Registered number: 09430484

EQUITIX ESI CHP FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

COMPANY INFORMATION

Directors	D J Harding J C Smith (resigned 25/10/2021) F Boshell (appointed 25/10/2021)
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

The Directors present their report and the audited financial statements of Equitix ESI CHP Finance Limited (the "Company") for the year ended 31 December 2020.

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 inter-company and inter-group agreements held during the year. Further loan notes totalling £3,794k were issued during the year to related group entities under existing arrangements. In addition, loan notes totalling £3,794k were issued to EEEF and ESI Finco Limited being £3,114k of Listed Eurobond loan notes under existing arrangements and £650k of 364 day loans with fixed rates of 10% and repayable on various dates in December 2021. Please refer to page 12 for results. The Directors do not recommend the payment of a dividend (2019: Nil).

FINANCIAL RISK MANAGEMENT

The Company's management of financial risks including interest rate, credit and liquidity risk during the year are detailed in note 14.

GOING CONCERN

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net current liability position of the Company, show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the Equitix Energy Efficiency group and the Energy Saving Investments LP group. The Company has obtained a letter of support from its ultimate parents who have no intention of recalling the debt owed within 12 months of the date of signing of this report. After making enquiries, the Directors have a reasonable expectation that the Company and its parent entities have adequate resources to continue in operational existence for the foreseeable future, and for a minimum of 12 months from the date of signing of this report, despite any economic uncertainties. Refer to note 2.2 for further details on the Directors' assessment of going concern.

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 form part of this report by cross-reference.

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

F Boshell
Director

Date: 18th November 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

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-company and inter-group agreements held 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 £38,626k (2019: loss of £37,947k). The Directors recommended dividends of £nil during the year (2019: £nil).

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has entered into inter-company loan agreements with a related group entity 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 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 and by maximising synergies at portfolio level.

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

F Boshell
Director

Date: 18th November 2021

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 2020 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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").

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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.

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.

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.

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: 18 November 2021

STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Interest income	7	7,718	7,239
Impairment of loans to related parties		(38,626)	(37,947)
Loss from operations	5	(30,908)	(30,708)
Finance costs	8	(7,718)	(7,239)
Loss before tax		(38,626)	(37,947)
Tax	9	-	-
Loss for the year		(38,626)	(37,947)
Other comprehensive income		-	-
Total comprehensive loss		(38,626)	(37,947)

All of the above relates to continuing activities.

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Loans to related parties	10	26,490	51,149
		26,490	51,149
Current assets			
Receivables	10	-	2,455
		-	2,455
Total assets		26,490	53,604
Liabilities			
Non-current liabilities			
Loans and borrowings	12	78,677	75,533
		78,677	75,533
Current liabilities			
Loans and borrowings		650	-
Payables	11	32,417	24,699
		33,067	24,699
Total liabilities		111,744	100,232
Net liabilities		(85,254)	(46,628)

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Equity			
Share capital	13	-	-
Retained earnings		(85,254)	(46,628)
Shareholders' deficit		(85,254)	(46,628)

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

F Boshell
Director

Date: 18th November 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Retained earnings £000	Total equity £000
At 1 January 2019	(8,681)	(8,681)
Loss for the year	(37,947)	(37,947)
Total comprehensive loss for the year	(37,947)	(37,947)
At 31 December 2019	(46,628)	(46,628)
At 1 January 2020	(46,628)	(46,628)
Loss for the year	(38,626)	(38,626)
Total comprehensive loss for the year	(38,626)	(38,626)
At 31 December 2020	(85,254)	(85,254)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

The Company does not have a bank account and therefore has no cash transactions (2019: none).

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 applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRSs"). 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

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

Financial projections indicate that sufficient funds will be generated by the operating activities of the Company to enable ongoing obligations to be met as they fall due; with consideration being given to a period of at least 12 months from the date of approval of the Financial Statements.

Those forecasts are dependent on the parent entities not seeking repayment of the amounts currently due to the group headed by Equitix Energy Efficiency Fund LP and Energy Saving Investments LP ("Group"), which at 31 December 2020 amounted to £79,327k (2019: £75,533k), and providing additional financial support during that year. The parent entities have indicated their intention to continue to make available such funds as are needed by the Company, and they do not intend to seek repayment of the amounts due at the Statement of Financial Position date, for the year 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.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period of at least 12 months from the date of the financial statements, taking into account both the result for the year and the net current liability and net liability position at the year end.

2. ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

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 recoverability of loans from related parties. The Directors have considered the impact of potentially lower recoverability and do not consider there to be any significant impact on the going concern basis of preparation of Company's financial statements as the Company has a diverse mix of investments in various sectors and as certain investments and their associated dividend and interest income are backed by Guaranteed Minimum Offtake, ROCs and other government subsidies, the Directors consider that no severe but plausible downside event would prevent the Company being able to meet its liabilities as they fall due. In conjunction with this assessment, the Directors believe the Company, and the wider group, 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.

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 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.

2. ACCOUNTING POLICIES (continued)

2.5 Taxation (continued)

The carrying amount a of 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.

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.

2. ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

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. 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.

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 £26,490k as at 31 December 2020. The debt investments were issued at an estimated market interest rate and the directors do not consider the market rate for such debt has materially changed. In the Directors' view, because of this and the impairment, the fair value of these debt investments as at 31 December 2020 is also £26,490k (2019: £51,149k).

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 £111,744k (2019: £100,232k). 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 £26,490k (2019: £51,149k) and the Directors consider the market rate for such debt has not materially changed, the Directors consider the fair value of these borrowings at 31 December 2020 also to be £26,490k (2019: £51,149k).

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

A number of new standards are effective 1 January 2020 but do not have a material effect on the Company's Financial Statements. The notable policy changes are listed below:

- Definition of a Business (Amendments to IFRS 3)
- Amendments to References to the Conceptual Framework in IFRS Standards and Revised Conceptual Framework
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Covid-19 Related Rent Concessions (Amendments to IFRS 16)

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

5. OPERATING LOSS

The operating loss of the Company of £30,908k (2019: £30,708k) 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 £4.2k (2019: £3.4k) 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 (2019: £nil).

6. DIRECTORS' REMUNERATION

No staff were directly employed by the Company (2019: none).

No Directors received any remuneration for services to the Company during the year (2019: £nil). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2019: £nil).

7. INTEREST INCOME

	2020	**2019**
	£000	**£000**
Interest income	7,718	7,239
	7,718	7,239

8. FINANCE COSTS

	2020	**2019**
	£000	**£000**
Finance expense	7,718	7,239
	7,718	7,239

9. TAX

	2020 £000	2019 £000
Current tax	-	-
	-	-

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:

	2020 £000	2019 £000
Loss for the year	(38,626)	(37,947)
Loss before income taxes	(38,626)	(37,947)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(7,339)	(7,210)
Impairment loss on trade and other receivables	1,933	2,577
Impairment loss on loans to related parties	5,406	4,633
Total tax expense	-	-

Changes in tax rates and factors affecting the future tax charges

The March 2021 Budget announced a proposed 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.

10. RECEIVABLES

	2020 £000	2019 £000
Interest receivable from Project Companies	-	2,455
Loans to related parties	26,490	51,149
	26,490	53,604
Included on the Statement of Financial Position as follows:		
Current	-	2,455
Non-current	26,490	51,149
	26,490	53,604

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:

	2020 £000	2019 £000
Opening balance	46,628	8,681
Additions	38,626	37,947
Closing balance	85,254	46,628

11. PAYABLES

	2020 £000	2019 £000
Interest payable to joint owners	32,417	24,699
	32,417	24,699
Included on the Statement of Financial Position as follows:		
Current	32,417	24,699
	32,417	24,699

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 12).

12. BORROWINGS

	2020 £000	2019 £000
	79,327	75,533
	79,327	75,533
Included on the Statement of Financial Position as follows:		
Non-current	78,677	75,533
Current	650	-
	79,327	75,533

Amounts owing comprise of £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 £650k (2019: £nil) of 364 day intercompany loans entered into by the Company and EEEF and ESI Finco Limited, with a fixed interest rate of 10% and due for repayment on various dates in December 2021.

