EQUITIX HOLDINGS LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013

Registered Number: 05972500

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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DIRECTORS AND ADVISORS

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G A Jackson
K J Maddin
N G B Parker

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DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The retained profit after tax for the year was £10,160,675 (2012 - £1,283,070).

The Directors do not recommend the payment of a dividend (2012 - £nil).

DIRECTORS

The Directors who served throughout the year up to the date of this report, are shown on page 1.

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms 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 he/she ought to have taken as a Director in order to make himself/herself 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

GOING CONCERN

The Group's financial position, cash flows, liquidity position and borrowing facilities together with the factors likely to affect its future performance are set out in the balance sheet, cash flow statement, notes 18 and 23 to the financial statements, the Directors' Report and the Strategic Report on pages 3 through 5.

The Directors consider that the Group has the appropriate support from CS Capital Partners III LP as sole subscriber to the Group's loan notes as disclosed in note 18, taking into account the Directors' assessment of their willingness to continue to provide such support including the waiver of covenant breaches of the Group's loan notes as necessary. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance and any current economic uncertainties, show that the Group should be able to operate within the level of this support and taking into consideration the size and terms of the revolving credit facility as discussed in note 18; the Directors believe that this facility provides the Group with the ability to capitalise on opportunities as they become available, and that the Group has sufficient surplus cash flow to service this facility; therefore the financial statements have been prepared on the going concern basis.

POST BALANCE SHEET EVENTS

All post balance sheet events have been disclosed in note 26.

ACCOUNTING POLICIES

All accounting policies adopted in the current and prior year have been applied consistently throughout.

On behalf of the Board
Geoffrey Jackson
31st March 2014

STRATEGIC REPORT

THE BUSINESS MODEL

The principal activities of the Group are to bid and develop primary market long-term infrastructure projects similar to PFI/PPP style concessions in the UK and other geographic territories that have similar procurement frameworks. Historically the Group has predominantly bid for Private Finance Initiative ("PFI") style projects including, but not limited to education, healthcare and government accommodation facilities; however the Group is also a leading developer of higher education student accommodation projects, social housing, highways refurbishment and offshore energy transmission.

The Group also manages the process of secondary market acquisitions and provides operational support to investments held by Equitix Fund I LP ("Fund I"), Equitix Fund II LP ("Fund II"), Equitix Fund III LP ("Fund III"), Energy Saving Investments LP ("ESI LP") and Equitix Energy Efficiency Fund LP ("EEEF LP"), via management services agreements.

Equitix GP 1 Limited, Equitix GP 2 Limited and Equitix GP 3 Limited are appointed as General Partners to Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP respectively. These group undertakings are liable in the first instance for all the debts of each respective Fund without limitations and bind each respective Fund in all aspects with their acts.

Equitix Energy Efficient GP 1 Limited and Equitix Energy Efficiency GP 1 Limited are wholly owned subsidiaries and are appointed as General Partners of the Energy Saving Investments LP and Equitix Energy Efficiency Fund LP, collectively (the "NDEE Funds") respectively. These group undertakings are liable in the first instance for all debts of respective Funds without limitation and bind Funds in all aspects with their acts.

Subsidiaries and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in these financial statements, and in the business review section.

The principal activity of the Company is to act as parent to the subsidiaries and joint ventures as listed in note 27 of these financial statements

CAPITAL STRUCTURE

Details of the issued share capital are shown in note 20. The Company has three classes of ordinary share, none of which carry any right to fixed income. Only "A" and "C" class shares carry voting rights at one vote per share at general meetings of the Company.

STRATEGY AND OBJECTIVES

A primary objective of the Group is to successfully develop primary infrastructure projects and minimise the number of bids that are lost to competition. This objective is quantified and measured by reference to the returns generated over the cost of all primary development.

The main strategy employed to achieve this objective is to select projects to pursue that best fit the skill set of the Group and its partners, and to form bidding consortia with reputable, successful partners that have a complementary skill set to the Group that best meets the objectives of the project being bid as set out by the procuring authority.

The Group generated development returns in excess of the development costs and managed to successfully develop the projects during the current year as listed below:

- Appointed preferred bidder for Gwynt Y Mor Transmission Operator Project;
- Appointed preferred bidder for North Tyne Extra Care Project;
- Appointed preferred bidder for Northern Scotland Hub Procurement Partnership.
- Appointed preferred bidder for Papworth Hospital Project; and
- Appointed preferred bidder for Port of Tyne Storage and Handling Project;
- Financial close reached for Brunswick Social Housing;
- Financial close reached for Greater Gabbard Offshore Transmission Operator Project;
- Financial close reached for Inverness FE College;
- Financial close reached for Leeds Social Housing PFI Project;
- Financial close reached for NHS Lanarkshire Hospital;
- Financial close reached for University of Salford Student Accommodation Project;
- Secondary acquisition of A30 Bypass and CNDR Highways Projects;
- Secondary acquisition of Ipswich Hospital;
- Secondary acquisition of Wigan Joint Services Centre;

A further primary objective of the Group is to manage and administer Fund I, Fund II, Fund III and the NDEE Funds; continue to identify, evaluate and assess investment opportunities and make recommendations for acquisition to these funds and optimise the existing portfolio.

STRATEGIC REPORT (CONTINUED)

BUSINESS OBJECTIVES AND KEY PERFORMANCE INDICATORS

The key elements to the Group key strategies are listed below:

- achievement of sustainable long-term investment growth for Equitix Fund III LP;
- maintain sustainable investment returns for Equitix Fund I LP and Equitix Fund II LP;
- achievement of sustainable long-term investment growth for ESI LP and EEEF LP;
- targeted investments in suitable secondary market acquisitions creating well balanced portfolio growth; and
- delivery of strict rate of return criteria.

Portfolio valuations for Equitix Fund I LP and Equitix Fund II LP show a well balanced, sustainable investment class all performing within budgeted expectations. Equitix Fund III LP has in excess of £500m available for investment as at the balance sheet date.

Portfolio valuations for ESI LP and EEEF LP are maintained by a dedicated team of investment and technical professionals, all assets are performing within budgeted expectations. ESI LP has approximately £45m of available investment capital as at the balance sheet date.

BUSINESS RISK AND UNCERTAINTY

There are a number of potential risks and uncertainties, which could result in a material impact on the Group's long-term performance and cause results to differ materially from expected and historical results.

The Group's risk management policies and procedures are discussed below:

Issue	**Risk**	**Mitigation**
Investment	*The Group may recommend either a* primary or a secondary market opportunity that does not perform to plan and does not produce the rate of return inherent in the acquisition price.	*The Group employs the use of external experts combined with internal* challenge, to perform rigorous due diligence checks on all opportunities before agreeing to recommend as investments.
Compliance	The Group may fail to meet obligations handed down by the Financial Conduct Authority (UK) and as a result lose its licence to operate as an investment manager.	The Directors are all regulated individuals and regularly update personal training plans to ensure awareness of all compliance requirements.
Financial	The Group may fall into financial and liquidity difficulty.	The Group deals with Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, ESI LP and EEEF LP only, the investors in which are all screened to ensure their credit worthiness and capacity for investment. The Group borrows from CS Capital Partners III LP and the Royal Bank of Scotland as disclosed in note 18.
Unsuccessful bidding	Expensive bid costs erode the profitability of the Group.	Partnering in the right consortia and maintaing an active role in dialogue with the procuring authority.
Lack of bidding pipeline	No visible pipeline of infrastructure projects in the current market means revenues will cease to be generated.	The Group has entered new markets including the higher education student accommodation, green energy, offshore energy transmission and social housing as well as diversifying into new geographic markets, increasing the size of the available development pipeline.
Failure of construction services	A portion of income for the Group is received upon the successful delivery of construction services, failure would result in an impairment to this income.	The Group only engages with reputable and deliverable construction partners and ensures that construction services provided by these partners have sufficient security within subcontracts to protect the value of investments.
Bidding cost overrun	Cost of developing primary projects increases, eroding margins.	The Group engages on a fixed fee basis with the majority of fees payable on a contingent basis to manage cost risk and incentivise all project stakeholders.

REVIEW OF THE YEAR

The Company was appointed preferred bidder on five projects and reached financial close for six more and all projects have performed within their budgeted costs. The Company has had no reason to impair income for construction investment services and expects to receive income in full when projects reach construction completion.

FUTURE OBJECTIVES

The Directors do not expect the current strategy and objectives of the Group to change materially in the future. The Group will work towards to financially closing the projects that it currently has at preferred bidder stage and plans to continue to bid in the current sectors that are already active markets for the Group as well as consider the expansion into further infrastructure markets and geographic territories.

STRATEGIC REPORT (CONTINUED)

FINANCIAL RISK AND BORROWINGS

The Group has historically utilised a deep discounted bond loan note deed with CS Capital Partners III LP ("CSCP III") to fund operations, development expenditure and general overheads; the Group has not drawn down further on this facility since 2011 and has funded operations using retained earnings.

During the year, the Group, via Equitix Limited, a group undertaking, raised a revolving credit facility with Royal Bank of Scotland for £5,000,000, the details of this facility are disclosed in note 18. This facility was put in place to facilitate future growth and smooth the cash operating cycle of the Group and as such is secured on contracted, but outstanding primary bidding cash income and future fund management revenues. This facility was raised on 30 May 2013 for an initial term of 24 months, an extension of 12 months can be granted by the Royal Bank of Scotland at the request of the Group.

The revolving credit facility has a fixed margin of 3.50% over LIBOR on all outstanding borrowings and a non-utilisation fee of 1.75% calculated on the undrawn facility commitment, both of which are serviced in arrears.

On behalf of the Board
G A Jackson
31st March 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgement and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Strategic Report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Chief Executive Officer	Chief Operations Officer
Geoffrey Jackson	Nick Parker
31st March 2014	31st March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX HOLDINGS LIMITED

We have audited the financial statements of Equitix Holdings Limited for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, related notes 1 to 27 and Parent Company related notes 1 to 9. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit and the Company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Ross Howard (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
31st March 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Revenue	1, 4	28,865,892	13,284,501
Cost of sales		-	-
Gross profit		28,865,892	13,284,501
Administrative expenses		(13,957,496)	(10,606,040)
Operating profit	6	14,908,396	2,678,461
Investment revenue	10	18,711	14,535
Finance costs	11	(2,423,728)	(2,173,682)
Income from participating interests	1e, 13	642,169	749,462
Profit on ordinary activities before taxation		13,145,548	1,268,777
Tax on profit on ordinary activities	12	(3,066,186)	14,293
Profit for the year	21	10,079,362	1,283,070

All items in the consolidated income statement relate to continuing operations.

