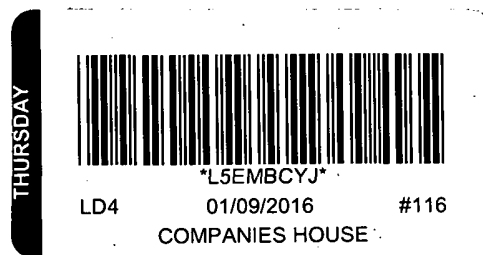


# **EQUITIX ESI BIOMASS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**



**Registered Number: 08466477**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

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**DIRECTOR AND ADVISERS**

**Director**

B Cashin

**Registered office**

Welken House  
10 -11 Charterhouse Square  
London  
EC1M 6EH

**Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## STRATEGIC REPORT

## BUSINESS MODEL

The principal activities of the Company are to invest in and hold Project Shares in accordance with the Shareholders' respective investment policies and the "Green Criteria" applicable to Energy Saving Investments LP (joint owner of Equitix ESI Biomass Limited) and to manage the Company's investments in project companies.

## REVIEW OF THE YEAR

The Company's direct subsidiaries are held at fair value on the Statement of Financial Position with movements recorded through the Statement of Comprehensive Income as explained in note 2. In order to determine the fair value of these investments, the Company takes into consideration the fair value of all the underlying portfolio companies and intermediate holding companies.

## KEY PERFORMANCE INDICATORS

The key performance indicators for the Company are primarily client and financially focused, including those listed below:

- tracking the performance and delivery of the services in conjunction with the KPIs set by local authorities;
- the progress of the individual project companies;
- the comparison of actual cash flows costs to those that have been forecast;
- the value of investments held in the company portfolio in association with the expected future cash flows; and
- that all operational projects are performing within the restrictions of all project documentation.

The latest operational models show the values of the current portfolio of projects are performing in line with expectations and the project documentation with no material or significant unavailability deductions being suffered in the period.

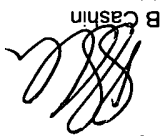
The results for the year are shown on page 6 in the Statement of Comprehensive Income. This shows a loss before tax of £0.2m (2015: profit before tax of £2.1m). The loss for the period is made up of a decrease in the fair value of the investments of £0.2m (2015: profit for the period is made up of an increase in the fair value of the investments of £2.1m). The Director does not recommend the payment of a dividend (2015: nil).

## FUTURE DEVELOPMENTS

The Director of the Company is not aware of any circumstances by which the principal activity of the Company would alter or cease; the Company will continue to invest in and hold Project Shares and to manage the Company's investments in Project Companies. The Company will continue to acquire investment stakes in green energy technology projects with robust clients; the Company will continue to assess and evaluate all opportunities presented by the Manager and invest in projects that best fit the Fund's investment objectives.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company's main concerns are attributable to the sound operation of the underlying non domestic energy efficiency infrastructure assets, ensuring that the modelled cash flows, made up of dividends and other fees are received. The Company will monitor actual and projected cash flows to ensure that the returns are as expected. In addition, the Company will also look to optimise returns from the underlying non domestic energy efficiency infrastructure assets through achieving efficiencies at project level.

By order of the Board  
  
 B. Cashin  
 22 June 2016

## **DIRECTOR'S REPORT**

The Director submits the annual report and the audited financial statements for the year ended 31 March 2016.

### **DIRECTOR**

The Director who served throughout the period, is shown on page 1.

### **INFORMATION DISCLOSED IN THE STRATEGIC REPORT**

The following information has been disclosed in the Strategic report on page 2:

- Principal activities
- Business review
- Principal risks and uncertainties
- Future developments

### **FINANCIAL RISK MANAGEMENT**

The company's management of credit risk, liquidity risk and market risk is discussed in note 13.

### **RESULTS AND DIVIDENDS**

The Company's performance reflects the position under the various inter-company and inter-group agreements that have been put in place during the period, see Strategic Report for further detail.

### **GOING CONCERN**

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate within the level of its current resources. The Director of the Company have had regard in this assessment to the support available from other Group companies and their ability to provide this support. As a consequence, the Director believe the Company is well placed to manage its risks successfully despite the current economic uncertainties and the economic outlook. The Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of financial statements, taking into account both the loss in the period and the net liabilities position at the period end. Accordingly, he continues 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 ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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 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.

