amounts are rounded to the nearest £'000.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and applicable law. A summary of the principal accounting policies, all of which have been applied consistently throughout the current are set out below.

The financial statements are prepared on the historical cost basis except for investments measured at fair value.

2.2 Going concern

There is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Company is in a net current liability position and relies on the support of its ultimate parent entities, Equitix Energy Efficiency Fund LP and Energy Saving Investments LP (the 'Parents'), to meet its liabilities as they fall due for the foreseeable future.

The Parents have indicated that they will continue to provide such support. However, the Parents also have a contractual agreement with investors to commence winding themselves up within the next twelve months and a sales process is currently underway whereby the Parents are seeking to sell their interest in the Company. Consequently, the current Parents' support will cease upon the sale of the Company. The directors cannot determine the actions of any new shareholders, including whether they will retain the current holding company structure or not, albeit they consider that the Company has long term and stable investments in a diverse portfolio of infrastructure assets and a consequential anticipated income flow and therefore see no reason why any new shareholder will not support the Company as necessary.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, as a result of these matters there is a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and therefore whether the Company will realise its assets and settle its liabilities in the ordinary course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (continued)

2.3 Revenue

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.

2.4 Borrowing costs

All borrowing costs are recognised in the Statement of Total 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 loss differs from the net loss 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 provided 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 loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. 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.

The carrying amount of a deferred tax asset 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.

2.6 Receivables

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.

2.7 Loans and borrowings

Loans and borrowings, are initially measured at fair value, net of transaction costs and 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (continued)

2.8 Share capital

Ordinary shares are classified as equity.

2.9 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.

2.10 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 assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Effective interest rate 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 balance sheet 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

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. For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Estimates

Related Party Loans

The company holds debt investments which carry an interest rate of 10%. These debt investments are measured at amortised cost and, after impairment, have a carrying value of £35,516k (2020 - £26,490k) as at 31 December 2021. The debt investments were issued at an estimated market interest rate and the directors do not consider the market rate for such debt to have materially changed. In the Directors' view, because of this and the impairment, the fair value of these debt investments as at 31 December 2021 is also £35,516k (2020 - £26,490k).

To fund the investment the Company has a borrowing facility with EEEF Finco Limited and ESI Finco Limited which carries an interest rate of 10%. These borrowings, including accrued interest, have a carrying value of £123,454k (2020 - £111,744k). However, for the repayment of these loans, the lender only has recourse to the debt investment which they financed. Consequently, as the value of the debt investment is considered to be £35,516k (2020 - £26,490k) and the Directors consider the market rate for such debt to have not materially changed, the Directors consider the fair value of these borrowings at 31 December 2021 also to be £35,516k (2020 - £26,490k).

4. OPERATING PROFIT

The operating profit of the Company of £5,517k (2020 - loss of £30,908k) 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 CHP Finance Limited of £10,670k (2020 - £4,167k) has been shared between Energy Saving Investments LP and Equitix Energy Efficiency Fund LP, Company's joint owners, who will not seek compensation from the Company. There were no non-audit fees (2020 - £nil).

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. DIRECTORS' REMUNERATION

No staff were directly employed by the Company (2020 - none).

No Directors received any remuneration for services to the Company during the year (2020 - £nil). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2020 - £nil).

6. INTEREST INCOME

	2021	2020
	£000	£000
Interest income	8,201	7,718
	<u>8,201</u>	<u>7,718</u>

7. FINANCE COSTS

	2021	2020
	£000	£000
Finance expense	8,201	7,718
	<u>8,201</u>	<u>7,718</u>

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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8. TAX

	2021	2020
	£000	£000
Current tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2021	2020
	£000	£000
Loss for the year	(2,684)	(38,626)
Loss before income taxes	<hr/> (2,684)	<hr/> (38,626)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(510)	(7,339)
Impairment loss of loans due from related parties not subject to taxation	510	7,339
Total tax expense	<hr/> - <hr/>	<hr/> - <hr/>

Changes in tax rates and factors affecting the future tax charges

The March 2021 Budget announced an increase in corporation tax rates with a corporation tax rate of 25% applying with effect from 1 April 2023. This will increase the Company's future current tax charge accordingly.