There are no items of comprehensive income in the current or prior year other than those shown above.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	£	£	£
Balance as at 1 January 2012	1,113	(2,144,919)	(2,143,807)
Profit for the year	-	1,283,070	1,283,070
Balance as at 31 December 2012 and 1 January 2013	1,113	(861,849)	(860,737)
Profit for the year	-	10,079,362	10,079,362
Balance as at 31 December 2013	1,113	9,217,513	9,218,625

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013	Represented 2012*
		£	£
Non-current assets			
Investments in joint ventures	13	116,500	116,500
Investments	13	5,082,140	3,889,904
Property, plant and equipment	14	169,999	114,917
Intangibles	15	5,263,125	5,393,971
Trade and other receivables	16	9,549,332	5,651,080
		20,181,096	15,166,372
Current assets			
Trade and other receivables	16	8,221,666	3,965,879
Cash and cash equivalents	16	6,014,867	2,322,810
		14,236,533	6,288,689
Total assets		34,417,628	21,455,062
Current liabilities			
Trade and other payables	17	(4,465,442)	(2,818,714)
Deferred income	17	(114,353)	(46,845)
Current tax	17	(3,077,535)	(11,349)
		(7,657,330)	(2,876,908)
Net current assets		6,579,202	4,595,157
Total assets less current liabilities		26,760,298	18,578,154
Non-current liabilities			
Trade and other payables	17	(1,609,060)	(651,281)
Borrowings	18	(15,932,612)	(18,787,609)
		(17,541,672)	(19,438,890)
Net assets / (liabilities)		9,218,626	(860,737)
Capital and reserves			
Called up share capital	20	1,113	1,113
Profit and loss account	21	9,217,513	(861,849)
Shareholders' funds / (deficit)		9,218,626	(860,737)

The financial statements were approved by the Board of Directors of the Group (registered number 05972500) and authorised for issue on 31st March 2014.
They were signed on its behalf by:

G A Jackson

*the Balance Sheet as as 31 December 2012 has been represented, the details of which are disclosed in note 13 and 16.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 £
Net cash generated in operating activities	22	**11,654,256**	**4,557,290**
Investing activities			
Interest received	10	**6,171**	**9,110**
Interest paid	11	**(61,284)**	**(178)**
Purchase of property, plant and equipment	14	**(118,519)**	**(41,118)**
Acquisition of intangibles	15	**(2,020,000)**	**(2,437,374)**
Acquisition of loans and receivables	13	**(668,567)**	**(1,111,751)**
Net cash used in investing activities		**(2,862,198)**	**(3,581,311)**
Financing activities			
Proceeds on issue of deep discounted loan notes	18	**-**	**-**
Redemption of deep discounted loan notes	18	**(5,000,000)**	**-**
Issue of ordinary share capital		**-**	**-**
Drawing of revolving credit facility		**1,400,000**	**-**
Repayment of revolving credit facility		**(1,400,000)**	**-**
Debt arrangement fees incurred on raising of revolving credit facility		**(100,000)**	**-**
Net cash used in financing activities		**(5,100,000)**	**-**
Net increase in cash and cash equivalents		**3,692,057**	**975,978**
Cash and cash equivalents at beginning of period		**2,322,810**	**1,346,832**
Cash and cash equivalents at end of period		**6,014,867**	**2,322,810**

Notes to the consolidated financial statements for the year ended 31 December 2013

1 ACCOUNTING POLICIES

a.) General information

Equitix Holdings Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Group's operations and its principal acitvities are set out in the Directors' report on page 2 inclusive of the business review on page 3.
These financial statements are presented in pounds sterling being the currency of the primary economic environment in which the Group operates.

b.) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group's financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, the principal accounting policies adopted are set out below.

The financial statements have been prepared on the going concern basis for the reasons set out in the Directors' Report.

c.) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.
All intra-group transactions, balances, income and expenses are eliminated on consolidation.

d.) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit and loss account as incurred.
The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *(2008) Business Combinations* are initially recognised at their fair value at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations,* which are recognised and measured at fair value less costs to sell.

e.) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related tax.
Revenue associated to the provision of services is accrued on a time basis over a period to which the delivery of the service is set. All revenue is derived entirely in the United Kingdom and is presented net of VAT.
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.

Income from participating interests is recognised when the shareholders' rights to receive payment have been established.
Income from Enhanced Profit Share in relation to Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP is recognised when the EPS Partner establishes a right to receive payment as explained in note 2.
Revenue recognised in the current year as shown in note 4 represents income derived from the Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP general partners' shares, which is recognised on a time value basis, net of all discounts, and income derived from recharges of Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP costs which is recognised when the Group achieves the right to recharge these costs to the Funds.
Costs associated with rebates deducted from general partners' shares have been presented in admininstrative expenses.
Income for construction management services of primary PFI assets in Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP is accrued over the construction period of each project; this income is received when construction is completed. Failure to provide a complete construction management services can result in this income being penalised; no such impairment has been recorded.
Income arising on successfully achieving financial close on primary projects is recognised in full when the Group becomes entitled to recover income; this income is presented net of discounts, VAT and other sales taxes.

f.) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets, which are the assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.
Interest on the senior revolving credit facility is calculated by reference to the outstanding loan amount at the prevailing interest rate for the period over which the loan is held. Debt arrangement fees associated with the facility are amortised over the initial loan term, being 24 months from the date the loan originated.

Notes to the consolidated financial statements for the year ended 31 December 2013

1. **ACCOUNTING POLICIES (continued)**

g.) **Operating profit**

Operating profit is stated after the share of results of participating interests but before investment income and finance costs.

h.) **Retirement benefit costs**

Staff employed by the Group who are entitled to retirement benefits, can choose to be members of a defined contribution stakeholder scheme sponsored by Equitix Limited in conjunction with recognised pension administrators.

Retirement benefit costs are recognised as incurred.

i.) **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

j.) **Property, plant and equipment**

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives using the straight-line method, on the following bases:

Fixtures and fittings	5 years
Computer and telecommunications equipment	3 years
Other office equipment	3 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

k.) **PFI bid costs**

PFI bid costs are charged to the profit and loss account until such time as the Company is virtually certain that it will enter into contracts for the relevant PFI project.

Virtual certainty is generally achieved at the time the Company is selected as preferred bidder. From the point of virtual certainty, bid costs are capitalised and held in the balance sheet as a debtor prior to achieving financial close. On financial close of PFI projects and financing agreements, the Company recovers capitalised bid costs from the relevant project company. The recovery of bid costs from project companies is recognised in the period of financial close.

Notes to the consolidated financial statements for the year ended 31 December 2013

1 ACCOUNTING POLICIES (continued)

l.) Investments

Investments shown on the balance sheet represent long-term loans to Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, Energy Saving Investments LP and Equitix Energy Efficiency Fund LP as disclosed in note 13. Investments in these Funds are presented at fair value, representing the aggregate of amortised loans in each Fund plus the Group's share of participating interest in each Fund.

m.) Intangible assets

Intangible assets recognised represent the right to future income from Equitix Fund II LP and Equitix Fund III LP secured through the management service agreement held by Equitix Investment Management Limited as a consequence of expenditure on placement fees. The assets associated to Equitix Fund II LP are being amortised on a straight line basis over the investment period of Fund II being five years to November 2015. The assets associated to Equitix Fund III LP are being amortised over the investment period of Fund III being five years to June 2018. Similar assets, shown in the prior year, relating to Equitix Fund I LP have been fully amortised as at the balance sheet date.

Further intangible assets recognised represent the right to future income from Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP derived from the development and transfer of primary PFI and PPP projects. These assets are being amortised over each respective project construction period on a straight line basis.

n.) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

o.) Impairment of financial assets

For trade receivables, assets are not impaired individually and are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 150 days, as well as observable changes in national or local economic conditions that correlate with default of receivables.

When a trade receivable is considered uncollectable, it is written off through the income statement.

p.) Cash and cash equivalents

Cash and cash equivalents comprise on hand and demand deposits and other highly liquid investments with an original maturity period of no more than three months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

q.) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either fair value through profit and loss ("FVTPL") or as other financial liabilities, which are recognised at fair value and thereafter held at amortised cost. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

r.) Financial risk management

The Group has a loan with CS Capital Partners III LP, the Group's immediate parent, with a fixed interest rate of 12%. This loan, including accrued interest, is repayable when the Group has sufficient surplus cash and falls ultimately due in December 2016 as a result of an extension in the loan terms during the year, as explained in note 18.

Details of the Group's financial risk management are contained in note 23.

The Group has a revolving credit facility loan with the Royal Bank of Scotland, currently the Group has no outstanding drawings on this facility. The facility carries a fixed margin interest rate over LIBOR and is secured on the value of outstanding primary bidding cash flows and fund management fees of the Group. Full details of the facility are disclosed in note 23.

s.) Assessable risks

Credit risk

The Group is not exposed to significant credit risk as the Group derives revenue from PFI concessions with government departments, local authorities and other public sector clients, and from Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP unregulated collective investment schemes managed by Equitix Investment Management Limited, a group undertaking. Details of the Group's recognition policy regarding these revenues is contained in note 1e.

Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP do not represent a significant credit risk to the Group as partners in the Fund are bound to a certain level of commitment under the terms of a Limited Partnership Agreement. Rigorous checks are made prior to the acceptance of new Fund investors to verify financial resources and origins of investment capital.

The NDEE Funds do not represent a significant credit risk to the Group as the sole partner in ESI LP is UK Green Investment Bank and is bound to a commitment to invest under the terms of a Limited Partnership Agreement; investors in EEEF LP are pension funds and are bound to a commitment to invest under the terms of a Limited Partnership Agreement.

Liquidity risk

The Group adopts a prudent approach to liquidity management and maintains sufficient cash reserves to meet its obligations. The very nature of the Group's activities mean that all counterparties are selected depending upon financial and resource capacity criteria; and that all revenue is derived from investments managed by the Group is sustainable, with all material risk managed and mitigated.

Foreign exchange risk

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

Interest rate risk

The Group has a revolving credit facility, the details of which are disclosed in note 18; this loan carries accrues interest on a floating rate, thus exposing the Group to interest rate risk. The Group does not anticipate any drawings on this facility for the foreseeable future; therefore the Directors believe the Group is not significantly exposed to interest rate risk.

Notes to the consolidated financial statements for the year ended 31 December 2013

1 ACCOUNTING POLICIES (continued)

t.) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

u.) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, 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.

The following are the critical judgements, apart from those involving estimations (which are dealt with seperately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Deep Discounted Bonds - Interest Rate

As disclosed in note 23 the Group has an agreement with its immediate parent CS Capital Partners III LP to issue deep discounted loan notes until the redemption date as disclosed in note 18; the Directors believe that the interest rate attached to the deep discounted loan notes reflects the market rate attributable to similar instruments based on a similar business model as the Group, therefore the Directors believe that the deep discounted loan note value in note 23 reflects fair value at the balance sheet date.

Capitalised bidding costs

As disclosed in note 16, the Group capitalises bid costs incurred on primary projects after the Group has been appointed the "preferred bidder" for the project. This assumption is based on the understanding that the project will reach financial close, whereupon the Group will expense capitalised costs through the income statement. The Directors believe that all project currently at preferred bidder status will achieve financial close in a timely manner.

v.) Investment in joint ventures are accounted for under the equity method in line with IFRS11. Investments of this nature are initially recorded at cost and are subsequently adjusted to reflect the Group's share of the net profit or loss of the joint venture.

2 SIGNIFICANT AGREEMENTS

General Partner Share - Equitix Fund I LP

As the general partner of Fund I, Equitix GP 1 Limited is entitled to receive the General Partner Share, calculated at 0.3% percent per annum of the limited partners' commitments to the Fund, plus 0.95% percent of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down), during the investment period.

After the investment period, the General Partner Share shall be 1.25% of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down) of Fund I.

The General Partner Share is calculated on a daily basis and is receivable from Fund I half-yearly, during the waterfall payment period. The General Partner Share is shown as gross revenue, however it is subject to subsequent charges as per side letter agreements with Fund I investors.