By order of the Board



B Cashin  
22 June 2016

## STATEMENT OF DIRECTOR'S 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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:

- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

By order of the Board



B M Cashin  
22 June 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX ESI BIOMASS LIMITED**

We have audited the financial statements of Equitix ESI Biomass Limited for the year ended 31 March 2016 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Director and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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](http://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 Company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 director's 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  
Chartered Accountants and Statutory Auditor  
London, UK

22 June 2016

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Fair value (loss)/gains on investments	8	(220)	2,096
<b>(Loss)/profit from operations</b>	5	<b>(220)</b>	<b>2,096</b>
<b>(Loss)/profit before tax</b>		<b>(220)</b>	<b>2,096</b>
Tax	7	-	-
<b>(Loss)/profit after tax</b>		<b>(220)</b>	<b>2,096</b>
<b>Retained (loss)/profit for the year transferred to reserves</b>		<b>(220)</b>	<b>2,096</b>

The Company has no recognised gains or losses other than reported above.

The notes on pages 10 to 17 form part of these financial statements.



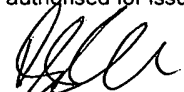
EQUITIX ESI BIOMASS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Non-current Assets</b>			
Investments held at fair value	9	<u>2,374</u>	<u>2,594</u>
		<u>2,374</u>	<u>2,594</u>
<b>Current assets</b>			
Receivables	10	<u>-</u>	<u>55</u>
		<u>-</u>	<u>55</u>
<b>Total assets</b>		<u>2,374</u>	<u>2,649</u>
<b>Net current assets</b>		<u>-</u>	<u>55</u>
<b>Non-current liabilities</b>			
Borrowings	11	<u>(282)</u>	<u>(337)</u>
		<u>(282)</u>	<u>(337)</u>
<b>Net assets</b>		<u>2,092</u>	<u>2,312</u>
<b>Equity</b>			
Share capital	12	<u>55</u>	<u>55</u>
Retained earnings		<u>2,037</u>	<u>2,257</u>
<b>Total equity</b>		<u>2,092</u>	<u>2,312</u>

The notes on pages 10 to 17 form part of these financial statements.

The financial statements of Equitix ESI Biomass Limited, registered number 08466477, were approved by the Director and authorised for issue on 22 June 2016 and were signed by:

  
B. M. Cashin  
Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance as at 1 April 2014</b>		55	161	216
Issued Ordinary Share Capital				-
Profit for the year			2,096	2,096
<b>Balance as 31 March 2015</b>		<b>55</b>	<b>2,257</b>	<b>2,312</b>
<b>Balance as at 1 April 2015</b>		55	2,257	2,312
Issued Ordinary Share Capital	12	-	-	-
Loss for the year		-	(220)	(220)
<b>Balance as 31 March 2016</b>		<b>55</b>	<b>2,037</b>	<b>2,092</b>

The notes on pages 10 to 17 form part of these financial statements.

**EQUITIX ESI BIOMASS LIMITED**

<b>STATEMENT OF CASH FLOWS</b>		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>FOR THE YEAR ENDED 31 MARCH 2016</b>	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		<b>(220)</b>	<b>2,096</b>
Fair value (loss)/profit on investments	<b>9</b>	<b>220</b>	<b>(2,096)</b>
<b>Cash flow from operations</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from operating activities</b>		<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>		<b>-</b>	<b>-</b>

The notes on pages 10 to 17 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2016

**1 GENERAL INFORMATION**

Equitix ESI Biomass Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report and Director's report on pages 2 and 3 respectively. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates.

**2 ACCOUNTING POLICIES**

The Company has considered the need to prepare consolidated financial statements, however, the Company meets the definition of an Investment Entity under IFRS 10 and is required to account for its investments at fair value through profit and loss and hence has not prepared consolidated financial statements.

**a) Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). A summary of the principal accounting policies, all of which have been applied consistently throughout the current and prior year are set out below. As a consequence of the Company's parent meeting the criteria to be defined as an Investment Entity under International Financial Reporting Standard (IFRS) 10, the Company's results are not consolidated into a parent entity. The Company has considered the need to prepare consolidated financial statements and the Company has also adopted Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27) and meets the definition of an Investment Entity under IFRS 10. As such it required to account for its investments at fair value through profit and loss and hence has not prepared consolidated financial statements. These financial statements, for the year ended 31 March 2016, have been prepared in accordance with IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements incorporating accounting for Investment Entities, IAS 28 Investments in Associates and Joint Ventures and IFRS 11 Joint Arrangements. IFRS 10 requires the Company to measure its interests in subsidiary investments in accordance with IAS 39: Financial Instruments - Recognition and Measurement, IFRS 13: Fair Value Measurement and IFRS 7: Financial Instruments - Disclosures. The investments are held at fair value with changes in fair value recognised in profit or loss (see note 8). The Investment Entities standard introduced an exception to the principle that all subsidiaries should be consolidated. The amendments define an Investment Entity and require a parent entity that is an Investment Entity to measure its subsidiaries at fair value through profit or loss, in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement instead of consolidating those subsidiaries. The Company meets the definition of an Investment Entity on the basis of the following criteria.