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. RECEIVABLES

	2021	2020
	£000	£000
Loans to related parties	35,516	26,490
	<u>35,516</u>	<u>26,490</u>
Included on the Statement of Financial Position as follows:		
Non-current	35,516	26,490
	<u>35,516</u>	<u>26,490</u>

The intercompany loans have a range of repayment dates from 30 September 2035 to 31 March 2037. The original value of the interest receivable and principal loan assets were 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:

	2021	2020
	£000	£000
Opening balance	85,254	46,628
Additions	2,684	38,626
	<u>87,938</u>	<u>85,254</u>

10. PAYABLES

	2021	2020
	£000	£000
Interest payable to related parties	40,619	32,417
	<u>40,619</u>	<u>32,417</u>
Included on the Statement of Financial Position as follows:		
Current	40,619	32,417
	<u>40,619</u>	<u>32,417</u>

Interest payable to related parties in the current and prior year represents accrued interest on loan note borrowings from EEEF Finco Limited and ESI Finco Limited (note 11).

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. BORROWINGS

	2021 £000	2020 £000
Loans from related parties	82,835	79,327
	<hr/> 82,835	<hr/> 79,327
Included on the Statement of Financial Position as follows:		
Non-current	82,835	78,677
Current	-	650
	<hr/> 82,835	<hr/> 79,327

Amounts owing comprise of £82,835 (2020 - £78,677k) 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 at 10% and are due for repayment on 25 April 2023.

Amounts owing also comprise £nil (2020 - £650k) of 364 day intercompany loans entered into by the Company and EEEF and ESI Finco Limited.

12. SHARE CAPITAL

	2021 Number	2021 £	2020 Number	2020 £
Authorised, issued and paid				
Ordinary shares of £1 each	100	100	100	100
	<hr/> 100	<hr/> 100	<hr/> 100	<hr/> 100

13. 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 Company is not subject to any externally imposed capital requirements.

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2021 £000	2020 £000
Financial assets at amortised cost		
Loan principal	35,516	26,490
Interest receivable from Project companies	-	-
	<u>35,516</u>	<u>26,490</u>
Financial liabilities at amortised cost		
Borrowings	82,835	79,327
Interest payable to related parties	40,619	32,417
	<u>123,454</u>	<u>111,744</u>

Financial Risk Management*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 follows Equitix Energy Efficiency Fund LP Group's policies approved by the board of Directors. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

Interest rate risk management

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

Interest rate sensitivity analysis

The Company has limited exposure to interest rate risk because the loan held with EEEF Finco Limited and ESI Finco Limited has a fixed interest rate of 10%.

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.

Market risk

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. FINANCIAL INSTRUMENTS (continued)

Credit risk management

The Company is exposed to credit risk in respect to its current assets as outlined in the Statement of Financial Position through possible default of the relevant counterparty. The maximum gross exposure to credit risk, before credit enhancements and other mitigates, is represented by the carrying amounts of the financial assets that are carried on the Statement of Financial Position. This risk is mitigated through a combination of diversification of exposures across multiple projects and sectors, the majority of credit counterparties for projects being government, government backed or quasi-government bodies, and the presences of collateral and credit enhancements at the project level including charges over, or ownership of, physical assets. This risk is therefore not considered to be significant.

Liquidity risk management

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

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up on undiscounted cash flows of financial liabilities based on the earliest date the Company could be required to satisfy borrowing repayments. The table includes principal repayment and assumed interest cash flows.

