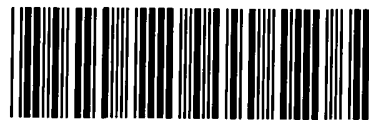


EQUITIX HOLDINGS LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015**

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Registered Number: 05972500

EQUITIX HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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EQUITIX HOLDINGS LIMITED

DIRECTORS AND ADVISERS

Directors

H B Crossley

G A Jackson

K J Maddin (resigned 30 January 2015)

N G B Parker

J C Smith (appointed 27 January 2015)

P G G Dear (appointed 2 February 2015)

Company secretary and registered office

H B Crossley

Welken House

10-11 Charterhouse Square

London

EC1M 6EH

Auditor

KPMG LLP

Chartered Accountants

London

Principal banker

Royal Bank of Scotland Plc

2 1/2 Devonshire Square

London

EC2M 4XJ

Principal legal adviser

Hogan Lovells LLP

Atlantic House

Holborn Viaduct

London

EC1A 2FG

EQUITIX HOLDINGS LIMITED

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 2015.

RESULTS AND DIVIDENDS

The retained profit after tax for the year was £39,409,281 (2014 - £7,132,729).

An interim dividend of £4,590,268 and a final dividend of £4,777,799 were declared and paid during the year (2014 - £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 resigned as auditor on 14 September 2015 pursuant to section 516 of the Companies Act 2006. On 28 September 2015 the Directors appointed KPMG LLP as auditor of the Company and the Group to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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.

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.

Ownership of the Group transferred from CS Capital Partners III LP to Tetragon Financial Group Limited on 2 February 2015. It is expected that the change in ownership of the Group will not result in a change of strategic direction that will jeopardise the financial and operational strength of the Group.

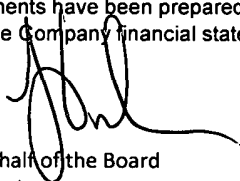
The Group's forecasts and projections, taking into account reasonably possible changes in trading performance and any current economic uncertainties, show that the Group should be able to operate within the level of retained earnings, reserves and the support of the Group's parent undertakings explained in note 18. The Directors believe that these resources afford the Group the ability to capitalise on business opportunities as they arise. Accordingly, the financial statements have been prepared on the going concern basis.

POST BALANCE SHEET EVENTS

There have been no balance sheet events that require disclosure.

ACCOUNTING POLICIES

All group accounting policies adopted in the current and prior year have been applied consistently throughout. The Company financial statements have been prepared under FRS 102 for the first time. The impact of the change from "Old UK GAAP" is explained in note 1 of the Company financial statements.



On behalf of the Board
G A Jackson

31 March 2016

STRATEGIC REPORT

THE BUSINESS MODEL

The principal activity of the Group is to develop and manage on behalf of fund investors, long-term infrastructure concessions in the UK and other geographies that have similar infrastructure governance regimes. Concessions developed and managed by the Group include but are not limited to education, healthcare, street lighting, roads and highways maintenance, leisure, social housing, sheltered accommodation, government accommodation, energy transmission, renewable energy generation, waste water treatment and higher education accommodation.

The Group is active in the UK, the Republic of Ireland and Central Europe where the Group develops and manages concession in partnership with high-quality domestic operators.

The Group 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"), Equitix Fund IV LP ("Fund IV"), Equitix MA Fund I LP ("MA Fund"), Energ Saving Investments LP ("ESI") and Equitix Energy Efficiency Fund LP ("EEEF"), collectively (the "Funds") via various management services agreements.

The Group identifies and manages the acquisition of project opportunities via the secondary market on behalf of the Funds.

Equitix GP 1 Limited, Equitix GP 2 Limited, Equitix GP 3 Limited, Equitix GP 4 Limited, Equitix MA GP 1 Limited, Equitix Energy Efficient GP 1 Limited and Equitix Energy Efficiency GP 1 Limited are appointed as the general partners of Fund I, Fund II, Fund III, Fund IV, MA Fund, ESI and EEEF respectively and are liable in the first instance for the debts of the Funds without limitation in all aspects of their activities.

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 the parent of the subsidiaries and joint ventures as listed in note 28 of these financial statements.

STRATEGY AND OBJECTIVES

A primary objective of the Group is to successfully develop primary infrastructure projects and minimise the number of lost bids.

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:

- Preferred bidder for Humber Gateway OFTO;
- Financial close for Gwynt Y Mor OFTO;
- Financial close for Papworth Hospital;
- Financial close for Priority Schools Programme North West Bundle;
- Financial close for Priority Schools Programme Midlands Bundle;
- Financial close for Welland Biomass Project;
- Financial close for Anderson Schools Northern Hub;
- Financial close for Full Circle Power Biomass Project;
- Financial close for Cairnborrow Wind Energy Project;
- Financial close for Greenfaulds Schools South West Hub;
- Construction completion for Inverness Further Education College Project;
- Construction completion for University of Salford Student Accommodation Project;
- Construction completion for NHS Lanarkshire Healthcare Project;
- Construction completion for Alford Schools Northern Hub; and
- Completion of various secondary market acquisitions on behalf of the Funds.

A further primary objective of the Group is to manage and administer the Funds, optimising the returns generated by investments in the Funds and managing a balanced and well diversified portfolio on behalf of investors in the Funds.

STRATEGIC REPORT (CONTINUED)**BUSINESS OBJECTIVES AND KEY PERFORMANCE INDICATORS**

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

- identify high-quality investments on behalf of those Funds that are actively seeking opportunities;
- maintain sustainable returns for the Funds from investments already in existence;
- compliance with governing project documents;
- compliance with governing Fund documents; and
- delivery of strict rate of return criteria.

Portfolio valuations for the Funds show a well balanced, sustainable investment class all performing within budgeted expectations.

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. The Group employs a dedicated compliance manager who is appropriately qualified to review and maintain all compliance matters with the help of external advisors where necessary.
Financial	The Group may fall into financial and liquidity difficulty.	Investors in the Funds are all screened to ensure their creditworthiness and capacity for investment to ensure that Funds will be funded to make investments. The Group has a revolving credit facility available with Pace Bidco Limited, the Group's immediate parent undertaking, as disclosed in note 18; this facility can be used to fund operational expenses of the business and allow the business to capitalise on profitable opportunities as they arise. The Group has high visibility of development income and repetitive fund management fee income and can therefore manage its finances well.
Unsuccessful bidding	Expensive bid costs erode the profitability of the Group.	Partnering in the right consortia and maintaining 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 market sectors and geographies ensuring that there is sufficient pipeline opportunity for the business. The Group has successfully implemented these expansion strategies with very little cost or risk and will continue to do so in the future.
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 Group was appointed preferred bidder on one major project, reached financial close for nine more and delivered construction completion for four more projects; all projects have performed within their budgeted costs. The Group 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 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)

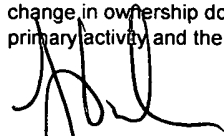
FINANCIAL RISK AND BORROWINGS

During the year, the Group, via its immediate parent undertaking Pace Bidco Limited, 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.

The Group has high visibility of development related cash flows and a high proportion of its income is derived from repetitive Fund management fees therefore the Group can anticipate and manage its financial needs well.