- (i) the Company obtains funds from multiple investors for the purpose of providing those investors with investment management services;
- (ii) the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (iii) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine if the Company meets the definition of an Investment Entity, further consideration is given to the following characteristics of an investment entity that are demonstrated by the Company.

- (i) it has more than one investment;
- (ii) it has more than one investor;
- (iii) it has investors that are not related parties;
- (iv) it has ownership interests in the form of equity or similar interest; and
- (v) it holds investments for a limited period only i.e. it has an exit strategy for its investments.

Joint ventures are those entities over which the Company has significant influence and joint control as defined in IAS 28 'Investments in Associates and Joint Ventures'. By virtue of the Company meeting the definition of a fund management company and the wholly owned subsidiary of an investment fund and the exemption provided by IAS 28, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit and loss, in accordance with the equivalent measurement exception under IAS 28 and IFRS 13, with changes in fair value recognised in profit or loss in the period of charge.

**b) Cash and cash equivalents**

Cash and cash equivalents comprise on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The transactions shown in the statement of cash flows have been funded through intercompany loan balances.

**c) Going concern**

The director has, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Director's Report on page 3.

**d) Accruals and provisions**

Accruals and provisions are recognised in the statement of comprehensive income in the period in which they are incurred.

## Notes to the financial statements for the year ended 31 March 2016

**2 ACCOUNTING POLICIES (CONTINUED)****e) Taxation**

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

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

*Deferred tax*

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 base 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 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 difference 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 affect neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are recognised for temporary differences arising on investments in subsidiaries, 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 amount of an asset or liability in the balance sheet differs from its tax base, except for difference arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions affects neither accounting nor taxable profit.

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 based on tax laws and the rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company, and the Company intends to settle its current tax assets and liabilities on a net basis.

**f) Financial Instruments**

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of an instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

*Financial assets***(i) Investments at fair value through profit or loss**

Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss. The Company's policy is to fair value equity in non domestic energy efficiency subsidiary investment assets together. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating statement of comprehensive income.

*Investments in subsidiaries*

The Company is required under Investment Entities (Amendments to IFRS10, IFRS 12, IAS 27) to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment related services or activities. The Company measures its investments in non domestic energy efficiency subsidiary investment assets that are subsidiaries at fair value in accordance with IAS39 'Financial Instruments: Recognition and Measurement'.

## Notes to the financial statements for the year ended 31 March 2016

**2 ACCOUNTING POLICIES (CONTINUED)****f) Financial Instruments (continued)***Fair value estimation*

The fair value of financial instruments that are not traded in an active markets is derived the following ways:

**(i) Investments at fair value through profit or loss**

Fair value is calculated by discounting future cash flows, from investments in equity, the Company at an appropriate discount rate. In determining the discount rate, regard has been given to risk free rates and risk premia that are specific to the individual concessions. The discount rates that have been applied to the financial assets at 31 March 2016 were in the range 9.32% to 9.64% (31 March 2015: 9.56% to 9.96%).

*Financial liabilities and equity*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are classified as 'other financial liabilities' and are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**g) Financial risk management**

The Company does not have borrowings, loans or overdrafts that expose the Company to financial risks.

**h) Assessable risks***Credit risk*

The Company is not susceptible to significant credit risk as diversification is being realised as each project developer is different, different boiler installers, different boiler technology providers and different fuel providers are being used, together with a significant proportion of the portfolio that is not directly exposed to any fuel stock risk. Each counterparty is scored for credit worthiness before contracts are entered into. In addition, between 15% - 100% of the income from projects is underpinned through government subsidy rather than derived from the client end user which also reduces credit risk exposure. Credit risk is subsumed in the overall performance risk of the underlying project company.

*Liquidity risk*

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

*Foreign exchange risk*

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

**i) Share capital**

Ordinary shares are classified as equity.

**j) Expenses**

All expenses are accounted for on an accruals basis. The Company's fees, finance costs and all other expenses are charged through the statement of comprehensive income.

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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.

**a) Investments at fair value through profit or loss**

By virtue of the Company's status as an Investment Entity and the exemption provided by IFRS 10, investments in subsidiaries, associates and joint ventures are designated upon initial recognition and subsequently to be accounted for at fair value through profit or loss.

