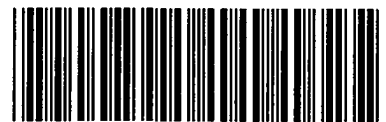


# **EQUITIX INVESTMENT MANAGEMENT LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**Registered Number: 06273020**

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## **EQUITIX INVESTMENT MANAGEMENT LIMITED**

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### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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**DIRECTORS AND ADVISERS**

**Directors**

H B Crossley

K J Maddin (resigned 30 January 2015)

G A Jackson

N G B Parker

J C Smith (appointed 30 January 2015)

P G G Dear (appointed 30 January 2015)

**Company secretary and registered office**

H B Crossley

Welken House

10-11 Charterhouse Square

London

EC1M 6EH

**Auditor**

Deloitte LLP

Chartered Accountants

London

**Principal bankers**

Royal Bank of Scotland plc

2 Devonshire Square

London

EC2M 4XJ

## **DIRECTORS' REPORT**

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2014.

## **DIRECTORS**

The Directors who served throughout the year are shown on page 1.

## **RESULTS AND DIVIDENDS**

The profit after tax for the year amounted to £433,976 (2013 - £157,659) which was transferred to retained earnings.

The Directors do not recommend the payment of a dividend (2013 - £nil).

## **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and market position are set out in the Strategic Report on pages 3 and 4. The financial position of the Company, its cash flows, liquidity position and borrowings are described by the Directors in the notes to these financial statements on pages 9 to 12. Included within this section is a brief description of the Company's objectives, capital management policies and financial risk

The Company's forecasts and projections, taking account of reasonably possible changes in performance, show that the Company should be able to operate within the level of its current available resources including support from other Group undertakings.

As a consequence, the Directors believe the Company is well placed to manage its risks successfully despite any current uncertainties and the economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

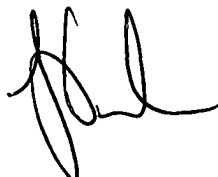
## **AUDITOR**

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board  
G A Jackson  
31 March 2015



## STRATEGIC REPORT

This report highlights and explains the strategic issues for the Company.

### THE BUSINESS MODEL

The Company's primary business activity is acting as the investment manager of Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP (the "Funds"), unregulated collective investment schemes focusing on primary and secondary PFI and PPP projects. Under the terms of Limited Partnership Agreements with the investors of the Funds, the Company selects primary market projects and secondary market acquisitions for investment from those developed and identified by Equitix Limited, a fellow group undertaking. The Company employs the use of a fund investment committee to analyse all aspects of each possible investment to ensure that only opportunities that will meet the return requirements of all fund investors are selected.

The Company's other primary business activity is acting as the investment manager of Equitix Energy Saving Investments LP and Equitix Energy Efficiency Fund LP (the "Green Funds"), unregulated collective investment schemes focused on equity funded energy efficiency initiatives including any and all projects that invest in green energy and energy efficient power and heat generation that is not installed in a domestic environment. Under the terms of each Green Fund's Limited Partnership Agreement, the Company selects primary market projects for investment developed by Equitix Limited, a fellow group undertaking. The Company employs the use of an independently chaired fund investment committee to analyse all aspects of each investment to ensure that only the highest quality opportunities are selected. Each of the Green Funds invests equally in each green energy project; however each project must satisfy the investment and return criteria of each Green Fund.

### BUSINESS OBJECTIVES AND STRATEGY

The Company remains closely engaged with Equitix Limited, a fellow group undertaking to ensure that it understands all primary market projects and can make coherent proposals to the Funds in order to maintain a well balanced and profitable portfolio on behalf of the Funds.

The Company constantly monitors the secondary market to evaluate each opportunity and make investment proposals to the Funds for those projects that the Company believes will fit well in the portfolio of the Funds.

The Company constantly engages with project partners and co-shareholders to ensure that the Company can capitalise on any pre-emption opportunity that may arise on behalf of the Funds.