As EPS Partner to Fund I, if Fund I maintains a return above the hurdle rate throughout the Measurement Period defined in the Limited Partnership Agreement, Equitix GP 1 Limited will be entitled to a 20% share of returns exceeding the hurdle rate for the period in question, but limited to an overall return of 20% by the Limited Partnership; the Group accounts for EPS income only once it is entitled to receive such payments from the realised gains of Fund portfolios with no risk of clawback.

Management Services Agreement - Equitix Fund I LP

Equitix GP 1 Limited has entered into an agreement with Equitix Investment Management Limited ("the Partnership Manager") for management and administration services. Charges are determined by the level, quality and quantity of services provided and are accounted for on an accruals basis.

Notes to the consolidated financial statements for the year ended 31 December 2013

2 SIGNIFICANT AGREEMENTS (continued)

Waterfall distribution rights - Equitix Fund I LP

The waterfall distributions of the Partners are as follows:

- first, the General Partner in payment of the General Partner's Share. The General Partner Share is an amount the General Partner shall be entitled to receive in respect of each waterfall period as a first charge on Net Income and Capital Gains;
- second, the Investors pro rata to the amount of their respective committments until they achieve a fund return of 7.5% hurdle rate;
- third, the Investors to repay their loans, which shall be recallable;
- fourth, the Investors, 80% of the returns to the extent that the measurement of the period return exceeds 7.5% but is less than or equal to 20% over the measurement period ending on the relevant waterfall date;
- fifth, to the EPS Partner, 20% of the returns to the extent that the measurement period return exceeds 7.5% but is less than or equal to 20% over the measurement period ending on the relevant waterfall date;
- sixth, the Investors until their measurement period return exceeds 20% over the measurement period ending on the relevant waterfall date; and
- lastly, the Investors' capital contributions, to be repaid with any balances left at the end of the partnership after the payment of all the above distributions.

General Partner Share - Equitix Fund II LP

As the general partner of Fund II, Equitix GP 2 Limited is entitled to receive the General Partner Share, calculated at 0.3% percent per annum of the limited partners' commitments to Fund II (capped to a limit of £150m), plus 0.95% percent of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down), during the investment period.

After the investment period, the General Partner Share shall be 1.25% of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down) of Fund II.

The General Partner Share is calculated on a daily basis and is receivable from Fund II half-yearly, during the waterfall payment period. The General Partner Share is shown as gross revenue, however it is subject to subsequent charges as per side letter agreements with Fund II investors.

As EPS Partner to Fund II, if Fund II maintains a return above the hurdle rate throughout the Measurement Period defined in the Limited Partnership Agreement, Equitix EPS LP will be entitled to a 20% share of returns exceeding the hurdle rate for the period in question, but limited to an overall return of 20% by the Limited Partnership; the Group accounts for EPS income only once it is entitled to receive such payments from the realised gains of Fund portfolios with no risk of clawback.

Management Services Agreement - Equitix Fund II LP

Equitix GP 2 Limited has entered into an agreement with Equitix Investment Management Limited ("the Partnership Manager") for management and administration services. Charges are determined by the level, quality and quantity of services provided and are accounted for on an accruals basis.

Waterfall distribution rights - Equitix Fund II LP

The waterfall distributions of the Partners are as follows:

- first, the General Partner in payment of the General Partner's Share. The General Partner Share is an amount the General Partner shall be entitled to receive in respect of each waterfall period as a first charge on Net Income and Capital Gains;
- second, the Investors pro-rata to the amount of their respective committments until they achieve a fund return of 7.5% hurdle rate;
- third, the Investors to repay their loans, which shall be recallable;
- fourth, the Investors, 80% of the returns to the extent that the measurement of the period return exceeds 7.5% but is less than or equal to 20% over the measurement period ending on the relevant waterfall date;
- fifth, to the EPS Partner, 20% of the returns to the extent that the measurement period return exceeds 7.5% but is less than or equal to 20% over the measurement period ending on the relevant waterfall date;
- sixth, the Investors until their measurement period return exceeds 20% over the measurement period ending on the relevant waterfall date; and
- lastly, the Investors' capital contributions, to be repaid with any balances left at the end of the partnership after the payment of all the above distributions.

Notes to the consolidated financial statements for the year ended 31 December 2013

2 SIGNIFICANT AGREEMENTS (continued)

General Partner Share - Equitix Fund III LP

As the general partner of Fund III, Equitix GP 3 Limited is entitled to receive the General Partner Share, calculated at 0.3% percent per annum of the limited partners' commitments to Fund III (capped to a limit of £350m), plus 1.25% percent of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down), during the investment period.

After the investment period, the General Partner Share shall be 1.25% of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down) of Fund III.

The General Partner Share is calculated on a daily basis and is receivable from Fund III half-yearly, during the waterfall payment period. The General Partner Share is shown as gross revenue, however it is subject to subsequent charges as per side letter agreements with Fund III investors.

As EPS Partner to Fund III, if Fund III maintains a return above the hurdle rate throughout the Measurement Period defined in the Limited Partnership Agreement, Equitix EPS 3 LP will be entitled to a 20% share of returns exceeding the hurdle rate for the period in question, but limited to an overall return of 20% by the Limited Partnership; the Group accounts for EPS income only once it is entitled to receive such payments from the realised gains of Fund portfolios with no risk of clawback.

Management Services Agreement - Equitix Fund III LP

Equitix GP 3 Limited has entered into an agreement with Equitix Investment Management Limited ("the Partnership Manager") for management and administration services. Charges are determined by the level, quality and quantity of services provided and are accounted for on an accruals basis.

Waterfall distribution rights - Equitix Fund III LP

The waterfall distributions of the Partners are as follows:

- first, the General Partner in payment of the General Partner's Share. The General Partner Share is an amount the General Partner shall be entitled to receive in respect of each waterfall period as a first charge on Net Income and Capital Gains;
- second, the Investors pro-rata to the amount of their respective committments until they achieve a fund return of 7.5% hurdle rate;
- third, the Investors to repay their loans, which shall be recallable;
- fourth, the Investors, 80% of the returns to the extent that the measurement of the period return exceeds 7.5% but is less than or equal to 20% over the measurement period ending on the relevant waterfall date;
- fifth, to the EPS Partner, 20% of the returns to the extent that the measurement period return exceeds 7.5% but is less than or equal to 20% over the measurement period ending on the relevant waterfall date;
- sixth, the Investors until their measurement period return exceeds 20% over the measurement period ending on the relevant waterfall date; and
- lastly, the Investors' capital contributions, to be repaid with any balances left at the end of the partnership after the payment of all the above distributions.

General Partner Share - Energy Saving Investments LP

As the General Partner of the Fund, the Company is entitled to receive the General Partner Share, calculated at 2% percent of total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down), during the investment period.

After the investment period, the General Partner Share shall be 1.65% of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down).

The General Partner Share is shown as gross revenue, however it is subject to subsequent charges as per side letter agreements with three fund investors. The side letter charges are shown in cost of sales in the profit and loss account.

The enhanced profit share ("EPS") is an entitlement to Equitix Energy Efficient EPS LP ("the Partnership") as the EPS partner to share in the profits and assets of Energy Saving Investments LP as provided in the relevant Limited Partnership Agreement. As EPS Partner to Energy Saving Investments LP, if the Fund exceeds the Preferred Return of 7.5%, the Partnership will be entitled to a share of returns exceeding the Preferred Return for the period in question. Equitix Energy Efficient EPS GP 1 Limited as General Partner to Equitix Energy Efficient EPS LP is entitled to a share of these returns.

Notes to the consolidated financial statements for the year ended 31 December 2013

2 SIGNIFICANT AGREEMENTS (continued)

Waterfall distribution rights - Energy Saving Investments LP

The waterfall distribution rights of the Partners of Energy Saving Investments LP are as follows:

- first, the General Partner in payment of the General Partner's Share (less any amounts already drawn in respect of the General Partner's Share in the relevant annual waterfall period);
- second, the Investors pro rata to the amount of their respective commitments or towards repayment of their respective outstanding loans;
- third, the Investors pro rata to the amount of their respective commitments until they have each received their preferred return;
- fourth, the Investors, 80% of the returns in generated in excess of the preceding three steps, and to the Carried Interest partner, 20% of the returns in generated in excess of the preceding three steps; and
- finally, at the end of the Partnership, any balances remaining after the payments referred to above, in repayment of Capital Commitments.

Capital Commitments - Energy Saving Investments LP

As per clause 4.1 of the Limited Partnership Agreement, Equitix Energy Efficient GP 1 Limited being a Limited Partner of Energy Saving Investments LP shall contribute 1% of the Cornerstone Investor's (UK Green Investment Bank) Commitment.

Management Services Agreement - Energy Saving Investments LP

The Company has entered into an agreement with Equitix Investment Management Limited (the "Investment Manager" or the "Partnership Manager") for management and administration services. Charges are determined by the level, quality and quantity of services provided and are accounted for on an accruals basis.

General Partner Share - Equitix Energy Efficiency Fund LP

As the General Partner of the Fund, the Company is entitled to receive the General Partner Share, calculated at 2% percent per annum of the limited partners' Invested Capital which is the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down), during the investment period.

After the investment period, the General Partner Share shall be 1.65% of the total amount of invested commitments (including the total amount the partnership has legally committed to invest but not invested or drawn down).

The General Partner Share is calculated on a daily basis and is receivable from the Fund half-yearly, during the waterfall payment period. The General Partner Share is shown as gross revenue, however it is subject to subsequent charges as per side letter agreements with three fund investors.

The enhanced profit share ("EPS") is an entitlement to Equitix Energy Efficiency EPS LP ("the Partnership") as the EPS partner to share in the profits and assets of Energy Saving Investments LP as provided in the relevant Limited Partnership Agreement. As EPS Partner to Equitix Energy Efficiency Fund LP, if the Fund exceeds the Preferred Return of 7.5%, the Partnership will be entitled to a share of returns exceeding the Preferred Return for the period in question. Equitix Energy Efficiency EPS GP 1 Limited as General Partner to Equitix Energy Efficiency EPS LP is entitled to a share of these returns.

Waterfall distribution rights - Equitix Energy Efficiency Fund LP

The waterfall distribution rights of the Partners of Equitix Energy Efficiency Fund LP are as follows:

- first, the General Partner in payment of the General Partner's Share (less any amounts already drawn in respect of the General Partner's Share in the relevant annual waterfall period);
- second, the Investors pro rata to the amount of their respective commitments or towards repayment of their respective outstanding loans;
- third, the Investors pro rata to the amount of their respective commitments until they have each received their preferred return;
- fourth, the Investors, 80% of the returns in generated in excess of the preceding three steps, and to the Carried Interest partner, 20% of the returns in generated in excess of the preceding three steps; and
- finally, at the end of the Partnership, any balances remaining after the payments referred to above, in repayment of Capital Commitments.

Management Services Agreement - Equitix Energy Efficiency Fund LP

The Company has entered into an agreement with Equitix Investment Management Limited (the "Investment Manager" or the "Partnership Manager") for management and administration services. Charges are determined by the level, quality and quantity of services provided and are accounted for on an accruals basis.