On 2 February 2015, ownership of the Group transferred from CS Capital Partners III LP to Tetragon Financial Group Limited. The change in ownership does not affect the financial risk of the Group as Tetragon Financial Group Limited will support the business in its primary activity and the change in ownership will not result in any strategic change.



On behalf of the Board

G A Jackson

31 March 2016

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:

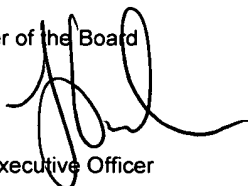
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

By order of the Board



Chief Executive Officer
Geoffrey Jackson
31 March 2016



Chief Operations Officer
Nicholas Parker
31 March 2016

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 2015 set out on pages 8 to 40. 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 EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- 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 Strategic Report and the Directors' 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.



Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
31 March 2016

EQUITIX HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Revenue	1, 4	45,327,488	26,655,592
Cost of sales		-	-
Gross profit		45,327,488	26,655,592
Administrative expenses		(17,572,724)	(17,544,303)
Operating profit	5	27,754,764	9,111,289
Investment revenue	9	60,793	63,873
Finance costs	10	(158,999)	(787,183)
Income from participating interests	1e, 12	1,579,357	962,192
Change in fair value of investment		15,980,000	-
Profit on ordinary activities before taxation		45,215,915	9,350,171
Tax on profit on ordinary activities	11	(5,806,634)	(2,217,442)
Profit for the year	21	39,409,281	7,132,729

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.

The accompanying notes on pages 12 to 37 form an integral part of these Group financial statements.

EQUITIX HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	2015 £	2014 £
Non-current assets			
Investments in joint ventures	12	116,500	116,500
Investments	12	28,478,795	7,444,202
Property, plant and equipment	13	273,894	261,295
Intangible assets	14	3,486,381	5,638,902
Trade and other receivables	15	18,060,666	8,308,911
		<u>50,416,236</u>	<u>21,769,810</u>
Current assets			
Trade and other receivables	15	13,817,194	16,132,001
Cash and cash equivalents	16	2,151,222	1,771,240
		<u>15,968,416</u>	<u>17,903,241</u>
Total assets		<u>66,384,652</u>	<u>39,673,051</u>
Current liabilities			
Trade and other payables	17	(4,472,808)	(7,441,868)
Deferred income	17	(108,282)	(126,426)
Current tax	17	(5,720,506)	(2,229,672)
External borrowings	18	-	(3,961,815)
		<u>(10,301,596)</u>	<u>(13,759,781)</u>
Net current assets		<u>5,666,820</u>	<u>4,143,460</u>
Total assets less current liabilities		<u>56,083,056</u>	<u>25,913,270</u>
Non-current liabilities			
Trade and other payables	17	(128,571)	-
Borrowings	18	-	-
		<u>(128,571)</u>	<u>-</u>
Net assets		<u>55,954,485</u>	<u>25,913,270</u>
Capital and reserves			
Called up share capital	20	1,113	1,113
Share premium account		9,561,916	9,561,916
Profit and loss account		46,391,456	16,350,242
Shareholders' funds		<u>55,954,485</u>	<u>25,913,270</u>

The financial statements were approved by the Board of Directors of the Group (registered number 05972500) and authorised for issue on 31 March 2016.
They were signed on its behalf by:


G A Jackson

The accompanying notes on pages 12 to 37 form an integral part of these Group financial statements.

EQUITIX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £	Retained earnings £	Total £
Balance as at 1 January 2014		1,113	9,217,513	9,218,626
Profit for the year		-	7,132,729	7,132,729
Issue of share capital	20	<u>9,561,916</u>	-	<u>9,561,916</u>
Balance as at 31 December 2014 and 1 January 2015		9,563,029	16,350,242	25,913,271
 Profit for the year		 -	 39,409,281	 39,409,281
Payment of dividend		-	(9,368,067)	(9,368,067)
Balance as at 31 December 2015		<u>9,563,029</u>	<u>46,391,456</u>	<u>55,954,485</u>

The accompanying notes on pages 12 to 37 form an integral part of these Group financial statements.

EQUITIX HOLDINGS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	Year ended 31 December 2015	Year ended 31 December 2014 £
Net cash generated in operating activities	21	<u>9,430,747</u>	<u>3,446,313</u>
Investing activities			
Interest received	9	4,360	5,461
Interest paid	10	(82,680)	(105,624)
Purchase of property, plant and equipment	13	(108,652)	(168,079)
Additions to intangible assets	14	(1,143,244)	(2,623,665)
Acquisition of investments	12	(3,720,549)	(1,773,033)
Net cash used in investing activities		<u>(5,050,765)</u>	<u>(4,664,940)</u>
Financing activities			
Redemption of deep discounted loan notes	18	-	(16,561,916)
Issue of ordinary share capital	27	-	9,561,916
Drawing of revolving credit facility		-	7,300,000
Repayment of revolving credit facility		(4,000,000)	(3,300,000)
Debt arrangement fees incurred on raising of revolving credit facility		-	(25,000)
Net cash used in financing activities		<u>(4,000,000)</u>	<u>(3,025,000)</u>
Net increase in cash and cash equivalents		<u>379,982</u>	<u>(4,243,627)</u>
Cash and cash equivalents at beginning of period		1,771,240	6,014,867
Cash and cash equivalents at end of period		<u>2,151,222</u>	<u>1,771,240</u>

The accompanying notes on pages 12 to 37 form an integral part of these Group financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2015

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 activities are set out in the Strategic Report on page 3 inclusive of the business review on page 4.

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 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 with the exception of certain investments which are held at fair value. The principal accounting policies adopted are set out below and have been applied consistently throughout the current and prior year.

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.) 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 is recognised when the EPS Partner establishes a right to receive payment as explained in note 2.

Income for construction management services of primary PFI assets in Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, Equitix Fund IV LP and Equitix MA Fund I 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 service 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.

e.) Borrowing costs

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 2015
1 ACCOUNTING POLICIES (continued)**f.) Operating profit**

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

g.) 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.

h.) 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.

i.) 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.

j.) 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 2015

1 ACCOUNTING POLICIES (continued)**k.) Investments**

Investments shown on the balance sheet represent long-term loans to Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, Equitix Fund IV LP, Equitix MA Fund I 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 and the fair value of the Group's investment in the EPS expected to be received from Equitix Fund I LP and Equitix Fund II LP.

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.

l.) Intangible assets

Intangible assets recognised represent the right to future income from Equitix Fund II LP, Equitix Fund III LP, Equitix Fund IV LP and Equitix Energy Efficiency Fund 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.

m.) 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.

n.) 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.

o.) 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.

p.) Financial risk management

The Group has a loan agreement with Pace Bidco Limited, the Group's immediate parent undertaking, to borrow as necessary to fund the activities of the Group; details of this loan are provided in note 23. The Group has not utilised this facility to date and does not anticipate a need for the facility for the foreseeable future.

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

q.) 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, Equitix Fund III LP, Equitix Fund IV LP and Equitix MA Fund I 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, Equitix Fund III LP, Equitix Fund IV LP and Equitix MA Fund I 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 had a revolving credit facility, the details of which are disclosed in note 18; this loan accrued interest on a floating rate, thus exposing the Group to interest rate risk. The Group had an outstanding balance on this facility at 31 December 2014 of £4,000,000 (2013 - £nil), however this balance has been settled in January 2015. The Group has a loan agreement with Pace Bidco Limited, to borrow money as needed to fund future activities, this facility will accrue interest on a floating rate. This facility has not been used to date and the directors do not anticipate a need for the facility for the foreseeable future.