### KEY PERFORMANCE INDICATORS

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

- raise investment capital for new Funds;
- achievement of sustainable long-term investment growth for Equitix Fund II LP and Equitix Fund III LP;
- maintain sustainable investment returns for Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP;
- identify, develop and manage a sustainable and attractive investment pipeline for the Green Funds;
- targeted investments in suitable secondary market acquisitions creating well balanced portfolio growth; and
- delivery of strict rate of return criteria.

During the year the Company recommended primary and secondary projects for investment by Equitix Fund III LP:

- Assurra LIFT portfolio;
- Bishop Auckland Hospital;
- Dalmuir Waste Water;
- GDF Suez Hayabusa portfolio;
- London and Regional Group Investments portfolio;
- Scottish and Southern Electricity street lighting portfolio; and
- Northumberland Waste Project.

Portfolio valuations for Equitix Fund I LP, Equitix Fund II LP and Equitix Fund III LP show a well balanced, sustainable investment class all performing within budgeted expectations; the Company continues to identify and develop opportunities for investment on behalf of Equitix Fund III LP, Energy Savings Investments LP and Equitix Energy Efficiency Fund LP.

For reasons listed above, the Directors believe the Company has satisfied all key performance indicators set during the year.

## STRATEGIC REPORT CONTINUED

## BUSINESS RISK AND UNCERTAINTY

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

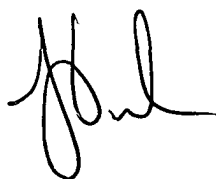
The Company's risk management policies and procedures are discussed below:

Issue	Risk	Mitigation
Investment	The Company may recommend the acquisition of a secondary market opportunity that does not perform to plan and does not produce the rate of return inherent in the acquisition price.	The Company 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 Company may fail to meet obligations handed down by the Financial Conduct Authority (UK) and as a result lose its licence to operate as an investment manager.	The Directors are all regulated individuals and regularly update personal training plans to ensure awareness of all compliance requirements.
Financial	The Company may fall into financial and liquidity difficulty.	The Company deals with Fund investors only, the investors in which are all screened to ensure their creditworthiness and capacity for investment. The Company only borrows from Equitix Finance Limited, a fellow group undertaking, at a fixed interest rate and thus reduces its exposure to interest movements. The Company deals solely in Sterling and thus has no exposure to exchange movements.

Given the resources available, the Directors have formed the judgement that the Company is well positioned to mitigate the majority of risks that could have a potentially material impact on the primary business activities and key objectives.

## FUTURE OBJECTIVES

The Company will continue to evaluate and select high quality investment assets for the Funds including identifying pre-emption opportunities for existing investments and a key performance indicator for the coming year is the level and quality of investment that the Company secures for Equitix Fund III LP. The Company will continue to evaluate UK infrastructure opportunities as well as monitor and capitalise on other geographic territories and infrastructure style markets.



On behalf of the Board

G A Jackson

31 March 2015

## 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 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX INVESTMENT MANAGEMENT LIMITED**

We have audited the financial statements of Equitix Investment Management Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of Directors and auditor**

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

### **Scope of the audit of financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Ross Howard FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK

31 March 2015



**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Turnover	1	<u>11,857,369</u>	<u>4,779,250</u>
<b>Gross profit</b>		<b>11,857,369</b>	<b>4,779,250</b>
Administrative expenses		(11,273,295)	(4,478,544)
<b>Operating profit</b>	2	<u>584,074</u>	<u>300,706</u>
Net interest payable	5	(52,371)	(105,147)
<b>Profit on ordinary activities before taxation</b>		<u>531,703</u>	<u>195,559</u>
Tax (charge)/ profit on profit on ordinary activities	6	(97,727)	(37,900)
<b>Profit on ordinary activities after taxation</b>		<u>433,976</u>	<u>157,659</u>
<b>Retained profit for the year transferred to reserves</b>	11	<u>433,976</u>	<u>157,659</u>

A reconciliation of movements in shareholders' funds is given in note 12.