Notes to the consolidated financial statements for the year ended 31 December 2013

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

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

- Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets;
- Amendments to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities;
- Amendments to IFRS 1 - Government Loans;
- IFRS 13 Fair Value Measurements;
- IAS 19 Employee Benefits; and
- Annual Improvements 2009-2011 Cycle.

The following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 10 - Consolidated Financial Statements;
- IFRS 11 - Joint Arrangements;
- IFRS 12 - Disclosure of Interests in Other Entities;
- IAS 27 - Separate Financial Statements;
- IAS 28 - Investments in Associates and Joint Ventures;
- IFRS 9 - Financial Instruments;
- IFRS 14 - Regulatory Deferral Accounts;
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities;
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities;
- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets; and
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting.

4 REVENUE

An analysis of the Group's revenue is as follows:	2013	2012
Continuing operations	£	£
Recharge of primary bidding costs to consortium partners	-	359,393
Recharge of Equitix Fund I LP costs	173,388	281,414
Recharge of Equitix Fund II LP costs	-	371,754
Recharge of Energy Saving Investments LP costs	80,291	-
Income derived from Equitix Fund I LP general partner's share	1,294,737	1,298,446
Income derived from Equitix Fund II LP general partner's share	3,105,508	1,816,159
Income derived from Equitix Fund III LP general partner's share	586,849	-
Income derived from Energy Saving Investments LP general partner's share	76,474	-
Income derived from Equitix Energy Efficiency LP general partner's share	71,772	-
Income derived from Equitix Fund II LP companies for success fees	7,595,230	2,385,977
Income derived from Equitix Fund III LP companies for construction management fees	557,357	-
Income derived from management services	651,066	585,635
Income derived from Equitix Fund I LP for construction management of primary projects	275,741	989,766
Income derived from Equitix Fund II LP for construction management of primary projects	14,397,478	5,195,957
	28,865,892	13,284,501
Investment revenue	18,711	14,535
	28,884,603	13,299,036

Investment revenue is explained fully in note 10.

Notes to the consolidated financial statements for the year ended 31 December 2013

5 BUSINESS AND GEOGRAPHICAL ANALYSIS

The Group is not required to apply IFRS8 and present segmental data, however the Directors believe that this data serves to enhance the information presented in these financial statements.

Geographical analysis
The Group trades solely within the United Kingdom.

Business analysis
The Group trades in both the primary market and secondary market of the PFI industry as well as administrating private investment funds, thus activity is presented under these three headings as below;

	Primary market 2013	Secondary market 2013	Private investment funds 2013	Total 2013
Income statement	**£**	**£**	**£**	**£**
Operating profit	12,614,311	(274,233)	2,568,319	14,908,396
Revenues	22,825,806	-	6,040,086	28,865,892
Administration expense	(10,211,496)	(274,233)	(3,471,767)	(13,957,496)
Investment income	-	-	-	18,711
Finance costs	-	-	-	(2,423,728)
Income from participating interests	-	-	-	642,169
Profit before taxation	-	-	-	13,145,548
Taxation	-	-	-	(3,066,186)
Profit after taxation	-	-	-	10,079,362
Balance sheet				
Assets				
Investments	-	-	5,198,640	5,198,640
Property, plant and equipment	169,999	-	-	169,999
Intangible assets	2,213,487	-	3,049,639	5,263,125
Trade and other receivables	6,681,014	-	11,089,984	17,770,998
Cash and cash equivalents	6,014,867	-	-	6,014,867
Liabilities				
Trade and other payables	(4,001,070)	-	(2,073,432)	(6,074,502)
Deferred revenue	-	-	(114,353)	(114,353)
Corporation tax creditor	-	-	-	(3,077,535)
Loans from related parties	(15,932,612)	-	-	(15,932,612)
Net (liabilities) / assets	(4,854,316)	-	17,150,477	9,218,626

Notes to the consolidated financial statements for the year ended 31 December 2013

5 BUSINESS AND GEOGRAPHICAL ANALYSIS CONTINUED

The Group is not required to apply IFRS8 and present segmental data, however the Directors believe that this data serves to enhance the data presented in these financial statements.

Geographical analysis
The Group trades solely within the United Kingdom.

Business analysis
The Group trades in both the primary market and secondary market of the PFI industry as well as administrating private investment funds, thus activity is presented under these three headings as below;

	Primary market 2012	Secondary market 2012	Private investment funds 2012	Total 2012
Income statement	£	£	£	£
Operating profit	1,870,170	(58,059)	866,350	2,678,461
Revenues	8,930,578	-	4,353,923	13,284,501
Administration expense	(7,060,408)	(58,059)	(3,487,573)	(10,606,040)
Investment income	-	-	-	14,535
Finance costs	-	-	-	(2,173,682)
Income from participating interests	-	-	-	749,462
Profit before taxation	-	-	-	1,268,777
Taxation	-	-	-	14,293
Profit after taxation	-	-	-	1,283,070
Balance sheet				
Assets				
Investments	-	-	4,006,404	4,006,404
Property, plant and equipment	114,917	-	-	114,917
Intangible assets	2,142,691	-	3,251,281	5,393,971
Trade and other receivables	881,177	-	8,735,783	9,616,959
Cash and cash equivalents	2,322,810	-	-	2,322,810
Liabilities				
Trade and other payables	(1,096,955)	-	(2,373,038)	(3,469,994)
Deferred revenue	-	-	(46,845)	(46,845)
Corporation tax creditor	(11,349)	-	-	(11,349)
Loans from related parties	(18,787,609)	-	-	(18,787,609)
Net (liabilities) / assets	(14,434,320)	-	13,573,584	(860,736)

Notes to the consolidated financial statements for the year ended 31 December 2013

6 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:	2013 £	2012 £
Depreciation of property, plant and equipment (see note 14)	63,437	60,678
Amortisation of intangible assets	2,150,846	2,843,435
Bidding costs	5,188,641	4,292,162
Staff costs (see note 8)	4,158,510	3,409,765

7 AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:-	2013 £	2012 £
• Fees payable to the Company's auditor for the audit of the Company's accounts	13,792	13,000
• The audit of other group companies pursuant to legislation	65,214	26,162
• Other audit services pursuant to legislation	20,051	14,700
• Tax services	36,650	104,880
• Financial advisory services	148,293	40,000
	284,000	198,742

Tax services shown in the table above relate to the provision of statutory tax compliance services for the year. Financial advisory services shown in the table above relate to the cost of financial advice sought on individual primary PFI projects the Group is currently bidding for. Fees payable to the Company's auditor for other services pursuant to legislation represent amounts charged for the required statutory reporting to regulators.

8 STAFF COSTS

The average number of persons employed by the Company during the period, including the Directors were as follows:

	2013 No.	2012 No.
	39	35

The aggregate payroll costs of these persons were as follows:	2013 £	2012 £
Salaries	3,611,295	2,919,631
Social security costs	425,638	371,322
Other pension costs (see below)	121,578	118,811
	4,158,511	3,409,764

Staff employed by the Company who are entitled to retirement benefits, can choose to be members of a defined contribution stakeholder scheme sponsored by Equitix Limited in conjunction with Legal and General Assurance Society Limited.
All staff costs shown are for continuing operations.

9 DIRECTORS' REMUNERATION

The Directors of the Company are remunerated for their services to the Group as a whole. One of the Directors, K J Maddin, is not compensated for his services to the Group.

The remuneration of the Company Directors was as follows:

	2013 £	2012 £
<u>All Directors</u>		
Directors' emoluments	685,795	663,172
Directors' pension contribution	47,793	35,592
	733,588	698,764
<u>Highest Paid Director</u>		
Director's emoluments	212,988	220,012
Director's pension contribution	33,447	14,346
	246,436	234,358

The highest paid Director is a member of a defined contribution pension scheme.

Two (2012: two) Directors are members of a non-cooperated defined contribution scheme contributed to by the company.

Notes to the consolidated financial statements for the year ended 31 December 2013

10 INVESTMENT REVENUE

Investment revenue earned on financial assets analysed by category of asset, is as follows:	2013 £	2012 £
Interest from related parties	12,540	5,643
Interest on bank deposits	6,171	8,892
	18,711	14,535

Included within interest from related parties is interest income earned on loans with Derbyshire Learning and Community Partnerships Limited and Cambridgeshire Learning and Community Partnerships Limited as disclosed in note 16.

11 FINANCE COSTS

	2013 £	2012 £
Bank interest payable	992	178
Interest charges on outstanding trade creditor balances	105,147	154,786
Interest on deep discounted loan notes as explained in note 18	2,215,551	2,018,717
Interest and non-utilisation fees on senior loans as explained in note 18	72,586	-
Amortisation of senior debt arrangement fees	29,452	-
	2,423,728	2,173,681

At each close of Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP, Equitix Investment Management Limited incured a placement fee liability as disclosed in note 17. Interest is charged on outstanding balances until the contractual settlement date at a fixed rate of 7%.

12 TAX

		2013 £	2012 £
Current tax:			
UK corporation tax	- current year	(3,077,535)	-
	- prior year	11,349	14,293
Deferred tax			
UK - current year		-	-
		(3,066,186)	14,293

The charge for the year can be reconciled to the profit in the income statement as follows:

	2013	2012
Profit before tax	13,145,548	1,268,777
Tax at the UK corporation tax rate of 23.25% (2012 - 24.5%).	(3,056,314)	(310,850)
Tax effect of non-taxable expenses and non-taxable income	(6,472)	102,760
Difference between depreciation and capital allowances	(14,749)	(9,331)
Adjustments relating to the previous year	11,349	14,293
Losses utilised	-	186,299
Losses not utilised	-	(336,333)
Timing difference regarding tax relief for interest	-	367,455
Tax expense for the year	(3,066,186)	14,293

On 1 April 2013, the rate of UK corporation tax was reduced from 24% to 23%, therefore all tax charges shown above have been calculated on a blended rate.

A deferred tax asset has not been recognised in respect of timing differences relating to carried forward losses and the difference between depreciation and capital allowances and DDB interest deductible in later periods as there is insufficient evidence that the asset will be recovered. The maximum potential value of this deferred tax asset is £320,000 (2012 - £327,802).

In the 2013 Budget (delivered on 20 March 2013), it was announced that the main rate of corporation tax for UK companies would reduce to 21% from 1 April 2014, and then reduce further to 20% from 1 April 2015. These future reductions in the main rate of corporation tax to 21% and then to 20% were substantively enacted for financial reporting purposes on 2 July 2013.

Notes to the consolidated financial statements for the year ended 31 December 2013

13 INVESTMENTS

	2013	2012
	£	£
Investments held at fair value through profit and loss		
Opening balance	3,889,904	2,046,561
Additions at cost	668,569	1,112,781
Fair value movements	642,169	749,462
Less: distributions received	(118,502)	(18,900)
Closing balance	5,082,140	3,889,904

	2013	2012
	£	£
Investments in joint ventures		
Opening balance	116,500	116,500
Additions at cost	-	-
Closing balance	116,500	116,500

Investments held at fair value, as disclosed above, represents the investment the Group holds in Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, Energy Saving Investments LP and Equitix Energy Efficiency Fund LP under the terms of separate Limited Partnership Agreements for each respective Fund. All Funds are unregulated collective investment schemes.
These investments are held at fair value, representing the aggregate of amortised additions at cost and the Group's share of results of each Fund.
Additions at cost comprise loans for Equitix Fund I LP of £nil (2012 - £174,943), Equitix Fund II LP of £344,116 (2012 - £937,838), Equitix Fund III LP of £277,357 (2012 - £nil), Energy Saving Investments LP of £22,700 (2012 - £nil) and Equitix Energy Efficiency Fund LP of £24,395 (2012 - £nil).
Fair value movements for the year, comprise the Group's share of results of Equitix Fund I LP £253,298 (2012 - £326,767), of Equitix Fund II LP £396,880 (2012 - £420,660), of Equitix Fund III LP £10,502 (2012 - £nil), of Energy Saving Investments LP £1,444 (2012 - £nil) and of Equitix Energy Efficiency Fund LP £1,050 (2012 - £nil).
The Group received distributions for the year from Equitix Fund I LP of £30,500 (2012 - £18,900) and Equitix Fund II LP of £88,002 (2012 - £nil).