Notes to the consolidated financial statements for the year ended 31 December 2015

1 ACCOUNTING POLICIES (continued)**r.) 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.

s.) 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 separately 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.

Construction Management Services Receivables

As disclosed in note 1e, the Group recognises income relating to the provision of construction management services to Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, Equitix Fund IV LP and Equitix MA Fund I LP over the construction period of each project to which the income relates. The Group has not impaired the value of this income and has confidence from historic construction successes that all income accrued as disclosed in note 16 is recoverable and that the Group will not be penalised for failure to deliver construction management services. The Group employs a number of professionals and construction specialists that are adequately qualified to deliver projects through their construction phase and all projects under construction are discussed and reviewed at each meeting of the Board of Directors of the Group.

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.

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% 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 2015

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 commitments until they achieve a fund return of 7.5% hurdle rate;
- third, the Investors to repay their loans, which shall be callable;
- 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% 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 commitments until they achieve a fund return of 7.5% hurdle rate;
- third, the Investors to repay their loans, which shall be callable;
- 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 2015

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% 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 commitments 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 Equitix Energy Efficient GP 1 Limited is entitled to receive the General Partner Share, calculated at 2% 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 2015

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 is 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

Equitix Energy Efficient GP 1 Limited 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, Equitix Energy Efficient GP 1 Limited is entitled to receive the General Partner Share, calculated at 2% 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

Equitix Energy Efficiency GP 1 Limited 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 2015

2 SIGNIFICANT AGREEMENTS continued

General Partner Share - Equitix Fund IV LP

As the general partner of Fund IV, Equitix GP 4 Limited is entitled to receive the General Partner Share, calculated at 0.3% percent per annum of the limited partners' commitments to Fund IV, plus 0.95% 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 IV.

The General Partner Share is calculated on a daily basis and is receivable from Fund IV 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 IV investors.

As EPS Partner to Fund IV, if Fund IV maintains a return above the hurdle rate throughout the Measurement Period defined in the Limited Partnership Agreement, Equitix EPS 4 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 IV LP

Equitix GP 4 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 IV LP

The waterfall distributions of the Partners are as follows:

- first, the General Partner in payment of the General Partner's Share;
- second, the Investors pro-rata to the amount of their respective commitments until they achieve a fund return of 6.5% hurdle rate;
- third, the Investors pro-rata to the amount of their respective commitments, until they have received a measurement period return (as defined in the Limited Partnership Agreement) of 6.5%;
- fourth, the Investors to repay their base advances, which shall be at the absolute discretion of the Manager;
- fifth, the Investors, 80% of the returns to the extent that the fund life return exceeds 6.5% but is less than or equal to 20% over the fund life up to and including the period ending on the relevant waterfall date;
- fifth, the EPS Partner, 20% of the returns to the extent that the fund life return exceeds 6.5% but is less than or equal to 20% over the fund life up to and including the relevant waterfall date;
- sixth, the Investors if their fund life return exceeds 20% over the fund life up to and 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 MA Fund I LP

As the general partner of MA Fund I, Equitix MA GP 1 Limited is entitled to receive the General Partner Share, calculated at 1.00% 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 1.00% 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 MA Fund I.

The General Partner Share is calculated on a daily basis and is receivable from MA Fund I half-yearly, during the waterfall payment period. The General Partner Share is shown as gross revenue.

As EPS Partner to MA Fund I, if MA Fund I maintains a return above the hurdle rate throughout the Measurement Period defined in the Limited Partnership Agreement, Equitix MA EPS 1 LP will be entitled to a 20% share of returns exceeding the hurdle rate for the period in question; 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.

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

2 SIGNIFICANT AGREEMENTS continued

Management Services Agreement - Equitix MA Fund I LP

Equitix MA 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.

Waterfall distribution rights - Equitix MA Fund I LP

The waterfall distributions of the Partners are as follows:

- first, the General Partner in payment of the General Partner's Share;
- second, the Investors pro-rata to the amount of their respective commitments until they achieve a fund return of 6.5% hurdle rate;
- third, the Investors pro-rata to the amount of their respective commitments, until they have received a measurement period return (as defined in the Limited Partnership Agreement) of 6.5%;
- fourth, the Investors to repay their base advances, which shall be at the absolute discretion of the Manager;
- fifth, the Investors, 80% of the returns to the extent that the fund life return exceeds 6.5% up to and including the period ending on the relevant waterfall date;
- fifth, the EPS Partner, 20% of the returns to the extent that the fund life return exceeds 6.5% up to and including the relevant waterfall date;
- 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.

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.

- IFRS 10 - Consolidated Financial Statements;
- IFRS 11 - Joint Arrangements;
- IFRS 12 - Disclosure of Interests in Other Entities;
- IAS 27 - Separate Financial Statements (2011); and
- IAS 28 - Investments in Associates and Joint Ventures (2011).

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):

- 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:

Continuing operations

	2015	2014
	£	£
Recharge of primary bidding costs to consortium partners	-	130,295
Income derived from Fund general partner's share	12,890,582	8,498,702
Income derived from Fund enhanced profit share	1,213,608	4,363,245
Income derived from Fund companies for success fees	5,668,322	3,805,575
Income derived from Funds for construction management fees	21,096,379	8,991,547
Income derived from management services	4,458,597	866,228
	<u>45,327,488</u>	<u>26,655,592</u>
Investment revenue	60,793	63,873
	<u>45,388,281</u>	<u>26,719,465</u>

Investment revenue is explained fully in note 10.

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

5 PROFIT FOR THE YEAR	2015	2014
Profit for the year has been arrived at after charging:	£	£
Depreciation of property, plant and equipment (see note 13)	94,052	76,782
Amortisation of intangible assets	3,295,766	2,247,890
Staff costs (see note 7)	<u>8,808,876</u>	<u>6,599,251</u>

6 AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:	2015	2014
	£	£
• Fees payable to the Company's auditor for the audit of the Company's accounts	20,000	14,068
• The audit of other group companies pursuant to legislation	72,000	58,323
• Other audit services pursuant to legislation	35,000	20,452
• Tax services	49,400	65,150
• Financial advisory services	-	501,754
	<u>176,400</u>	<u>659,747</u>

Tax services shown in the table above relate to the provision of statutory tax compliance services for the year.

Fees payable to the Company's auditor for other services pursuant to legislation represents amounts charged for statutory reporting to regulators.

Values shown above relating to the prior year were paid to Deloitte LLP who resigned as auditor during the year as explained in the Directors' Report, all amounts relating to the current year were payable to KPMG LLP.

7 STAFF COSTS

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

2015	2014
No.	No.
<u>62</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£	£
Salaries	7,483,848	5,743,255
Social security costs	964,835	718,421
Other pension costs (see below)	<u>360,193</u>	<u>137,575</u>
	<u>8,808,876</u>	<u>6,599,251</u>

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.

8 DIRECTORS' REMUNERATION

The Directors of the Company are remunerated for their services to the Group as a whole. One of the Directors, P G G Dear, is not compensated for his services to the Group.