Liabilities

	2021	2020
	£000	£000
Less than 1 year		
Interest and other payables	40,619	32,417
	<hr/> 40,619	<hr/> 32,417
1 - 5 years		
Interest and other payables	2,761	7,101
Borrowings	82,835	79,327
	<hr/> 85,596	<hr/> 86,428
5+ years		
Borrowings	-	-
	<hr/> -	<hr/> -
Total		
Interest and other payables	43,380	39,518
Borrowings	82,835	79,327
	<hr/> 126,215	<hr/> 118,845
	<hr/> <hr/>	<hr/> <hr/>

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. TRANSACTIONS WITH RELATED PARTIESStatement of Total Comprehensive Income

Related Party	Transaction Description	Interest income	Interest income	Interest expense	Interest expense
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Equitix ESI CHP (Sheffield) Limited	Interest Receivable	3,310	3,061	-	-
Equitix ESI CHP (Nottingham) Limited	Interest Receivable	3,279	3,040	-	-
Ignis Biomass Limited	Interest Receivable	755	757	-	-
Equitix ESI CHP (Wrexham) Limited	Interest Receivable	857	860	-	-
ESI Finco Limited	Interest Payable	-	-	(3,988)	(3,755)
EEEF Finco Limited	Interest Payable	-	-	(4,213)	(3,963)
		<u>8,201</u>	<u>7,718</u>	<u>(8,201)</u>	<u>(7,718)</u>

EQUITIX ESI CHP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. TRANSACTIONS WITH RELATED PARTIES (continued)

Statement of Financial Position

Related Party	Transaction Description	Amounts owed by related parties 2021 £'000	Amounts owed by related parties 2020 £'000	Amounts owed to related parties 2021 £'000	Amounts owed to related parties 2020 £'000
Equitix ESI CHP (Sheffield) Limited	Interest debtor	17,252	13,943	-	-
Equitix ESI CHP (Nottingham) Limited	Interest debtor	16,770	13,491	-	-
Ignis Biomass Limited	Interest debtor	3,966	3,212	-	-
Equitix ESI CHP (Wrexham) Limited	Interest debtor	2,630	1,772	-	-
Equitix ESI CHP (Sheffield) Limited	Loan note debtor	33,491	31,690	-	-
Equitix ESI CHP (Nottingham) Limited	Loan note debtor	33,221	31,513	-	-
Ignis Biomass Limited	Loan note debtor	7,545	7,545	-	-
Equitix ESI CHP (Wrexham) Limited	Loan note debtor	8,579	8,579	-	-
Energy Saving Investments LP	Interest creditor	-	-	1	1
Equitix Energy Efficiency Fund Holdco Limited	Interest creditor	-	-	1	1
ESI Finco Limited	Interest creditor	-	-	(19,838)	(15,849)
EEEF Finco Limited	Interest creditor	-	-	(20,782)	(16,568)
ESI Finco Limited	Loan note creditor	-	-	(40,281)	(38,244)
EEEF Finco Limited	Loan note creditor	-	-	(42,555)	(40,434)
ESI Finco Limited	Intercompany credit	-	-	-	(318)
EEEF Finco Limited	Intercompany credit	-	-	-	(332)
Energy Saving Investments LP	Share capital	49	49	-	-
Equitix Energy Efficiency Fund Holdco Limited	Share capital	51	51	-	-
		<u>123,554</u>	<u>111,845</u>	<u>(123,454)</u>	<u>(111,743)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. 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.

16. POST BALANCE SHEET EVENTS

There were no significant events or transactions following the Statement of Financial Position date that would warrant disclosure or adjustment in these financial statements.

17. UK ADOPTED INTERNATIONAL ACCOUNTING STANDARDS - ADOPTION OF NEW AND REVISED STANDARDS

There were no new or amended standards effective this year that have had a material impact on these financial statements.

A number of UK-adopted IFRSs have been issued but are not yet effective and have not been applied in these financial statements. The Directors do not expect that, when effective, they will have any material impact on the financial statements in future periods.