The Group is obliged by the terms of the Limited Partnership Agreements to invest, as required, up to a total of £1,040,404 *(2012 - £1,040,404) with Equitix Fund I LP, £3,333,333 (2012 - £2,373,737) with Equitix Fund II LP and £5,050,505 (2012 - £nil)* with Equitix Fund III LP. The Group is obliged, by the terms of the Limited Partnership Agreement with Energy Saving Investments LP to invest, as required, up to a total of £500,000 (2012 - £nil). The Group is obliged to, by the terms of the Limited Partnership Agreement with Equitix Energy Efficiency Fund LP to invest, as required, up to a total of £101,010 (2012 - £nil).
Included in investments in joint ventures is 67,000 ordinary C shares in Bradford and Airedale (LIFT) Investment Limited and 49,500 ordinary C shares in Tees & Durham (LIFT) Investment Limited held at a historical cost of £67,000 (2012 - £67,000) and £49,500 (2012 - £49,500) respectively.
The carrying value of these joint ventures has not changed since the prior year because neither joint venture has recorded a profit or loss during the year.
Values presented above for investment at fair value through profit and loss has been restated to present these items at their fair value, previously investments were held at amortised cost. The Directors believe it is appropriate to hold these investments at fair value, as it represents more accurately the net present value of expected future cash flows from these investments.

14 PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment	Fixtures and fittings	Total
	£	£	£
At 1 January 2013	241,343	174,500	415,843
Additions	21,857	96,662	118,519
At 31 December 2013	263,200	271,161	534,361
Accumulated depreciation and impairment			
At 1 January 2013	177,966	122,960	300,926
Charge for the period	33,399	30,037	63,437
At 31 December 2013	211,365	152,998	364,363
Carrying amount			
At 31 December 2013	51,835	118,164	169,999
At 31 December 2012	63,377	51,539	114,917

15 INTANGIBLE ASSETS

	Primary projects	Placement fees	Total
Cost	£	£	£
At 1 January 2013	4,272,462	5,651,250	9,923,712
Additions	840,000	1,180,000	2,020,000
At 31 December 2013	5,112,462	6,831,250	11,943,712
Amortisation			
At 1 January 2013	2,129,771	2,399,970	4,529,741
Charge for the year	769,204	1,381,642	2,150,846
At 31 December 2013	2,898,975	3,781,612	6,680,587
Carrying amount			
At 31 December 2013	2,213,487	3,049,639	5,263,125
At 31 December 2012	2,142,691	3,251,280	5,393,971

Intangible assets represent the cost to the Group of entering into primary projects with partners at a preferred bidder position and fund placement fees incurred on the close of each fund with Evercore Partners Limited. These intangibles are amortised over the construction term of projects and the fund investment period respectively.

Notes to the consolidated financial statements for the year ended 31 December 2013

16 RECEIVABLES

Trade and other receivables	**2013** £	**2012** £
Due within one year:		
Other debtors	395,787	197,172
Deferred primary bid costs	268,244	305,995
Prepayments	106,803	61,414
Receivable indirect tax	-	137,789
Amounts due from related parties	7,450,831	3,263,510
	8,221,666	3,965,879
Due after one year:		
Amounts due from related parties	9,549,332	5,651,080
	9,549,332	5,651,080

Included within amounts receivable from related parties are amounts relating to a loan the Group has with Cambridgeshire Learning and Community Partnerships Limited to fund general working capital of £66,755 (2012 - £61,639); this loan has a fixed interest rate of 8% and is repayable when sufficient cash is available. The Directors consider this amount recoverable and therefore have not adjusted the value of this receivable.

Included in amounts receivable from related parties are amounts relating to a working capital loan the Group has with Alliance Community Partnerships Limited, in connection with the South West Scotland Territories Hub Partnership, to fund general overheads and working capital of £349,113 (2012 - £91,689); this loan has a fixed interest rate of 6% and is repayable when sufficient cash is available. The Directors consider this amount recoverable and therefore have not adjusted the value of this receivable.

included in amounts receivable from related parties are amounts relating to a working capital loan the Group has with Port of Tyne Storage and Handling Limited to fund general development fees and working capital of £101,000 (2012 - £nil); this loan does not accrue interest and is expected to be fully repaid when the Port of Tyne Storage and Handling Project reaches financial close. The Directors consider this development to be well progressed and financial close will be achieved within a reasonable timeframe, accordingly the value of this receivable has not been adjusted.

Included within amounts due from related parties are outstanding fees relating to the provision of construction management services, receivable at the successful completion of project construction programmes; these amounts are receivable from subsidiary undertakings of Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP as disclosed in note 25.

The Group enters into Memoranda of Understanding ("MoU") with consortium partners when bidding for projects under which all external bid costs incurred by each party are recharged at relative project stakes between all respective parties. There is an amount within other debtors for recharged consortium partner bid costs; the Group performs rigorous checks on all consortium partners before entering into an MoU with a consortium partner to ensure they have not only the capacity to deliver their bid solutions, but also that they have the financial resources available to meet all bid costs during the development phase.

Ageing of past due debtors but not impaired:	**2013** £	**2012** £
Less than 30 days	103,367	1,200
31 - 60 days	213,587	-
121 days +	78,834	195,972

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. No provision has been made for bad or doubtful debts.

Amounts owing from participating interests*

The Group has changed the basis of presentation for Amounts owed from participating interests to present this value in aggregate with Investments on the face of the balance sheet. If this presentational change had not been implemented, share of participating interests for each Fund would be for Equitix Fund I LP £992,019 (2012 - £699.221), Equitix Fund II LP £793,035 (2012 - £484,155), Equitix Fund III LP (£10,503) (2012 - £nil), Energy Saving Investments LP of £1,444 (2012 - £nil) and Equitix Energy Efficiency Fund LP of £1,050 (2012 - £nil).

Notes to the consolidated financial statements for the year ended 31 December 2013

16 RECEIVABLES CONTINUED

Cash and cash equivalents	**2013**	**2012**
	£	**£**
Cash and cash equivalents	6,014,867	2,322,810

Cash and cash equivalents comprise cash on hand and at bank held by the Group and short term bank deposits with an original maturity date of three months or less. The carrying amount of these assets approximates their fair value.

17 TRADE AND OTHER PAYABLES

	2012	**2012**
	£	**£**
Due within one year:		
Trade creditors and accruals	1,946,781	1,918,440
Accrued liabilities	1,376,318	900,273
Deferred income	114,353	46,845
Corporation tax	3,077,535	11,349
VAT creditor	1,142,342	-
	7,657,330	2,876,908
Due after one year:		
Trade creditors and accruals	1,609,057	651,281
	1,609,057	651,281

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average period taken for trade purchases is disclosed in the Strategic Report. The Group has financial risk management policies in place to ensure that all payables are satisfied within the relevant credit period.

Included within accrued liabilities is accrued but unpaid non-utilisation fees incurred on the revolving credit facility, the terms of which are disclosed in note 18 below.

Included within trade creditors and accruals above are amounts owing to Evercore Partners LLP relating to fees incurred for placement agency services; these fees are payable in instalments from the relative date that placement is executed with outstanding balances accruing interest at a pre-determined rate. Both outstanding placement fees and related accrued interest are included in these amounts above.

18 BORROWINGS

	2013	**2012**
Unsecured borrowing at amortised cost	**£**	**£**
Loans from related parties - deep discounted bond	16,003,160	18,787,609
Senior loans - outstanding facility balance	-	-
Senior loans - unamortised debt arrangement fee	(70,548)	-
Total borrowings	15,932,612	18,787,609
Amount due for settlement within 12 months	-	-
Amount due for settlement after 12 months	16,003,160	18,787,609

Deep Discount Bonds	**£**
Balance at 1 January 2013	18,787,609
Drawn down during the year	-
Repaid during the year	(5,000,000)
Accrued interest during the year	2,215,551
Balance at 31 December 2013	16,003,160

Equitix Finance Limited (a group undertaking) has a deep discounted loan note agreement with CS Capital Partners III LP, a related party, to draw capital as and when agreed between the parties up to a nominal value of £40 million. The drawing as at 31 December 2013 had a realisable value as shown above; if the drawings were held until ultimately payable in December 2016 the realisable value of these drawings would be £22,490,268 (2012 - £29,571,847), including accrued interest.

The key financial covenant on these loan notes is that no company within the Group should be in a net liability position during the year.

Equitix Finance Limited breached this covenant within the loan note agreement with CS Capital Partners III LP during the current and previous year. Cabot Square Capital LLP acting as manager of CS Capital Partners III LP have provided a waiver of their right to redeem any part of the outstanding loan which has been in continuous effect covering both the current and preceding financial years; accordingly the loan notes have been presented as due after one year.

Notes to the consolidated financial statements for the year ended 31 December 2013

18 BORROWINGS (CONTINUED)

	2013
Revolving Credit Facility	£
Balance at 1 January 2013	-
Drawn down during the year	1,400,000
Repaid during the year	(1,400,000)
Unpaid accrued interest at year end	12,294
Balance at 31 December 2013	12,294

The Group has a revolving credit facility, via Equitix Limited, a wholly owned subsidiary, with Royal Bank of Scotland for a total commitment of £5,000,000 raised on 30 May 2013 for an initial term of 24 months; the Group currently has no outstanding drawings on the facility at the balance sheet date. The loan accrues interest at a fixed margin of 3.50% over LIBOR which is serviced monthly in arrears; the loan includes non-utilisation fees calculated on the undrawn balance of the total facility commitment at 1.75% which is serviced quarterly in arrears.

A debt arrangement fee of £100,000 was incurred upon raising the revolving credit facility and is being amortised on a straight line basis over 24 months, representing the initial tenure of the facility. During the year, £29,452 of this arrangement fee was amortised with the unamortised balance of £70,548 presented against total borrowings on the face of the balance sheet.

The revolving credit facility is secured on contracted outstanding primary bidding income and construction services management income, receipt of these revenues is used to repay outstanding facility balances.

The Group is compliant with all covenants attached to the revolving credit facility including minimum interest cover and minimum earnings cover ratios.

19 SUBSIDIARIES

A list of the significant investments in subsidiaries, including the subsidiary name, country of incorporation, proportion of ownership interest is given in note 27.

20 SHARE CAPITAL

	2013	2012
	£	£
Issued and fully paid up:		
100,000 ordinary "A" class shares of £0.005 each	500	500
100,000 ordinary "B" class shares of £0.005 each	500	500
22,500 ordinary "C" class shares of £0.005 each	113	113
	1,113	1,113

The Company has three classes of ordinary shares as outlined above, neither of which carry any rights to fixed income.