The remuneration of the Company Directors was as follows:

	2015	2014
	£	£
<u>All Directors</u>		
Directors' emoluments	1,088,638	742,161
Directors' pension contribution	<u>73,151</u>	<u>35,735</u>
	<u>1,161,789</u>	<u>777,896</u>
<u>Highest Paid Director</u>		
Director's emoluments	287,834	238,981
Director's pension contribution	<u>57,053</u>	<u>21,394</u>
	<u>344,887</u>	<u>260,375</u>

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

Three (2014: two) Directors are members of a non-cooperated defined contribution scheme contributed to by the company.

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

9 INVESTMENT REVENUE

Investment revenue earned on financial assets analysed by category of asset, is as follows:	2015 £	2014 £
Interest from related parties	56,289	58,412
Interest on bank deposits	4,504	5,461
	<u>60,793</u>	<u>63,873</u>

Included within interest from related parties is interest income earned on loans with Cambridgeshire Learning and Community Partnerships Limited, Hub South West Scotland Limited and Equitix Storage and Handling 3 Limited, all related parties by virtue of common directors, as disclosed in note 16.

10 FINANCE COSTS

	2015 £	2014 £
Bank interest payable	51,619	498
Interest charges on outstanding trade creditor balances	10,561	52,371
Interest on deep discounted loan notes as explained in note 18	-	558,757
Interest and non-utilisation fees on senior loans as explained in note 18	58,634	118,194
Amortisation of senior debt arrangement fees	38,185	57,363
	<u>158,999</u>	<u>787,183</u>

At each close of Equitix Fund III LP and Equitix Fund IV LP, Equitix Investment Management Limited incurred a placement fee liability as disclosed in note 17. Interest is charged on outstanding balances relating to Equitix Fund III LP and Equitix Fund IV LP until the contractual settlement date at a fixed rate of 7% and 3% respectively.

11 TAX

	2015 £	2014 £
Current tax:		
UK corporation tax - current year	(5,724,403)	(2,252,408)
- prior year	(82,231)	34,965
Deferred tax		
UK - current year	-	-
	<u>(5,806,634)</u>	<u>(2,217,443)</u>

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

Profit before tax	<u>45,215,915</u>	<u>9,350,171</u>
Tax at the UK corporation tax rate of 20.25% (2014 - 21.5%).	(9,156,296)	(2,009,673)
Tax effect of non-taxable expenses and non-taxable income	3,438,091	(333,955)
Difference between depreciation and capital allowances	(10,165)	(8,384)
Timing difference regarding tax relief for interest	-	69,070
Adjustments relating to the previous year	(82,231)	34,965
Amortisation of capitalised revenue expenditure	3,682	639
Losses utilised	285	29,896
Tax expense for the year	<u>(5,806,634)</u>	<u>(2,217,443)</u>

On 1 April 2016, the rate of UK corporation tax was reduced to 20%, therefore all tax charges shown above have been calculated on a blended rate of 20.25%. At the Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020.

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 £10,880 (2014 - £245,988).

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

12 INVESTMENTS	2015	2014
	£	£
Investments held at fair value through profit and loss		
Opening balance	<u>7,444,202</u>	<u>5,082,140</u>
Additions at cost	<u>3,720,549</u>	<u>1,773,033</u>
Fair value movements	<u>17,559,357</u>	<u>962,192</u>
Less: distributions received	<u>(245,313)</u>	<u>(373,163)</u>
Closing balance	<u>28,478,795</u>	<u>7,444,202</u>
	2015	2014
	£	£
Investments in joint ventures		
Opening balance	<u>116,500</u>	<u>116,500</u>
Additions at cost	<u>-</u>	<u>-</u>
Closing balance	<u>116,500</u>	<u>116,500</u>

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, Equitix Fund IV LP, Equitix MA Fund I 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.

The Group is obliged by the terms of the Limited Partnership Agreements to invest, as required, up to a total of £1,040,404 (2014 - £1,040,404) with Equitix Fund I LP, £3,333,333 (2014 - £3,333,333) with Equitix Fund II LP, £5,050,505 (2014 - £5,050,505) with Equitix Fund III LP, £990,099 (2014 - £990,099) with Energy Saving Investments LP and £1,515,151 (2014 - £1,212,121) with Equitix Energy Efficiency Fund LP.

The Group took up the obligations of the Limited Partnership Agreements to invest, as required up to £1,010,101 with Equitix MA Fund I LP and £4,289,602 with Equitix Fund IV LP during the year.

13 PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment	Fixtures and fittings	Total
	£	£	£
At 1 January 2015	391,948	310,492	702,440
Additions	<u>53,105</u>	<u>55,547</u>	<u>108,652</u>
Disposals	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
At 31 December 2015	<u>443,053</u>	<u>366,039</u>	<u>809,092</u>
Accumulated depreciation and impairment			
At 1 January 2015	258,990	182,155	441,145
Charge for the period	<u>57,757</u>	<u>36,296</u>	<u>94,053</u>
At 31 December 2015	<u>316,747</u>	<u>218,451</u>	<u>535,198</u>
Carrying amount			
At 31 December 2015	<u>126,306</u>	<u>147,588</u>	<u>273,894</u>
At 31 December 2014	<u>132,958</u>	<u>128,337</u>	<u>261,295</u>

The Directors have considered the value of fixed assets without revaluing them, and are satisfied that the aggregate value of those assets at the time in question was not less than the value stated in the Group's accounts.

14 INTANGIBLE ASSETS	Primary projects	Placement fees	Total
	£	£	£
Cost			
At 1 January 2015	6,836,127	7,731,250	14,567,377
Additions	<u>918,244</u>	<u>225,000</u>	<u>1,143,244</u>
At 31 December 2015	<u>7,754,371</u>	<u>7,956,250</u>	<u>15,710,621</u>
Amortisation			
At 1 January 2015	3,895,169	5,033,306	8,928,475
Charge for the year	<u>1,376,727</u>	<u>1,919,038</u>	<u>3,295,765</u>
At 31 December 2015	<u>5,271,896</u>	<u>6,952,344</u>	<u>12,224,240</u>
Carrying amount			
At 31 December 2015	<u>2,482,475</u>	<u>1,003,906</u>	<u>3,486,381</u>
At 31 December 2014	<u>2,940,958</u>	<u>2,697,944</u>	<u>5,638,902</u>

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

14 INTANGIBLE ASSETS continued

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 and Palmer Capital LLP. These intangibles are amortised over the construction term of projects and the fund investment period respectively.

Additions to placement fee intangible assets comprise amounts incurred in relation to capital raised in Equitix Fund IV LP; this intangible will be amortised over the Investment Period of this Fund on a straight-line basis.

15 RECEIVABLES	2015	2014
Trade and other receivables	£	£
Due within one year:		
Other debtors	75,867	335,103
Deferred primary bid costs	505,448	501,893
Prepayments	263,323	105,137
Accrued income	1,507,506	1,991,292
Amounts due from related parties	<u>11,465,050</u>	<u>13,198,576</u>
	13,817,194	16,132,001
Due after one year:		
Amounts due from related parties	<u>18,060,666</u>	<u>8,308,911</u>
	18,060,666	8,308,911
Ageing of past due debtors but not impaired:	2015	2014
	£	£
Less than 30 days	-	-
31 - 60 days	-	-
121 days +	<u>75,867</u>	<u>335,103</u>

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.