## Notes to the financial statements for the year ended 31 March 2016

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)****a) Investments at fair value through profit or loss (continued)**

The fair values of unlisted investments, which are not traded in an active market, are determined using valuation techniques. As disclosed in note 2 to the financial statements, the Director principally uses discounted cash flow analysis to make their best estimation of the fair value. The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons.

The principal drivers of internally prepared valuations are therefore:

- i) expected future net cash flows; and
- ii) the discount rate to be applied.

The fair value estimation takes into account the future distributions to be received by the Company from its investments.

The discount rate is determined in relation to the particular risks for each investment. All relevant risks such as interest rate risk, credit risk and liquidity risk are incorporated in the fair value of the investments by adjusting the expected cash flows or discount rate used for the valuation of investments. The discount rates used for the 2016 valuation were in a range between 9.32% and 9.64% (2015: 9.56% and 9.96%). If the discount rate used in the valuation were increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss of £0.3m (2015: £0.4m) or a gain of £0.4m (2015: £0.4m) respectively. The assumed long term tax rate is 20%.

If the expected future net cash flows were decreased or increased by 10%, with all other variables held constant, the impact on the value of financial assets would be £0.2m (2015: £0.3m) loss / gain respectively.

**b) Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in active markets is derived in one of the following ways:

- i) Financial assets at fair value through profit and loss  
Financial assets are recognised initially at fair value. Subsequent to initial recognition, the financial assets are measured at fair value using the discounted cash flow methodology. In determining the discount rate, regard is had to risk free rates and risk premia that are specific to the individual concession.
- ii) Loans, receivables, and payables  
The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.
- iii) Borrowings  
Intercompany loans are held at amortised cost.

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

At the date of authorisation of these financial statements, the following Standards 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 IFRS 10, IFRS 12 and IAS 28 (Dec 2015): Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1 (Dec 2015): Disclosure Initiative
- Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014)
- Amendments to IFRS 10 and IAS 28 (Sept 2014): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 27 (Aug 2014): Equity Method in Separate Financial Statements
- IFRS 9: Financial Instruments
- Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2015): Investment Entities: Applying the Consolidation Exception
- IFRS 15: Revenue from Contracts with Customers
- Amendments to IFRS 11 (May 2014): Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14: Regulatory Deferral Accounts

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

**5 OPERATING RESULT**

The operating result of the Company is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee and tax compliance fee for Equitix ESI Biomass Limited of £2,500 and £1,800 (2015: £2,750 and £600) respectively has been shared between Energy Saving Investments LP and Equitix Energy Efficiency Fund LP, who will not seek compensation from the Company.

## Notes to the financial statements for the year ended 31 March 2016

**6 DIRECTORS' REMUNERATION**

The director received no remuneration for services to the Company during the period (2015: none). No recharge for services rendered has been made during the year (2015: none).

**7 TAX CREDIT/(CHARGE) ON PROFIT FROM ORDINARY ACTIVITIES**

Taxation is based on the profit for the period and comprises:

The charge for the period can be reconciled to the result per the income statement as follows:

	2016 £'000	2015 £'000
UK corporation tax at a rate of 20.25% (2015: 21%)		
Current period	-	-
Adjustments in respect of prior periods	-	-
Tax credit	-	-

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

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(220)	2,096
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2015: 21%)	(46)	440
Non-taxable fair value movement	46	(440)
Tax effect of unrecognised deferred tax asset	-	-
Losses not utilised in the period	-	-
<b>Total current tax expense/(credit) for the period</b>	<b>-</b>	<b>-</b>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

**8 FAIR VALUE MOVEMENTS ON INVESTMENTS**

The loss on investments of £0.2m (2015: profit on investment of £2.1m) has been included in the statement of comprehensive income.

The Director has satisfied himself as to the methodology used, the discount rates applied and the valuation.

**9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2016 £'000	2015 £'000
Opening net book value as at 1 April 2015	2,594	498
Fair value gains	(220)	2,096
Closing net book value as at 31 March 2016	2,374	2,594



# EQUITIX ESI BIOMASS LIMITED

## Notes to the financial statements for the year ended 31 March 2016

### 10 RECEIVABLES

	2016 £'000	2015 £'000
Other receivables	-	55
Total receivables	<u>-</u>	<u>55</u>
Included on the balance sheet as follows:		
Current	<u>-</u>	<u>55</u>
	-	55

The carrying value of these assets approximates their fair value. There are no past due or impaired receivable balances.

Other receivables are intercompany balances that are non-interest bearing and have no fixed repayment date.