The three classes of shares rank pari passu except for the following differences:

- only "A" and "C" shares carry the right to vote;
- except for winding up or realisation (defined as a sale or disposal of the majority of the assets of the Company) amounts distributed as income or capital are first paid to the "B" shareholders up to the amount on each "B" share, with the remainder paid to the "A" shareholders. "C" shareholders are not entitled to receive any distributions;
- upon winding up of the Company the "A" shareholders are paid with the "B" and "C" shareholders only entitled to the amount paid up on their shares; and
- upon a realisation the "A" shareholders are paid first up to the point all indebtedness is settled and the target return is made with the remaining surplus repaying the share capital contribution of the "C" class shareholder with the remaining surplus being paid to the "B" shareholders.

21 RETAINED EARNINGS

	2013
	£
Balance at 1 January 2013	(861,849)
Net profit for the year	10,079,362
Balance at 31 December 2013	9,217,513

22 NOTES TO THE CASH FLOW STATEMENT

	2013	2012
	£	£
Profit for the year	10,079,362	1,283,070
Adjustments for:		
Investment revenues	(18,711)	(14,535)
Finance costs	2,423,728	2,173,682
Depreciation of property, plant and equipment	63,437	60,678
Amortisation of intangibles	2,150,846	2,843,435
Tax expense	3,066,186	(14,293)
Operating cash flows before movements in working capital	17,764,848	6,332,037
Change in receivables	(8,665,168)	(1,254,000)
Change in payables	2,554,576	(520,747)
Net cash from operating activities	11,654,256	4,557,290

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Notes to the consolidated financial statements for the year ended 31 December 2013

23 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises borrowings as disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 20 and 21. The Group aims to deliver objectives by investing available cash and using financial leverage whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments.

Externally imposed capital requirements

Within the Group, Equitix Investment Management Limited is authorised and regulated by the Financial Conduct Authority (UK), Equitix GP 1 Limited, Equitix GP 2 Limited, Equitix GP 3 Limited and Equitix Energy Efficiency GP 1 Limited are authorised and regulated by the Guernsey Financial Services Commission, and as such has a requirement to maintain a certain level of capital adequacy. To ensure that this capital adequacy level is met, the matter is discussed and verified at each Group level board meeting as well as at all board meetings for each entity. The Financial Conduct Authority require quarterly reports from Equitix Investment Management Limited, one of which focuses upon capital adequacy, therefore this matter is given the proper amount of weighting in board discussions on a regular basis. The Guernsey Financial Services Commission review the capital of each of the companies its regulates when these companies submit their annual financial statements; however this matter is given the appropriate weighting in each board meeting to ensure minimum levels are satisfied.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments	**2013**	**2012**
Financial assets	**£**	**£**
Fair value through profit and loss		
Investments as disclosed in note 13	**5,082,140**	**3,889,904**
Loans and receivables		
Trade and other receivables	**17,770,998**	**9,616,959**
Cash and cash equivalents	**6,014,867**	**2,322,810**
Financial liabilities		
Trade and other payables	**(6,188,853)**	**(3,516,840)**
Senior external loans	**-**	**-**
Unamortised senior external loan arrangement fee	**70,548**	**-**
Loans from related parties	**(16,003,160)**	**(18,787,609)**

FINANCIAL RISK MANAGEMENT

Risk management objectives

The Directors provide advice to the Company and Group on all risks faced and manage the financial risks relating to the operations of the Group 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 Group seeks to minimise exposure to risk via the use of derivative financial instruments where possible. The use of derivative financial instruments is governed by the Group's policies which provide written principles on interest rate risk, credit risk and the use of financial derivatives and non-financial derivatives, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it partially to certain market risks including potential government public spending cuts that could lead to a reduction in the volume of suitable PFI primary projects coming to market for development. The Group mitigates this risk by seeking opportunities away from the open primary market by entering into projects that are already in a preferred bidder status where a current equity provider is not in a position to make its equity subscriptions. The Group has also widened its focus on primary projects to include emerging infrastructure markets such as energy solutions, student accommodation and waste; the directors feel that because the government has strict targets on these projects that this new market will present the Group with a sustainable pipeline for development.

Interest rate risk management

The Group's main source of funding comes via deep discounted bond notes as described and disclosed in note 18 which carry a fixed interest rate. The Group has access to £5,000,000 of revolving credit facility loans with Royal Bank of Scotland as disclosed in note 18 that carry a fixed margin of 3.50% applied to LIBOR for outstanding balances. This facility currently has no outstanding drawings.

The Group does not forecast any drawings to be made on either the revolving credit facility or deep discounted bond notes for the foreseeable future; therefore the Directors do not believe the Group is materially exposed to interest rate risk.

Interest rate sensitivity analysis

The Group has no current exposure to interest rate risk because it has a single loan with CS Capital Partners III LP which has a fixed interest rate of 12% and has no outstanding drawings on the revolving credit facility as at the balance sheet date and does not forecast any drawings on either of these facilities for the foreseeable future; therefore the Directors believe that the Group's exposure to interest rate risk is limited, as such no interest rate sensitivities have been disclosed.

Notes to the consolidated financial statements for the year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults.

The Group only transacts with creditworthy PFI / PPP (and PPP style) concession companies that have a cash flow derived from projects in agreement with government or semi-government authorities, and with unregulated collective investment schemes managed by the Group's subsidiary Equitix Investment Management Limited, authorised and regulated by the FCA (UK). Rigorous testing is performed on every new investor to the Fund to limit the risk of counter-party default in respect of investments that the Group offers to Fund II and Fund III. The Group also limits its receivables to these counterparties to mitigate the risk of counterparty default resulting in financial loss to the Group.

Investment management fees are charged semi-annually in advance based on the value of drawndown invested funds, this income is received within 10 business days of the Manager issuing a draw down notice to all fund partners.

The Group transacts with the NDEE Fund LP counter-party, the UK Green Investment Bank, which has been evaluated to ensure that the risk of counter-party default is minimised and managed. Investment management fees for the NDEE Fund are charged monthly in arrears based on the value of drawndown invested funds.

The Group transacts with the Equitix Energy Efficiency Fund LP, a collective investment scheme comprising various private investors, common to Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP, all of which have been evaluated to ensure that the risk of counter-party default is minimised and managed. Investment management fees for the Equitix Energy Efficiency Fund LP are charged monthly in arrears based on the value of drawn investment funds.

Where the Group forms a consortium with project stakeholders, rigorous checks are performed to ensure that all exposure to credit risk is mitigated, and that all project partners have the capacity and resources to afford the costs associated to the entire bid process and to meet their relative deliverables.

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 Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

As disclosed in note 18, the Group's long term borrowings are provided by CS Capital Partners III LP under a loan note agreement and is able to draw on this facility, when agreed between the two parties, up to a nominal value of £40 million.

As disclosed in note 18, the Group has a revolving credit facility with Royal Bank of Scotland allowing the Group to draw up to £5,000,000 of loan capital on one day's notice for a period of up to 24 months.

Fair value of financial instruments

The Group holds a number of financial instruments in the balance sheet at their fair value. The following hierarchy classifies each class of financial asset or liability depending upon the valuation methodology 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, this level is currently not applicable to the Group;

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, this level is currently not applicable to the Group; 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 inputs are unobservable, this is currently applicable as disclosed below.

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

Financial assets	**2013**	**2012**
	£	**£**
Fair value through profit and loss	**5,082,140**	**3,889,904**
Loans and receivables	**17,770,998**	**9,616,959**
Financial liabilities		
Loans from related parties	**16,003,160**	**18,787,609**

Loans and receivables above are presented at fair value and represent the net present value of all future associated cash flows attributed to trade and other receivables. The Directors believe these amounts to be recoverable in full and therefore present their fair value as the full outstanding balance due to their short term nature and the quality of receivable counter-party.

The Group currently has no outstanding revolving credit facility drawings and is amortising loan arrangement fees connected with the facility over a period of 24 months, comprising the facility's initial tenor; therefore senior borrowings have not been considered in this note, the details of the revolving credit facility are disclosed in note 18.

Notes to the consolidated financial statements for the year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (continued)

Financial assets as stated on the previous page are held at fair value and determined to be level 3 items. The fair value of these assets is determined through a discounted cash flow method with the result representing the net present value of all future associated cash flows. The discount rate used is equivalent to the interest attached to the loans and receivables relevant to each outstanding balance as disclosed in notes 16 and 17.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 on the degree to which fair value is observable as explained on the preceding page.

Financial liabilities presented on the previous page represent the current carrying value of deep discounted bonds with CS Capital Partners III LP as disclosed in note 18. The Directors believe that the current carrying value of these bonds represents the fair value because the quantum of bond notes and accompanying interest rate are typical of similar instruments currently being offered by third parties and the Directors believe that if these bond notes were refinanced with similar instruments that no adjustment for fair value would be required. Accordingly, financial liabilities have not been considered in the fair value tables below.

Assets

	Level 1	Level 2	Level 3	Total
2013	£	£	£	£
Investments at fair value through profit and loss	-	-	5,082,140	5,082,140
	-	-	5,082,140	5,082,140

	Level 1	Level 2	Level 3	Total
2012	£	£	£	£
Investments at fair value through profit and loss	-	-	3,889,904	3,889,904
	-	-	3,889,904	3,889,904

There were no transfers between levels 1 and 2 during the current or prior years.

Reconciliation of level 3 fair value measurements of financial assets	Investments at FVTPL	Total
	£	£
Balance as at 1 January 2013	3,889,904	3,889,904
Total gains or losses:		
in profit or loss	642,169	642,169
through cash flow	(118,502)	(118,502)
Additions during the year	668,569	668,569
Balance as at 31 December 2013	5,082,140	5,082,140

The table above only includes financial assets held at level 3 fair value. There were no financial liabilities that have had fair value adjustments applied to their historic cost on a level 3 fair value measurement basis.

The investments at fair value through profit and loss, whose fair values include the use of Level 3 inputs, are valued by the Group taking its share of results for each of the Funds in which it has invested as discussed in note 13.

Notes to the consolidated financial statements for the year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (continued)

The following tables detail the Group'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 Group could be required to satisfy borrowing repayments. The table includes principal repayment and assumed interest cash flows:

Liabilities

	Less than 1 year	1-2 years	2-5 years	5+ years	Total
2013	£	£	£	£	£
Loans from related parties	-	-	22,490,268	-	22,490,268
	-	-	22,490,268	-	22,490,268
2012					
Loans from related parties	-	-	29,571,847	-	29,571,847
	-	-	29,571,847	-	29,571,847

Loans from related parties comprise a deep discounted loan note agreement entered into between Equitix Finance Limited, a group undertaking, and CS Capital Partners III LP, a related party at a fixed interest rate of 12%. The Group has determined that were a loan entered into by a group undertaking under similar conditions and circumstances that the loan principles would not materially deviate from current loan conditions; thus the carrying value of the loan notes represents the current fair value.