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

16 CASH AND CASH EQUIVALENTS

	2015	2014
	£	£
Cash and cash equivalents	<u>2,151,222</u>	<u>1,771,240</u>

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

	2015	2014
	£	£
<u>Due within one year:</u>		
Trade creditors and accruals	1,022,788	1,599,260
Accrued liabilities	2,878,411	4,477,470
Deferred income	108,282	126,426
Corporation tax	5,720,506	2,229,672
VAT creditor	571,609	1,365,138
	<u>10,301,596</u>	<u>9,797,966</u>
<u>Due after one year:</u>		
Trade creditors and accruals	128,571	-
	<u>128,571</u>	<u>-</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average period taken for trade purchases is 97 days (2014 - 155 days). The Group has financial risk management policies in place to ensure that all payables are satisfied within the relevant credit period.

18 BORROWINGS

	2015	2014
	£	£
Unsecured borrowing at amortised cost		
Senior loans - outstanding facility balance	-	4,000,000
Senior loans - unamortised debt arrangement fee	-	(38,185)
Total borrowings	<u>-</u>	<u>3,961,815</u>
Amount due for settlement within 12 months	<u>-</u>	<u>4,000,000</u>
Amount due for settlement after 12 months	<u>-</u>	<u>-</u>

EQUITIX HOLDINGS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015

18 BORROWINGS continued

	2015
	£
Revolving Credit Facility	
Balance at 1 January 2015	4,024,863
Drawn down during the year	-
Repaid during the year	(4,024,863)
Unpaid accrued interest at year end	-
Balance at 31 December 2015	-

In the prior year, the Group had access to, via Equitix Limited, a revolving credit facility with Royal Bank of Scotland. During the year this loan was cancelled and has been raised by Pace Bidco Limited, the Group's immediate parent undertaking. The Group has an intercompany loan agreement with Pace Bidco Limited, to enable it to borrow the proceeds of drawings made on Pace Bidco Limited's facility.

The Group has made no such drawings during the year and does not foresee the need for a drawdown in the short to medium term. Pace Bidco Limited's financial statements contain details on the terms of the revolving credit facility, details of how to obtain a copy of Pace Bidco Limited's financial statements are provided in note 9 of the Company's financial statements.

19 SUBSIDIARIES

Details of all Group subsidiary undertakings, including the subsidiary name, country of incorporation, proportion of ownership interest is given in note 25.

20 SHARE CAPITAL

	2015	2014
	£	£
Authorised, issued and fully paid up:		
100,001 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, none 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" shareholder is paid with the "B" and "C" shareholders only entitled to the amount paid up on their shares; and
- upon a realisation the "A" shareholder is 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 NOTES TO THE CASH FLOW STATEMENT

	2015	2014
	£	£
Profit for the year	39,409,281	7,132,729
Adjustments for:		
Investment revenues	(60,793)	(63,873)
Finance costs	158,999	787,183
Depreciation of property, plant and equipment	94,053	76,782
Amortisation of intangibles	3,295,765	2,247,889
Tax expense	5,806,634	2,217,442
Operating cash flows before movements in working capital	48,703,939	12,398,153
Dividends paid	(9,368,066)	-
Change in receivables	(24,694,703)	(7,200,532)
Change in payables	(5,210,423)	(1,751,308)
Net cash from operating activities	9,430,747	3,446,313

Notes to the consolidated financial statements for the year ended 31 December 2015

22 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 ongoing 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, Equitix GP 4 Limited, Equitix MA GP 1 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 it 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.

<i>Categories of financial instruments</i>	2015	2014
Financial assets	£	£
Fair value through profit and loss		
Investments as disclosed in note 12	28,478,795	7,444,202
Loans and receivables		
Trade and other receivables	31,877,859	24,440,911
Cash and cash equivalents	2,151,222	1,771,240
Financial liabilities		
Trade and other payables	(10,430,167)	(9,797,965)
Senior external loans	-	(4,000,000)
Unamortised senior external loan arrangement fee	-	38,185

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

During the year, the Group terminated its revolving credit facility with Royal Bank of Scotland, the details of which are explained in note 18. The Group has an intercompany loan agreement with Pace Bidco Limited, the Group's immediate parent undertaking, that has a revolving credit facility with Royal Bank of Scotland for £5,000,000 (2014 - £nil). If required, Pace Bidco Limited can draw funds on the revolving credit facility and lend them on to the Group to meet the costs of the business, at a fixed interest rate of 5%, as such the Group does not have any exposure to interest rate risk. The Group does not forecast any need to call on its intercompany loan facility with Pace Bidco Limited for the foreseeable future, accordingly the Directors do not believe that the Group is materially exposed to interest rate risk.

Interest rate sensitivity analysis

The Group has no current exposure to interest rate risk because the Group terminated its revolving credit facility with Royal Bank of Scotland during the year as explained in note 18 and above. The Group does have an intercompany loan agreement with Pace Bidco Limited, the Group's immediate parent undertaking, which has a fixed interest rate. The Group does not forecast any drawings on this facility for the foreseeable future, therefore the Directors believe that the Group's exposure to interest rate risk is limited, and have not disclosed any interest rate sensitivities in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2015

22 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 as a means of mitigating the risk of financial loss from defaults.

The Group only transacts with creditworthy concession companies that have a cash flow derived from projects in agreement with government authorities and financially strong counterparties, and with unregulated collective investment schemes managed by the Group's subsidiary Equitix Investment Management Limited.

Rigorous testing is performed on every new investor to the Funds limiting the risk of counterparty default in respect of investments that the Group offers to the Funds. 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 drawdown invested funds, this income is deducted from Fund returns at source, limiting the risk of fund investor default.

The Group transacts with Energy Saving Investments LP, which has been evaluated to ensure that the risk of counterparty default is minimised and managed. Investment management fees for Energy Saving Investments LP are charged monthly in arrears based on the value of drawdown invested 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 explained in note 18, the Group terminated its revolving credit facility with Royal Bank of Scotland during the year.

The Group has an intercompany loan agreement, which has a fixed interest rate, with Pace Bidco Limited, the Group's immediate parent undertaking to draw intercompany loans to fund the activities of the Group as necessary.

Pace Bidco Limited, has a revolving credit facility, with Royal Bank of Scotland, for £5,000,000 which it can draw on to fund a drawdown request from the Group as necessary; accordingly the Directors believe that the liquidity needs of the Group are addressed and adequately catered for.

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	2015	2014
	£	£
Fair value through profit and loss	28,478,795	7,444,202
Loans and receivables	31,877,859	24,440,911
Financial liabilities		
Loans from related parties	-	-
Short term borrowings	-	4,000,000
	-	4,000,000

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 counterparty.

The Group had an outstanding revolving credit facility drawing at 31 December 2014 of £4,000,000, this loan facility was terminated during the year and as a result no borrowings were outstanding at the balance sheet date.

Notes to the consolidated financial statements for the year ended 31 December 2015

22 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 note 15.

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 borrowings under the revolving credit facility with Royal Bank of Scotland as disclosed in note 18.

Assets

	Level 1	Level 2	Level 3	Total
	£	£	£	£
2015				
Investments at fair value through profit and loss	-	-	28,478,795	28,478,795
	-	-	28,478,795	28,478,795
2014				
Investments at fair value through profit and loss	-	-	7,444,202	7,444,202
	-	-	7,444,202	7,444,202

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 2015	7,444,202	7,444,202
Total gains or losses:		
in profit or loss	17,559,357	17,559,357
through cash flow	(245,313)	(245,313)
Additions during the year	3,720,549	3,720,549
Balance as at 31 December 2015	28,478,795	28,478,795

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 12.