All items in the profit and loss account relate to continuing operations.

All gains and losses are recognised in the profit and loss account in the current and prior year, and therefore no separate statement of total recognised gains and losses has been presented.

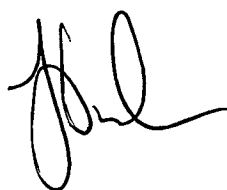
**EQUITIX INVESTMENT MANAGEMENT LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2014**

	Notes	2014 £	2013 £
<b>Current assets</b>			
Debtors due within less than one year	7	2,041,260	135,246
Prepayments and accrued income		2,697,944	3,049,639
- due within one year	8	1,704,270	1,251,695
- due after one year	8	993,674	1,797,944
Cash at bank and in hand		310,036	10,036
		<u>5,049,240</u>	<u>3,194,921</u>
<b>Current liabilities</b>			
Creditors: Amounts due within one year	9	(4,121,409)	(2,236,857)
		<u>(4,121,409)</u>	<u>(2,236,857)</u>
<b>Net current assets</b>		<u>927,831</u>	<u>958,064</u>
<b>Total assets less current liabilities</b>		<u>927,831</u>	<u>958,064</u>
<b>Creditors: amounts falling due after more than one year</b>	9	-	(464,209)
<b>Net assets</b>		<u>927,831</u>	<u>493,855</u>
<b>Capital and reserves</b>			
Called up share capital	10	10,000	10,000
Profit and loss account	11	917,831	483,855
<b>Shareholders' funds</b>	12	<u>927,831</u>	<u>493,855</u>

The financial statements of Equitix Investment Management Limited, registered number 06273020, were approved by the Board of Directors on 31 March 2015 and were signed on its behalf by:

G A Jackson  
Director



Notes to the financial statements for the year ended 31 December 2014

**1 ACCOUNTING POLICIES**

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current and prior year, is shown below.

The Company is a wholly-owned subsidiary undertaking of Equitix Holdings Limited and as such is exempt under FRS 1 (revised 1996) from the requirement to prepare its own cash flow statement.

b) Turnover

All turnover is derived entirely in the United Kingdom and is net of VAT.

Turnover is derived from Equitix GP 1 Limited, Equitix GP 2 Limited, Equitix GP3 Limited, Equitix Energy Efficient GP 1 Limited and Equitix Energy Efficiency GP 1 Limited, fellow group undertakings, for investment management services rendered and is recognised on an accruals basis.

c) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. In accordance with FRS 19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

d) Going concern

The financial statements have been prepared on the going concern basis for the reasons explained in the Directors' Report and Strategic Report.

**2 OPERATING PROFIT BEFORE TAXATION**

The turnover and operating profit before taxation of the Company are attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee of £2,705 (2013 - £2,652) for Equitix Investment Management Limited will be borne by Equitix Limited, who will not seek compensation from the Company.

**3 DIRECTORS' REMUNERATION**

No Directors received any remuneration for services rendered to the Company during the current year (2013 - £nil). The Company is managed by secondees from group undertakings under a management services agreement. A recharge of £10,000,000 has been made for services rendered during the year (2013 - £3,100,000).

**4 STAFF NUMBERS**

The Company had no employees during the year (2013 - nil).

**EQUITIX INVESTMENT MANAGEMENT LIMITED**

**Notes to the financial statements for the year ended 31 December 2014**

**5 NET INTEREST PAYABLE**

	2014 £	2013 £
<b>Interest payable and similar charges</b>		
Interest payable on outstanding trade creditor balances	<u>(52,371)</u>	<u>(105,147)</u>
Net interest payable	<u>(52,371)</u>	<u>(105,147)</u>

**6 TAX (CHARGE)/ CREDIT ON PROFIT ON ORDINARY ACTIVITIES**

	2014 £	2013 £
Taxation is based on the profit for the year and comprises:		
UK corporation tax at a rate of 21.5% (2013 - 23.25%) of taxable profit		
- Current tax	(114,316)	(43,175)
- Prior year adjustment	<u>16,589</u>	<u>5,275</u>
	<u>(97,727)</u>	<u>(37,900)</u>