13. SHARE CAPITAL

	2020 Number	2020 £	2019 Number	2019 £
Authorised, issued and paid				
Ordinary shares of £1 each	100	100	100	100
	100	100	100	100

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 Company is not subject to any externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2020 £000	2019 £000
Financial assets at amortised cost		
Loan principal	26,490	51,149
Interest receivable from Project companies	-	2,455
	26,490	53,604
Financial liabilities at amortised cost		
Borrowings	79,327	75,533
Interest payable to joint owners	32,417	24,699
	111,744	100,232

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 a fixed interest rate 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.

14. 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
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 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

	2020 £000	2019 £000
Less than 1 year		
Interest and other payables	32,417	24,699
	32,417	24,699
2 - 5 years		
Interest and other payables	7,101	12,235
Borrowings	79,327	75,533
	86,428	87,768
5+ years		
Borrowings	-	-
	-	-
Total		
Interest and other payables	39,518	36,934
Borrowings	79,327	75,533
	118,845	112,467

14. FINANCIAL INSTRUMENTS (continued)

The fair value of the investments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The following hierarchy classifies each class of financial asset or liability depending upon the valuation technique applied in determining its fair value:

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities, where inputs are observable;
ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) where inputs are directly or indirectly observable; and
iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data, where the inputs are unobservable.

Investments comprise debt investments only. The debt investment fair value disclosure is considered a Level 3 valuation. See note 3.

There have been no transfers between these categories in the current year.

15. TRANSACTIONS WITH RELATED PARTIES

Statement of Total Comprehensive Income

Related Party	Transaction Description	Interest income 2020 £'000	Interest income 2019 £'000	Interest expense 2020 £'000	Interest expense 2019 £'000
Equitix ESI CHP (Sheffield) Limited	Interest Receivable	3,061	2,967	-	-
Equitix ESI CHP (Nottingham) Limited	Interest Receivable	3,040	2,974	-	-
Ignis Biomass Limited	Interest Receivable	757	692	-	-
Equitix ESI CHP (Wrexham) Limited	Interest Receivable	860	606	-	-
ESI Fino Limited	Interest Payable	-	-	(3,755)	(3,539)
EEEF Finco Limited	Interest Payable	-	-	(3,963)	(3,700)
		7,718	7,239	(7,718)	(7,239)

15. TRANSACTIONS WITH RELATED PARTIES (continued)

Statement of Financial Position

Related Party	Transaction Description	Amounts owed by related parties 2020 £'000	Amounts owed by related parties 2019 £'000	Amounts owed to related parties 2020 £'000	Amounts owed to related parties 2019 £'000
Equitix ESI CHP (Sheffield) Limited	Interest debtor	13,943	10,881	-	-
Equitix ESI CHP (Nottingham) Limited	Interest debtor	13,491	10,451	-	-
Ignis Biomass Limited	Interest debtor	3,212	2,455	-	-
Equitix ESI CHP (Wrexham) Limited	Interest debtor	1,772	912	-	-
Equitix ESI CHP (Sheffield) Limited	Loan note debtor	31,690	29,671	-	-
Equitix ESI CHP (Nottingham) Limited	Loan note debtor	31,513	29,738	-	-
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	-	-	(15,849)	(12,095)
EEEF Finco Limited	Interest creditor	-	-	(16,568)	(12,604)
ESI Finco Limited	Loan note creditor	-	-	(38,244)	(36,934)
EEEF Finco Limited	Loan note creditor	-	-	(40,434)	(38,601)
ESI Finco Limited	Intercompany creditor	-	-	(318)	-
EEEF Finco Limited	Intercompany creditor	-	-	(332)	-
Energy Saving Investments LP	Share capital	49	49	-	-
Equitix Energy Efficiency Fund Holdco Limited	Share capital	51	51	-	-
		111,845	100,332	(111,743)	(100,232)

15. TRANSACTIONS WITH RELATED PARTIES (continued)

Equitix Energy Efficient GP 1 Limited (on behalf of Energy Saving Investments LP) and Equitix Energy Efficiency Fund Holdco Limited are both related parties of Equitix ESI CHP Finance Limited as they have joint control over the Company.

Equitix ESI CHP (Sheffield) Limited, Equitix ESI CHP (Nottingham) Limited, Equitix ESI CHP (Wrexham) Limited and Ignis Biomass Limited are all subsidiaries of Equitix ESI CHP Finance Limited and therefore related parties of the Company.

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

None noted.