Notes to the consolidated financial statements for the year ended 31 December 2015

22 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
	£	£	£	£	£
2015					
Loans from related parties	-	-	-	-	-
External borrowings	-	-	-	-	-
	-	-	-	-	-
2014					
External borrowings	4,000,000	-	-	-	4,000,000
	4,000,000	-	-	-	4,000,000

External borrowings comprise outstanding drawings on the revolving credit facility referred to in note 18 that carries a fixed interest rate of LIBOR plus 3.50%. 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.

As disclosed in note 18, the revolving credit facility with Royal Bank of Scotland was terminated during the year.

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
	£	£	£	£	£
2015					
Cash and cash equivalents	2,151,222	-	-	-	2,151,222
	2,151,222	-	-	-	2,151,222
2014					
Cash and cash equivalents	1,771,240	-	-	-	1,771,240
	1,771,240	-	-	-	1,771,240

23 OPERATING LEASE ARRANGEMENTS

The Group as a lessee

Land and buildings

	2015	2014
	£	£
Minimum lease payments under operating leases recognised as an expense during the period:	275,948	161,116

The Group expanded its office space during the year under a lease with its landlord where the Group's existing lease was surrendered and regranted so that the lease on the old and new office space became co-terminus in 2019.

Notes to the consolidated financial statements for the year ended 31 December 2015

23 OPERATING LEASE ARRANGEMENTS continued*Land and buildings*

	2015	2014
	£	£
Minimum payments to be made within one year	181,643	161,116
Minimum payments to be made in the second to fifth years inclusive	224,250	161,116

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

24 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.

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 8.

	2015	2014
	£	£
Short-term employee benefits	1,088,638	742,161
Post employment benefits	73,151	35,735
	1,161,789	777,896

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.

Notes to the consolidated financial statements for the year ended 31 December 2015

24 RELATED PARTY TRANSACTIONS continued

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.

Counter party	Income type	Investment revenue		Share of participating interests		Turnover	
		2015	2014	2015	2014	2015	2014
		£	£	£	£	£	£
Solutions 4 North Tyneside Limited	Primary bidding success fees	-	-	-	-	-	3,605,627
	Management services income	-	-	-	-	167,146	50,340
Miller Equitix Inverness Limited	Primary bidding success fees	-	-	-	-	-	-
Sustainable Communities for Leeds Ltd	Primary bidding success fees	-	-	-	-	-	-
Salford Village Limited	Primary bidding success fees	-	-	-	-	-	-
Greater Gabbard OFTO plc	Primary bidding success fees	-	-	-	-	-	10,260
S4B Limited	Management services income	-	-	-	-	158,051	123,384
Hub South West Scotland limited	Primary bidding success fees	-	-	-	-	1,793,402	412,034
	Management services income	-	-	-	-	36,669	159,338
	Investment revenue	10,289	15,983	-	-	-	-
Equitix Highways Limited	Construction management of primary projects	-	-	-	-	-	275,741
Equitix Highways 2 Limited	Construction management of primary projects	-	-	-	-	2,435,620	3,234,509
Equitix Blue Light 2 Limited	Construction management of primary projects	-	-	-	-	-	324,348
Equitix Education 2 Limited	Construction management of primary projects	-	-	-	-	622,696	1,072,174
Equitix Healthcare 2 Limited	Construction management of primary projects	-	-	-	-	-	-
Equitix Transmission 2 Limited	Construction management of primary projects	-	-	-	-	7,719,000	-
Equitix Housing 2 Limited	Construction management of primary projects	-	-	-	-	1,625,867	1,625,867
Equitix Concessions 3 Limited	Construction management of primary projects	-	-	-	-	2,733,289	382,632
Equitix Housing 3 Limited	Construction management of primary projects	-	-	-	-	1,565,351	1,304,460
Equitix Hubco 3 Limited	Construction management of primary projects	-	-	-	-	740,270	376,573
Hub SW NHSL Sub Hubco Limited	Management services income	-	-	-	-	202,855	81,187
	Primary bidding success fees	-	-	-	-	-	28,000
Uliving @ Essex Limited	Management services income	-	-	-	-	114,452	62,742
Derbyshire Learning and Community Partnerships	Management services income	-	-	-	-	-	-
Cambridgeshire Learning and Community Partnerships	Management services income	-	-	-	-	67,465	125,641
	Investment revenue	6,001	5,541	-	-	-	-
Port of Tyne Handling and Storage Limited	Investment revenue	40,000	36,888	-	-	-	-
Leeds PFI SPV 2 Limited	Management services income	-	-	-	-	180,932	69,611
Equitix Copeland Limited	Management services income	-	-	-	-	40,295	9,032
Equitix Sheffield PFI Limited	Management services income	-	-	-	-	-	17,839
Education Link (2001) Limited	Management services income	-	-	-	-	-	226
Equitix Education Derbyshire Limited	Management services income	-	-	-	-	80,093	19,870
Equitix Healthcare Lancaster Limited	Management services income	-	-	-	-	71,807	17,110
Roehampton Hospital Limited	Management services income	-	-	-	-	178,711	27,475
Equitix Healthcare Surrey Limited	Management services income	-	-	-	-	2,229	552
Access for Wigan Limited	Management services income	-	-	-	-	75,577	18,750
Scotia Water Dalmuir Limited	Management services income	-	-	-	-	70,403	17,500
Equitix Fund I LP	Share of participating interests	-	-	210,260	288,020	-	-
Equitix Fund II LP	Share of participating interests	-	-	812,140	503,461	-	-
Equitix Fund III LP	Share of participating interests	-	-	510,070	77,750	-	-
Equitix Fund IV LP	Share of participating interests	-	-	(6,501)	-	-	-
Equitix MA Fund I LP	Share of participating interests	-	-	10,957	-	-	-
Energy Savings Investments LP	Share of participating interests	-	-	22,473	43,948	-	-
Equitix Energy Efficiency Fund LP	Share of participating interests	-	-	19,959	49,014	-	-
Equitix Education (Cambridgeshire) Limited	Management services income	-	-	-	-	197,824	19,870
Ealing Lighting (Finance) Ltd	Management services income	-	-	-	-	35,258	4,583
Tay Valley Lighting (Hampshire) Ltd	Management services income	-	-	-	-	35,184	3,750
Islington Lighting Ltd	Management services income	-	-	-	-	35,258	4,583
Tay Valley Lighting (Knowsley) Ltd	Management services income	-	-	-	-	25,184	3,750
Tay Valley Lighting (Nottingham) Ltd	Management services income	-	-	-	-	35,258	5,139
Tay Valley Lighting (Southampton) Ltd	Management services income	-	-	-	-	35,184	3,750
Tay Valley Lighting (West Sussex) Ltd	Management services income	-	-	-	-	40,184	3,750
Seaford Ealing Limited	Management services income	-	-	-	-	69,661	17,288
Gwyn Y Mor OFTO plc	Primary bidding success fees	-	-	-	-	1,776,990	-
NPH Healthcare Limited	Primary bidding success fees	-	-	-	-	457,520	-
	Management services income	-	-	-	-	389,714	-
PBSP NW Projects Limited	Primary bidding success fees	-	-	-	-	945,741	-
PSBP Midlands Project Co Limited	Primary bidding success fees	-	-	-	-	350,000	-
Salford Village Limited	Primary bidding success fees	-	-	-	-	1,028,302	-
Full Circle Generation Limited	Primary bidding success fees	-	-	-	-	1,109,768	-
Equitix Infrastructure 3 Limited	Construction management of primary projects	-	-	-	-	2,231,172	-
Equitix MA Infrastructure Limited	Construction management of primary projects	-	-	-	-	1,423,114	-
Thames Partnership for Learning Limited	Management services income	-	-	-	-	133,116	-
Barnsley Partnership for Learning Limited	Management services income	-	-	-	-	71,300	-
Greenwich BSF SPV Limited	Management services income	-	-	-	-	81,920	-
E41 Schools Limited	Management services income	-	-	-	-	31,000	-
Equitix (Howden House) Limited	Management services income	-	-	-	-	79,583	-
Hub SW Greenfaulds Sub Hub Co Limited	Management services income	-	-	-	-	74,436	-
Newbury College	Management services income	-	-	-	-	1,077	-
		56,289	58,411	1,579,357	962,192	31,375,931	13,519,284