*Factors affecting the tax charge for the current year*

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit for the year are as follows:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>531,703</u>	<u>195,559</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%).	(114,316)	(45,467)
<b>Effects of:</b>		
Prior year adjustment	16,589	5,275
Losses claimed from group undertakings	-	2,292
<b>Total current tax charge for the year</b>	<u>(97,727)</u>	<u>(37,900)</u>

**7 DEBTORS**

	2014 £	2013 £
<b>Amounts falling due within less than one year</b>		
Amounts owed by group undertakings	<u>2,041,260</u>	<u>135,246</u>
	<u>2,041,260</u>	<u>135,246</u>

Amounts owed by group undertakings are trading balances and do not bear interest.

**8 PREPAYMENTS**

	2014 £	2013 £
Due within one year	1,704,270	1,251,695
Due after one year	<u>993,674</u>	<u>1,797,943</u>
	<u>2,697,944</u>	<u>3,049,638</u>

Included within total prepayments are amounts that have been incurred under a placement agreement with Evercore Partners LLP. These amounts have been capitalised and are released to administrative expenses in the profit and loss account over the investment period of each corresponding Fund, typically 5 years from first close. As at 31 December 2014 £5,024,030 (2013 - £3,769,893) of this amount had been charged to the income statement. The increase in amounts amortised through the income statement during the year is a direct result of £150m of capital raised in Equitix Energy Efficiency Fund LP during the year.

## Notes to the financial statements for the year ended 31 December 2014

## 9 CREDITORS

	2014 £	2013 £
<b>Amounts falling due within one year</b>		
Trade creditors	(691,771)	(1,599,991)
Accruals	(818,933)	(82,322)
Corporation tax creditor	(135,596)	(43,175)
Amounts owing to group undertaking	<u>(2,475,109)</u>	<u>(511,369)</u>
	<b>(4,121,409)</b>	<b>(2,236,857)</b>
 <b>Amounts falling due after one year</b>		
Trade creditors	-	<u>(464,209)</u>
	-	<b>(464,209)</b>

Placement fee liabilities incurred in relation to Equitix Fund II LP, included within trade creditors will be settled in six semi-annual instalments from the date of each close.

Placement fee liabilities incurred in relation Equitix Fund III LP, included within trade creditors will be settled in five semi-annual instalments from the date of each close.

Interest is charged on outstanding placement fee balances until the contracted settlement date at an annual rate of 7% and is presented in accruals above.

## 10 CALLED UP SHARE CAPITAL

	2014 £	2013 £
<b>Allotted, called up and fully paid:</b>		
1,000,000 Ordinary Shares at £0.01 each	<u>10,000</u>	<u>10,000</u>

## 11 MOVEMENT IN RESERVES

	Profit and loss account £
At 31 December 2013	483,855
Retained profit for the year	433,976
At 31 December 2014	<u>917,831</u>

## 12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Profit for the financial year	433,976	157,659
Opening shareholders' funds	493,855	336,196
Closing shareholders' funds	<u>927,831</u>	<u>493,855</u>

**Notes to the financial statements for the year ended 31 December 2014**

**13 TRANSACTIONS WITH RELATED PARTIES**

As a 100% subsidiary of Equitix Holdings Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings that are wholly owned within the Equitix Holdings Limited group. Note 14 gives details of how to obtain a copy of the published financial statements of Equitix Holdings Limited.

**14 ULTIMATE PARENT**

The Company's immediate parent, and the largest and smallest group in which its results are consolidated is Equitix Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the consolidated accounts of Equitix Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

Following the acquisition of Equitix Holdings Limited on 2 February 2015, Tetragon Financial Group Limited became the majority shareholder and controller of the Equitix Holdings Limited Group. Therefore the Company's ultimate controlling company is Tetragon Financial Group Limited, a company incorporated in the United Kingdom and registered in Guernsey.