The following table details the Group's expected maturity for its non-derivative financial assets . The table below has been drawn based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Assets

	Less than 1 year	1-2 years	2-5 years	5+ years	Total
2013	£	£	£	£	£
Cash and cash equivalents	6,014,867	-	-	-	6,014,867
	6,014,867	-	-	-	6,014,867
2012					
Cash and cash equivalents	2,322,810	-	-	-	2,322,810
	2,322,810	-	-	-	2,322,810

24 OPERATING LEASE ARRANGEMENTS

The Group as a lessee

Land and buildings

	2013	2012
	£	£
Minimum lease payments under operating leases recognised as an expense during the period:	126,445	75,000

The Group owns outright all office equipment rather than leased. Previously leased equipment was returned to the lessor at the end its minimum term. The Group has signed up to a lease for its new office space in November 2013 and has terminated the previous lease on old office space in February 2014 with no remaining liability.

Notes to the consolidated financial statements for the year ended 31 December 2013

24 OPERATING LEASE ARRANGEMENTS (continued)

Land and buildings

	2013	2012
	£	£
Within one year	126,445	75,000
In the second to fifth years inclusive	126,445	75,000

The Group has no operating lease arrangements where the Group serves as the lessor.

25 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

The Group transacted with Equitix Fund I LP during the current year, which is a related party by virtue of a Limited Partnership Agreement between Equitix No 1 Limited and Equitix Fund I LP and Equitix EPS LP and that Equitix GP 1 Limited is the General Partner of the Fund.

The Group transacted with Equitix Fund II LP during the current year, which is a related party by virtue of a Limited Partnership Agreement between Equitix No 2 Limited and Equitix Fund II LP and Equitix EPS 2 LP and that Equitix GP 2 Limited is the General Partner of the Fund.

The Group transacted with Equitix Fund III LP during the current year, which is a related party by virtue of a Limited Partnership Agreement between Equitix No 3 Limited and Equitix Fund III LP and Equitix EPS 3 LP and that Equitix GP 3 Limited is the General Partner of the Fund.

The Group transacted with Energy Saving Investments LP and Equitix Energy Efficiency Fund LP, which are both related parties by virtue of Limited Partnership Agreements between Equitix Energy Efficient GP 1 Limited and Energy Saving Investments LP, and Equitix Energy Efficiency GP 1 Limited and Equitix Energy Efficiency Fund LP respectively.

Loans from related parties	2013	2012
	£	£
Loans from CS Capital Partners III LP	16,003,160	18,787,609

CS Capital Partners III LP is the immediate and ultimate parent of Equitix Holdings Limited; the loan from CS Capital Partners is part of a deep discounted loan note agreement between Equitix Finance Limited (a group undertaking and subsidiary of the Company) and CS Capital Partners III LP. The loan has a daily compounded interest coupon fixed at 12% per annum and is recorded at the outstanding value at the balance sheet date. The loan notes are ultimately due in December 2016 when the current balance would be worth £22,490,268 (2012 - £29,571,847), see note 18.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the highest paid director is provided in note 9.

	2013	2012
	£	£
Short-term employee benefits	673,019	663,172
Post employment benefits	46,720	35,592
	719,739	698,764

There are no other transactions with Directors or other members of key management personnel that meet the requirements of Schedule 6 of the Act and IAS 24.

The table of data below summarises aggregate investment revenue, share of participating interests and turnover by related party for the current financial year with comparable data for the preceding year; these values are then broken down into sub-categories further in this note.

For the year ending 31 December 2013	Investment revenue	Share of participating interests	Turnover	Total
Miller Equitix Inverness Limited	-	-	1,297,109	1,297,109
Sustainable Communities for Leeds Ltd	-	-	250,642	250,642
Salford Village Limited	-	-	624,337	624,337
Greater Gabbard OFTO plc	-	-	1,007,054	1,007,054
S4B Limited	-	-	4,416,088	4,416,088
Hub South West Scotland limited	7,424	-	777,984	785,408
Equitix Highways Limited	-	-	275,741	275,741
Equitix Highways 2 Limited	-	-	3,234,509	3,234,509
Equitix Blue Light 2 Limited	-	-	973,043	973,043
Equitix Education 2 Limited	-	-	3,184,746	3,184,746
Equitix Healthcare 2 Limited	-	-	259,700	259,700
Equitix Transmission 2 Limited	-	-	6,150,000	6,150,000
Equitix Housing 2 Limited	-	-	591,600	591,600
Uliving @ Essex Limited	-	-	35,963	35,963
Derbyshire Learning and Community Partnerships	5,116	-	261,881	266,997
Cambridgeshire Learning and Community Partnerships	-	-	(2,303)	(2,303)
Leeds PFI SPV 2 Limited	-	-	147,246	147,246
Equitix Fund I LP	-	253,298	-	253,298
Equitix Fund II LP	-	396,880	-	396,880
Equitix Fund III LP	-	(10,503)	-	(10,503)
Energy Savings Investments LP	-	1,444	-	1,444
Equitix Energy Efficiency Fund LP	-	1,050	-	1,050
	12,540	642,169	23,485,340	24,140,049

Notes to the consolidated financial statements for the year ended 31 December 2013

25 RELATED PARTY TRANSACTIONS CONTINUED

For the year ending 31 December 2012	Investment revenue	Share of participating interests	Turnover	Total
West Yorkshire PFI Operational Training & Accommodation Limited	-	-	2,385,977	2,385,977
Equitix Education Limited	-	-	611,752	611,752
Equitix Education 2 Limited	-	-	1,765,385	1,765,385
Equitix Highways Limited	-	-	275,741	275,741
Equitix Highways 2 Limited	-	-	2,494,124	2,494,124
Equitix Leisure Limited	-	-	102,273	102,273
Equitix Healthcare Limited	-	-	369,032	369,032
Equitix Bluelight 2 Limited	-	-	567,609	567,609
Derbyshire Learning and Community Partnerships Limited	-	-	236,199	236,199
Cambridgeshire Learning and Community Partnerships Limited	4,736	-	264,143	268,879
Leeds PFI SPV 2 Limited	-	-	158,367	158,367
Uliving @ Essex Limited	-	-	47,167	47,167
Hub South West Scotland Limited	689	-	21,625	22,314
Equitix Fund I LP	-	326,767	156,471	483,238
Equitix Fund II LP	-	420,660	38,637	459,297
Equitix Healthcare (Lancaster) Limited	-	-	13,000	13,000
Equitix Healthcare (Surrey) Limited	-	-	13,000	13,000
Stag PCT LIFT Limited	-	-	10,500	10,500
	5,425	747,427	9,531,002	10,283,854

The table below summarises the aggregate debtor, creditor and investment balances by related party as at the balance sheet date with comparable data presented for the prior year; these balances are broken down further in this note.

For the year ending 31 December 2013	Debtor	Creditor	Investments
Salford Village Limited	351,273	-	-
S4B Limited	3,127,478	-	-
Hub South West Scotland limited	1,259,684	-	-
Equitix Highways Limited	1,057,009	-	-
Equitix Highways 2 Limited	7,540,785	-	-
Equitix Blue Light 2 Limited	1,540,652	-	-
Equitix Education 2 Limited	360,130	-	-
Equitix Housing 2 Limited	591,600	-	-
Derbyshire Learning and Community Partnerships	563,906	-	-
Leeds PFI SPV 2 Limited	280,350	-	-
Port of Tyne Handling and Storage Limited	101,000	-	-
Equitix Healthcare (Lancaster) Limited	16,548	-	-
STaG PCT (Projectco) Limited	12,600	-	-
Equitix Healthcare (Surrey) Limited	32,348	-	-
Equitix Fund I LP	-	-	1,927,747
Equitix Fund II LP	-	-	2,837,950
Equitix Fund III LP	-	-	266,854
Energy Savings Investments LP	-	-	24,144
Equitix Energy Efficiency Fund LP	-	-	25,445
	16,835,363	-	5,082,140

For the year ending 31 December 2012	Debtor	Creditor	Investments
Equitix Education 2 Limited	1,765,385	-	-
Equitix Highways Limited	781,267	-	-
Equitix Highways 2 Limited	4,302,204	-	-
Equitix Leisure Limited	-	-	-
Equitix Healthcare Limited	296,800	-	-
Equitix Bluelight 2 Limited	567,609	-	-
Derbyshire Learning and Community Partnerships Limited	329,427	-	-
Cambridgeshire Learning and Community Partnerships Limited	345,345	-	-
Leeds PFI SPV 2 Limited	154,704	-	-
Uliving @ Essex Limited	23,600	-	-
Hub South West Scotland Limited	117,639	-	-
Equitix Fund I LP	229,227	-	1,704,949
Equitix Fund II LP	159,028	257,050	2,184,955
Equitix Healthcare (Lancaster) Limited	32,148	-	-
Equitix Healthcare (Surrey) Limited	32,348	-	-
Stag PCT LIFT Limited	12,600	-	-
	9,149,331	257,050	3,889,904

Notes to the consolidated financial statements for the year ended 31 December 2013

25 RELATED PARTY TRANSACTIONS CONTINUED

The table below represents investment revenue, share of participating interests and turnover per each related party broken down into each sub-category of income with comparable data for the prior year. The aggregate of this income is summarised as a subtotal earlier in this note.

Counter party	Income Type	2013 £	2012 £
Miller Equitix Inverness Limited	Primary bidding success fees	1,297,109	-
Sustainable Communities for Leeds Ltd	Primary bidding success fees	250,642	-
Salford Village Limited	Primary bidding success fees	624,337	-
Greater Gabbard OFTO plc	Primary bidding success fees	1,007,054	-
S4B Limited	Primary bidding success fees	4,416,088	-
Hub South West Scotland limited	Primary bidding success fees	557,357	-
	Management services income	220,627	21,625
	Investment revenue	7,424	689
West Yorkshire PFI Operational Training & Accommodation Limited	Primary bidding success fees	-	2,385,977
Equitix Highways Limited	Construction management of primary projects	275,741	275,741
Equitix Highways 2 Limited	Construction management of primary projects	3,234,509	2,494,124
Equitix Blue Light 2 Limited	Construction management of primary projects	973,043	567,609
Equitix Education 2 Limited	Construction management of primary projects	3,184,746	1,765,385
Equitix Healthcare 2 Limited	Construction management of primary projects	259,700	-
Equitix Transmission 2 Limited	Construction management of primary projects	6,150,000	-
Equitix Housing 2 Limited	Construction management of primary projects	591,600	-
Equitix Leisure Limited	Construction management of primary projects	-	102,273
Equitix Healthcare Limited	Construction management of primary projects	-	369,032
Equitix Education Limited	Construction management of primary projects	-	611,752
Uliving @ Essex Limited	Management services income	35,963	47,167
Derbyshire Learning and Community Partnerships	Management services income	261,881	236,199
Cambridgeshire Learning and Community Partnerships	Management services income	(2,303)	264,143
	Investment revenue	5,116	4,736
Leeds PFI SPV 2 Limited	Management services income	147,246	158,367
Equitix Fund I LP	Share of participating interests	253,298	326,767
	Recharged audit fees	-	156,471
Equitix Fund II LP	Share of participating interests	396,880	420,660
	Recharged audit fees	-	38,637
Equitix Fund III LP	Share of participating interests	(10,503)	-
Energy Savings Investments LP	Share of participating interests	1,444	-
Equitix Energy Efficiency Fund LP	Share of participating interests	1,050	-
Equitix Healthcare (Lancaster) Limited	Recharged audit fees	-	13,000
Equitix Healthcare (Surrey) Limited	Recharged audit fees	-	13,000
Stag PCT LIFT Limited	Recharged audit fees	-	10,500
		24,140,049	10,283,854

Primary bidding success fees are charged by the Group to the project counter-parties listed above when individual projects that the counter-parties are involved in delivering achieve financial close; this income is charged, received and recognised in full immediately. These companies are related parties by virtue of common directors with the Group.