Notes to the consolidated financial statements for the year ended 31 December 2015

24 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	Debtor type	Debtor		Investments	
		2015	2014	2015	2014
		£	£	£	£
Solutions 4 North Tyneside Limited	Outstanding management services income	16,529	16,361	-	-
Salford Village Limited	Outstanding primary bidding success fees	-	-	-	-
S4B Limited	Outstanding primary bidding success fees	-	888,075	-	-
	Outstanding management services income	79,765	15,684	-	-
Hub South West Scotland limited	Outstanding primary bidding success fees	-	-	-	-
	Outstanding working capital loans	-	365,096	-	-
	Outstanding management services income	994,722	186,844	-	-
Uliving @ Essex Limited	Outstanding management services income	23,634	44,687	-	-
Equitix Highways Limited	Outstanding construction management services	-	1,332,750	-	-
Equitix Highways 2 Limited	Outstanding construction management services	11,740,913	10,775,294	-	-
Equitix Blue Light 2 Limited	Outstanding construction management services	-	-	-	-
Equitix Education 2 Limited	Outstanding construction management services	-	1,432,304	-	-
Equitix Housing 2 Limited	Outstanding construction management services	3,843,333	2,217,467	-	-
Equitix Concessions 3 Limited	Outstanding construction management services	3,115,921	382,632	-	-
Equitix Housing 3 Limited	Outstanding construction management services	2,869,811	1,304,460	-	-
Equitix Hubco 3 Limited	Outstanding construction management services	505,483	376,380	-	-
Derbyshire Learning and Community Partnerships	Outstanding management services income	747,803	633,644	-	-
Cambridgeshire Learning and Community Partnerships	Outstanding management services income	190,371	115,323	-	-
Leeds PFI SPV 2 Limited	Outstanding management services income	46,967	277,928	-	-
Hub SW NHS Sub Hubco Ltd	Outstanding management services income	50,972	30,622	-	-
Port of Tyne Handling and Storage Limited	Outstanding working capital loans	577,888	537,888	-	-
Equitix Healthcare (Lancaster) Limited	Outstanding recharged audit fees	-	26,287	-	-
STaG PCT (Projectco) Limited	Outstanding recharged audit fees	-	11,687	-	-
Equitix Healthcare (Surrey) Limited	Outstanding recharged audit fees	-	51,635	-	-
Kent Vanwall Limited	Outstanding recharged audit fees	-	1,948	-	-
Information Resources (Bournemouth) Ltd	Outstanding recharged audit fees	-	11,687	-	-
Equitix Education (Derbyshire) Limited	Outstanding management services income	16,059	27,583	-	-
Equitix Education (Cambridgeshire) Limited	Outstanding management services income	-	35,531	-	-
Equitix Copeland Limited	Outstanding management services income	8,079	4,000	-	-
Education Link (2001) Limited	Outstanding management services income	286	100	-	-
Equitix Healthcare Lancaster Limited	Outstanding management services income	20,532	21,600	-	-
	Outstanding recharged audit fees	26,287	-	-	-
Roehampton Hospital Limited	Outstanding management services income	-	32,970	-	-
Equitix Healthcare Surrey Limited	Outstanding management services income	662	662	-	-
	Outstanding recharged audit fees	36,035	-	-	-
Access for Wigan Limited	Outstanding management services income	7,577	15,000	-	-
Scotia Water Dalmeir Limited	Outstanding management services income	14,138	14,000	-	-
Equitix (Howden House) Limited	Outstanding management services income	-	7,900	-	-
Equitix Education (Cambridgeshire) Limited	Outstanding management services income	24,089	-	-	-
Ealing Lighting (Finance) Ltd	Outstanding management services income	3,534	-	-	-
Tay Valley Lighting (Hampshire) Ltd	Outstanding management services income	5,049	-	-	-
Islington Lighting Ltd	Outstanding management services income	3,534	-	-	-
Tay Valley Lighting (Knowsley) Ltd	Outstanding management services income	5,049	-	-	-
Tay Valley Lighting (Nottingham) Ltd	Outstanding management services income	7,069	-	-	-
Tay Valley Lighting (Southampton) Ltd	Outstanding management services income	5,049	-	-	-
Tay Valley Lighting (West Sussex) Ltd	Outstanding management services income	5,049	-	-	-
Seaford Ealing Limited	Outstanding management services income	20,949	-	-	-
NPH Healthcare Limited	Outstanding primary bidding success fees	157,520	-	-	-
	Outstanding management services income	48,358	-	-	-
Full Circle Generation Limited	Outstanding management services income	(2,400)	-	-	-
Equitix Infrastructure 3 Limited	Outstanding construction management services	2,231,172	-	-	-
Equitix MA Infrastructure Limited	Outstanding construction management services	1,423,114	-	-	-
Information Resources (Bournemouth) Ltd	Outstanding recharged audit fees	11,687	-	-	-
	Outstanding management services income	28,520	-	-	-
Kent Vanwall Limited	Outstanding recharged audit fees	1,948	-	-	-
Leeds PFI SPV 2 Limited	Outstanding recharged audit fees	219,711	-	-	-
STaG PCT (Projectco) Limited	Outstanding recharged audit fees	11,687	-	-	-
Dorset Lighting Finance Limited	Outstanding management services income	(417)	-	-	-
E4I Schools Limited	Outstanding management services income	12,400	-	-	-
Equitix (Howden House) Limited	Outstanding management services income	15,955	-	-	-
Greenwich BSF SPV Limited	Outstanding management services income	20,197	-	-	-
Hub SW Greenfaulds Sub Hub Co Limited	Outstanding management services income	7,586	-	-	-
Transform Schools Lanarkshire Limited	Outstanding management services income	103,761	-	-	-
Equitix Fund I LP	Outstanding recharged audit fees	49,120	140,200	-	-
	Loans	-	-	2,120,396	1,989,468
	Fair value of EPS partnership	-	-	7,687,000	-
Equitix Fund II LP	Outstanding recharged audit fees	74,075	75,594	-	-
	Loans	-	-	4,319,328	3,195,536
	Fair value of EPS partnership	-	-	8,293,000	-
Equitix Fund III LP	Outstanding recharged audit fees	61,366	61,366	-	-
	Loans	-	-	3,763,338	1,821,443
Equitix Fund IV LP	Loans	-	-	495,345	-
Equitix MA Fund I LP	Loans	-	-	918,449	-
Energy Savings Investments LP	Outstanding recharged audit fees	30,017	30,017	-	-
	Loans	-	-	343,223	210,301
Equitix Energy Efficiency Fund LP	Outstanding recharged audit fees	7,197	22,820	-	-
	Loans	-	-	538,717	230,874
		29,525,716	21,526,028	28,478,795	7,447,623

Notes to the consolidated financial statements for the year ended 31 December 2015

24 RELATED PARTY TRANSACTIONS continued

Primary bidding success fees are charged by the Group to the project counterparties listed above when individual projects that the counterparties 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 counterparties 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 counterparty 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 counterparties 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 counterparty 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 counterparty; this income is recharged in arrears and recognised when the recharge is raised.