### 11 BORROWINGS

	2016 £'000	2015 £'000
Loans from joint owners	<u>(282)</u>	<u>(337)</u>
	(282)	(337)
Included on the balance sheet as follows:		
Non-Current	<u>(282)</u>	<u>(337)</u>
	(282)	(337)

The borrowings figure relates to the amount drawn down from the joint owners in order to acquire share capital in the underlying entities. There is a nil interest rate on these amounts drawn.

### 12 SHARE CAPITAL

	2016 No	Authorised 2015 No
<b>Authorised:</b>		
Ordinary shares of £1 each	<u>55,099</u>	<u>55,099</u>
	55,099	55,099
	2016	2015
	£'000	£'000
<b>Allotted and called up:</b>		
Ordinary shares of £1 each	<u>55</u>	<u>55</u>
	55	55

All shares in issue are of the same class.

### 13 FINANCIAL INSTRUMENTS

#### *Capital risk management*

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 12. The Company is not subject to any externally imposed capital requirements.

#### *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

## Notes to the financial statements for the year ended 31 March 2016

**13 FINANCIAL INSTRUMENTS (CONTINUED)**

a) <u>Categories of financial instruments</u>	<b>2016</b>	<b>2015</b>
<b>Financial assets</b>	<b>£'000</b>	<b>£'000</b>
Fair value through profit and loss		
Investments	2,374	2,594
Loans and receivables		
Other receivables	-	55
	<u>2,374</u>	<u>2,649</u>
<b>Financial liabilities at amortised cost</b>		
Other payables	(282)	(337)
	<u>(282)</u>	<u>(337)</u>

b) Financial risk management objectives

The Director provides advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk.

The Company does not enter into financial derivative contracts.

*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 Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. For cash and cash equivalents the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties. Credit risk is subsumed in the overall performance risk of the underlying project company.

The Company only transacts with creditworthy companies. Counterparties are scored for credit worthiness before contracts are entered into.

*Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the sole Director, who has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows.

c) Fair value of financial instruments

The Company holds a number of financial instruments on the statement of financial position at their fair values. The following hierarchy classifies each class of financial asset or liability depending upon the valuation technique applied in determining its fair value.

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

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

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 based on the degree to which the fair value is observable:

	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments at fair value through profit or loss	-	-	2,374	2,374
Financial assets - loans and receivables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,374</u>	<u>2,374</u>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments at fair value through profit or loss	-	-	2,594	2,594
Financial assets - loans and receivables	55	-	-	55
	<u>55</u>	<u>-</u>	<u>2,594</u>	<u>2,649</u>

The fair value calculation is performed on a recurring, annual basis, as defined by IFRS 13.

The key assumptions used in determining the fair values of unquoted investments and a sensitivity analysis is disclosed in note 3.

# EQUITIX ESI BIOMASS LIMITED

Notes to the financial statements for the year ended 31 March 2016

## 14 TRANSACTIONS WITH RELATED PARTIES

### Balance Sheet items

		2016		2015	
Related party	Description	Amounts owed by related parties £'000	Amounts owed to related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Energy Saving Investments LP	Share Capital	-	138	27	-
Equitix Energy Efficiency Fund LP	Share Capital	-	144	28	-
Roundwood Energy Limited	Share Capital	-	-	-	55
Balcas SPV No 2 Limited	Share Capital	-	-	-	26
GG Eco Energy Limited	Share Capital	-	-	-	6
Equitix ESI Biomass (Norfolk) Limited	Share Capital	-	-	-	250
		-	282	55	337

## 15 ULTIMATE PARENT

The Company's joint owners are Equitix Energy Efficiency Fund LP (the ultimate parent of Equitix Energy Efficiency Fund Holdco Limited, a company incorporated in the United Kingdom) and Energy Saving Investments LP, a limited partnership registered in England and Wales. Copies of Equitix Energy Efficiency Fund Holdco Limited accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. The Company's results are not consolidated as the Company and its ultimate parent entities meet the criteria of Investment Entities under IFRS 10.

## 16 PRINCIPAL INVESTMENTS AS AT 31 MARCH 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Country of incorporation
Roundwood Energy Limited	100%	100,000 Ordinary £1 shares	Provision of biomass to heat boilers	United Kingdom
Balcas SPV No 2 Limited	55%	25,575 Ordinary £1 shares	Provision of biomass to heat boilers	United Kingdom
GG Eco Energy Limited	70%	6,300 Ordinary £1 shares	Provision of biomass to heat boilers	United Kingdom
Equitix ESI Biomass (Norfolk) Limited	100%	250,000 Ordinary £1 shares	Provision of biomass to heat boilers	United Kingdom

\*All of the above entities were not consolidated.