Construction management of primary project revenue represents income from Fund counter-parties for services provided by the Group after a project has reached financial close and before it reaches construction completion; services include a variety of management and optimisation exercises that are supplied to the counter-party to maintain and improve shareholder returns for each project. This income is recognised on a straight-line method over each construction term and received in cash at construction completion. This income can be impaired if the shareholder value of the project is impacted by construction issues and delivery failures, to date the Group has never had to impair any associated receivables.

Management services income represents revenue from project counter-parties for general business and operational administration services throughout the project's concession term; this income is accrued over the period which services are provided and recognised in full.

Investment revenue represents interest income relating to working capital loans provided by the Group to the counterparty to fund development costs and general overheads; income is calculated by reference to interest coupons applied to outstanding loan balances on a time basis. This income is accrued and received in cash when the countrer-party has sufficient surplus cash to repay the facility.

Share of participating interest is income associated with a Fund co-investor party acting as a limited partner of each Fund assuming its share of the relative Fund's performance for the year as described in note 1e.

Recharged audit fees represents income where the Group has recouped audit fees incurred centrally that relate wholly and exclusively to the counter-party; this income is recharged in arrears and recognised when the recharge is raised.

Notes to the consolidated financial statements for the year ended 31 December 2013

25 RELATED PARTY TRANSACTIONS CONTINUED

The table below represents debtors and investments less creditors per each related party broken down into each sub-category with comparable data for the prior year. The aggregate of this income is summarised as a subtotal earlier in this note.

		2013	2012
Counter party	**Debtor/Creditor/Investment Type**	**£**	**£**
Salford Village Limited	Outstanding primary bidding success fees	351,273	-
S4B Limited	Outstanding primary bidding success fees	3,127,478	-
Hub South West Scotland limited	Outstanding primary bidding success fees	645,819	-
	Oustanding working capital loans	349,113	91,689
	Oustanding management services income	264,752	25,950
Equitix Highways Limited	Outstanding construction management services	1,057,009	781,267
Equitix Highways 2 Limited	Outstanding construction management services	7,540,785	4,302,204
Equitix Blue Light 2 Limited	Outstanding construction management services	1,540,652	567,609
Equitix Education 2 Limited	Outstanding construction management services	360,130	1,765,385
Equitix Housing 2 Limited	Outstanding construction management services	591,600	-
Equitix Healthcare Limited	Outstanding construction management services	-	296,800
Derbyshire Learning and Community Partnerships	Oustanding management services income	563,906	329,427
Leeds PFI SPV 2 Limited	Oustanding management services income	280,350	154,704
Port of Tyne Handling and Storage Limited	Oustanding working capital loans	101,000	-
Equitix Healthcare (Lancaster) Limited	Oustanding recharged audit fees	16,548	32,148
STaG PCT (Projectco) Limited	Oustanding recharged audit fees	12,600	12,600
Equitix Healthcare (Surrey) Limited	Oustanding recharged audit fees	32,348	32,348
Equitix Fund I LP	Oustanding share of participating interests	-	928,708
	Loans	1,927,747	1,005,468
Equitix Fund II LP	Oustanding share of participating interests	-	643,183
	Loans	2,837,950	1,701,061
	General Partner's Share	-	(257,050)
Equitix Fund III LP	Oustanding share of participating interests	-	-
	Loans	266,854	-
Energy Savings Investments LP	Oustanding share of participating interests	-	-
	Loans	24,144	-
Equitix Energy Efficiency Fund LP	Oustanding share of participating interests	-	-
	Loans	25,445	-
		21,917,502	12,413,501

Outstanding primary bidding success fees represents income charged to counter-parties at financial close for a primary project that has yet to be received; this income is typically received between one to two months following financial close.

Oustanding construction management services income is where a project is currently between financial close and construction completion with fees being earned over the construction term of a project. This income is received when the project has successfully achieved construction completion.

Oustanding management services income represents outstanding amounts for general business administration and operational management services on active projects; this income is typically received monthly in arrears.

Outstanding recharged audit fees represent income relating to recouped costs that have been incurred centrally and recharged; this income is typically charged and received in arrears.

Outstanding share of participating interest represents where the Group has recognised its relative share of Fund results for the year, this debtor is received over time as the Fund makes distributions to the Group.

Loans to Funds represent drawn down loans remitted under the terms of the Limited Partnership Agreement for each Fund; these loans are received when the Fund remits investment cash flow to the Group over the life of the Fund.

Outstanding working capital loans represents loans extended from the Group to counter-parties to fund development work and general overheads of the counter-party; these loans are repaid when the counter-party has sufficient surplus cash flow to service the loans.

26 EVENTS AFTER THE BALANCE SHEET DATE

The Group redeemed £5,000,000 of deep discounted bond notes (as described in note 18) from CS Capital Partners III LP on 28 January 2014.

27 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND INVESTMENTS AS AT 31 DECEMBER 2013

Company name	Class and percentage of shares held		Principal activity	Country of incorporation
Equitix Limited	100%	2 ordinary £1 shares	Bid and development of primary and secondary market PFI opportunities.	United Kingdom
Equitix Finance Limited	100%	2 ordinary £1 shares	Financing company of Equitix Group.	United Kingdom
Equitix GP 1 Limited	100%	10,000 ordinary £1 shares	Guernsey Financial Services Commission authorised and regulated entity; general partner to Equitix Fund I LP, a UK limited partnership.	Guernsey
Equitix Investment Management Limited	100%	10,000 ordinary £1 shares	FCA regulated entity serving as administrative body of Equitix Group.	United Kingdom
Equitix No 1 Limited	100%	2 ordinary £1 shares	Investee company and partner in Equitix Fund I LP.	United Kingdom
Equitix Management Services Limited	100%	2 ordinary £1 shares	Management services administration provider.	United Kingdom
Equitix GP 2 Limited	100%	10,000 ordinary £1 shares	Guernsey Financial Services Commission authorised and regulated entity; general partner to Equitix Fund II LP, a UK limited partnership.	Guernsey
Equitix No 2 Limited	100%	2 ordinary £1 shares	Investee company and partner in Equitix Fund II LP.	United Kingdom
Equitix EPS GP Limited	100%	2 ordinary £1 shares	General Partner to Equitix EPS LP, a UK limited partnership	United Kingdom
Equitix Energy Efficient EPS GP 1 Limited	100%	2 ordinary £1 shares	General Partner to Equitix EPS LP, a UK limited partnership	United Kingdom
Equitix Energy Efficient GP 1 Limited	100%	2 ordinary £1 shares	General Partner to Equitix EPS LP, a UK limited partnership	United Kingdom
Equitix GP 3 Limited	100%	10,000 ordinary £1 shares	Guernsey Financial Services Commission authorised and regulated entity; general partner to Equitix Fund III LP, a UK limited partnership.	Guernsey
Equitix No 3 Limited	100%	2 ordinary £1 shares	Investee company and partner in Equitix Fund III LP.	United Kingdom

27 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND INVESTMENTS AS AT 31 DECEMBER 2013

Company name	Class and percentage of shares held		Principal activity	Country of incorporation
Equitix EPS GP3 Limited	100%	2 ordinary £1 shares	General Partner to Equitix EPS 3 LP, a UK limited partnership	United Kingdom
Equitix Energy Efficiency GP 1 Limited	100%	2 ordinary £1 shares	Guernsey Financial Services Commission authorised and regulated entity; general partner to Equitix Fund I LP, a UK limited partnership.	Guernsey
Equitix Energy Efficiency No 1 Limited	100%	100 ordinary £1 shares	Investee company and partner in Equitix Energy Efficiency Fund LP.	United Kingdom
Equitix Energy Efficiency EPS GP 1 Limited	100%	1 ordinary £1 share	Investee company and partner in Equitix Energy Efficiency EPS Fund LP.	United Kingdom
Equitix EPS LP	75%	Capital commitment and loan commitments	Scottish limited partnership, unregulated collective investment scheme.	Scotland
Equitix EPS 3 LP	75%	Capital commitment and loan commitments	Scottish limited partnership, unregulated collective investment scheme.	Scotland
Equitix Energy Efficient EPS LP	50%	Capital commitment and loan commitments	Scottish limited partnership, unregulated collective investment scheme.	Scotland
Equitix Energy Efficiency EPS LP	50%	Capital commitment and loan commitments	Scottish limited partnership, unregulated collective investment scheme.	Scotland

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013	2012
		£	£
Fixed assets			
Investments		51,382	40,309
Current assets			
Debtors		944	944
- due within one year	4	944	944
Cash at bank and in hand		383	388
		1,327	1,332
Current liabilities			
Creditors: amounts falling due within one year	5	(51,868)	(40,795)
Net current liabilities		(50,541)	(39,463)
Total assets less current liabilities		841	846
Net assets		841	846
Capital and reserves			
Called up share capital	6	1,113	1,113
Profit and loss account		(272)	(267)
Shareholders' funds	7	841	846

The financial statements of Equitix Holdings Limited, registered number 05972500, were approved by the Board of Directors on 31 March 2014 and were signed on its behalf by:

G A Jackson
Director

Notes to the Company financial statements for the year ended 31 December 2013

1 ACCOUNTING POLICIES

a) Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

b) Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

2 LOSS FOR THE PERIOD

In accordance with section 408 of the Companies Act 2006, no separate profit and loss account has been prepared for the Company. For the year ended 31 December 2012 the Company reported a loss of £5 (2012 - £70 loss). The Directors do not recommend the payment of a dividend for the period (2012 - £nil).

The auditors' remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3 STAFF NUMBERS

The Company had no employees during the current year (2012 - none).

4 DEBTORS

	2013	2012
	£	£
Due within one year:		
Amounts owed by group undertakings	944	944

5 CREDITORS

	2013	2012
	£	£
Due within one year:		
Amounts owed to group undertakings	51,868	40,795
	51,868	40,795

6 CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Allotted, called up and fully paid:		
100,000 "A" class ordinary shares at £0.005 each	500	500
100,000 "B" class ordinary shares at £0.005 each	500	500
22,500 "C" class ordinary shares at £0.005 each	113	113
	1,113	1,113

The company has three classes of ordinary share as outlined above, none of which carry any right to fixed income.

Notes to the Company financial statements for the year ended 31 December 2013

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Loss for the financial period	(5)	(70)
Opening shareholders' funds	846	916
Issue of share capital	-	-
Closing shareholders' funds	841	846

8 TRANSACTIONS WITH RELATED PARTIES

The Company has provided a loan to its subsidiary Equitix Limited for £944 and has received an upstream loan of £40,000 from Equitix Limited. Both transactions have been provided at zero interest coupon and can be redeemed on demand by either party.

9 ULTIMATE PARENT UNDERTAKING

The Company's parent and controlling entity is CS Capital Partners III LP which owns 80% of the issued share capital.
The majority of the remaining shares are owned by three directors of the Company H B Crossley, G A Jackson and N G B Parker and further employees of the Group.