Outstanding primary bidding success fees represents income charged to counterparties 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.

Outstanding 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.

Outstanding 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 counterparties to fund development work and general overheads of the counterparty; these loans are repaid when the counterparty has sufficient surplus cash flow to service the loans.

EQUITIX HOLDINGS LIMITED

25 SUBSIDIARIES, JOINT VENTURES AND INVESTMENTS AS AT 31 DECEMBER 2015

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

EQUITIX HOLDINGS LIMITED

25 SUBSIDIARIES, JOINT VENTURES AND INVESTMENTS AS AT 31 DECEMBER 2016 continued

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
Equitix MA GP 1 Limited	100%	2 ordinary £1 shares	General Partner to Equitix MA 1 LP, a UK limited partnership	United Kingdom
Equitix MA No 1 Limited	100%	100 ordinary £1 shares	Investee company and partner in Equitix MA Fund I LP.	United Kingdom
Equitix GP 4 Limited	100%	2 ordinary £1 shares	Guernsey Financial Services Commission authorised and regulated entity; general partner to Equitix Fund IV LP, a UK limited partnership.	Guernsey
Equitix MA EPS GP 1 Limited	100%	1 ordinary £1 share	Investee company and partner in Equitix MA Fund I LP.	United Kingdom
Equitix No 4 Limited	100%	100 ordinary £1 shares	Investee company and partner in Equitix Fund IV LP.	United Kingdom
Equitix EPS GP 4 Limited	100%	1 ordinary £1 share	General Partner to Equitix EPS 4 LP, a UK limited partnership	United Kingdom
Equitix EPS 4 LP*	70%	Capital commitment and loan commitments	Scottish limited partnership, unregulated collective investment scheme.	Scotland
Equitix North America Inc.	100%	500 ordinary \$1 shares	Holding company for North American operations	Ontario, Canada

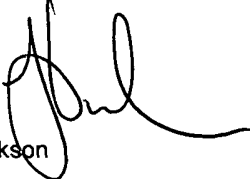
* these Limited Partnerships are exempt from the preparation of financial statements by virtue of being consolidated, either as a subsidiary or on a proportional basis, into these group statements.

EQUITIX HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	2015 £	2014 £
Fixed assets			
Investments		9,633,299	9,613,299
Current assets			
Debtors		944	944
- due within one year	4	<u>944</u>	<u>944</u>
Cash at bank and in hand		<u>9,755</u>	<u>23</u>
		10,699	967
Current liabilities			
Creditors: amounts falling due within one year	5	<u>(71,509)</u>	<u>(51,509)</u>
Net current liabilities		<u>(60,810)</u>	<u>(50,542)</u>
Total assets less current liabilities		<u>9,572,489</u>	<u>9,562,757</u>
Net assets		<u>9,572,489</u>	<u>9,562,757</u>
Capital and reserves			
Called up share capital	6	1,113	1,113
Share premium account	6	9,561,916	9,561,916
Profit and loss account		9,460	(272)
Shareholders' funds	8	<u>9,572,489</u>	<u>9,562,757</u>

The financial statements of Equitix Holdings Limited, registered number 05972500, were approved by the Board of Directors on 31 March 2016 and were signed on its behalf by:


 G A Jackson
 Director

EQUITIX HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Retained earnings £	Total £
Balance as at 1 January 2014	1,113	(272)	841
Profit for the year	-	-	-
Issue of share capital	9,561,916	-	9,561,916
Balance as at 31 December 2014 and 1 January 2015	<u>9,563,029</u>	<u>(272)</u>	<u>9,562,757</u>
 Profit for the year	 -	 9,377,799	 9,377,799
Payment of dividend	-	(9,368,067)	(9,368,067)
Balance as at 31 December 2015	<u><u>9,563,029</u></u>	<u><u>9,460</u></u>	<u><u>9,572,489</u></u>

EQUITIX HOLDINGS LIMITED

Notes to the Company financial statements for the year ended 31 December 2015

1 ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. Old UK GAAP has been replaced by a series of new Financial Reporting Standards ("FRSs") which are mandatory for accounting periods beginning on or after 1 January 2015. In accordance with the revised framework, the Directors have applied FRS 102 for the first time in preparation of these financial statements. In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently are shown below.

The Company is a Qualifying Entity (as defined in the glossary of FRS 102). A Qualifying Entity, for the purposes of FRS 102, is a member of a group where the group prepares publicly available consolidated financial statements which are intended to give a true and fair view and that member is included in the consolidation. The Company's results are included within the consolidated financial statements of the Group statements of Equitix Holdings Limited, accordingly the Company has elected not to prepare a cash flow statement.

b) Investments

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

2 PROFIT 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 2015 the Company reported a result of £9,732 (2014 - £nil). The Directors declared and paid an interim dividend of £4,590,268 (2014 - £nil) and a final dividend of £4,777,799 (2014 - £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 (2014 - none).

4 DEBTORS

	2015	2014
	£	£
<u>Due within one year:</u>		
Amounts owed by group undertakings	<u>944</u>	<u>944</u>

5 CREDITORS

	2015	2014
	£	£
<u>Due within one year:</u>		
Amounts owed to group undertakings	<u>71,509</u>	<u>51,509</u>
	71,509	51,509

6 CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	2015	2014
	£	£
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	<u>113</u>	<u>113</u>
	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 2015

7 TRANSACTIONS WITH RELATED PARTIES

The Company has provided a loan to its subsidiary Equitix Limited for £944 and has received an upstream loan of £70,000 from Equitix Limited. Both transactions have been provided at zero interest coupon and can be redeemed on demand by either party.

8 ULTIMATE PARENT UNDERTAKING

The Company's parent and controlling entity was CS Capital Partners III LP which owns 80% of the issued share capital.

The majority of the remaining shares were owned by three directors of the Company H B Crossley, G A Jackson and N G B Parker and further employees of the Group.

Ownership and control of the Group transferred from CS Capital Partners III LP to Tetragon Financial Group Limited on 2 February 2015.

Following the transfer of ownership on 2 February 2015 referred to above, the immediate parent of Equitix Holdings Limited is Pace Bidco Limited, which owns 100% of issued share capital and the ultimate parent and controlling entity is Tetragon Financial Group Limited.

Copies of the financial statements for Pace Bidco Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.