COGENPOWER

COGENPOWER PLC

Admission to trading on AIM

Nominated adviser and broker

Allenby CAPITAL

THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Admission Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, such as a stockbroker, solicitor, accountant or other adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000 ("FSMA") (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction). This Admission Document, which comprises an AIM admission document, has been prepared in connection with the proposed application for admission of the issued and to be issued share capital of the Company to trading on AIM, a market of London Stock Exchange plc. This Admission Document is an admission document drawn up in accordance with the AIM Rules for Companies.

This Admission Document does not constitute a prospectus within the meaning of section 85 of FSMA, and has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority ("FCA") and a copy has not, and will not be, approved or filed with the FCA. This Admission Document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise.

The Company and each of the Directors, whose names appear on page 5 of this Admission Document, individually and collectively accept full responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the Company's issued and to be issued ordinary share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this Admission Document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any recognised investment exchange and no such applications have been made.

Prospective investors should read the whole of this Admission Document. An investment in the Company is speculative and involves a high degree of risk. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made. It is expected that Admission (as defined on page 7 of this Admission Document) will become effective and dealings on AIM will commence in the Ordinary Shares at 8.00 a.m. on 12 February 2016. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

Cogenpower plc

(Incorporated and registered in England & Wales with registration number 09301329)

Placing of 5,000,000 Placing Shares at a price of 20p per Ordinary Share
and
Admission to trading on AIM

Nominated Adviser and Broker

Financial Adviser and Placing Agent

EnVent Capital Markets
The Distinctive Investment Banking Firm

Allenby Capital Limited, which is authorised and regulated in the UK by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company. Allenby Capital Limited will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this Admission Document. The responsibilities of Allenby Capital Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or Shareholder or to any other person. In respect of any decision to acquire Ordinary Shares in reliance on any part of this Admission Document or otherwise, Allenby Capital Limited is not making any representation or warranty, express or implied, as to the contents of this Admission Document.

This Admission Document contains forward-looking statements, including, without limitation, statements containing the words "believes", "expects" ,"estimates", "intends", "may", "plan", "will" and similar expressions (including the negative of those expressions). Forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by those forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part II of this Admission Document, entitled "Risk Factors". Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this Admission Document are made on the date of this Admission Document, and the Company and the Directors are not under any obligation to update those forward looking statements in this Admission Document to reflect actual future events or developments.

The whole text of this Admission Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part II of this Admission Document which sets out certain risk factors relating to an investment in the Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Admission Document.

No legal, business, tax or other advice is provided in this Admission Document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence. This Admission Document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, this Admission Document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The distribution of this Admission Document in other jurisdictions may be restricted by law. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, in, into or from the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan or to any national of the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan or to any national of those countries. This Admission Document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. No action has been taken by the Company or Allenby Capital Limited that would permit an offer of Ordinary Shares or possession or distributions of this Admission Document where action for that purpose is required. Persons into whose possession this Admission Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions. This document constitutes neither an offer of securities in Italy pursuant to art. 1(t) of the Legislative Decree n. 58 of 24 February 1998, as amended, nor an offer of securities for sale in the United States or in any other jurisdiction where such offer or solicitation may be unlawful.

In making any investment decision in respect of Admission, the Placing or the subscription for Ordinary Shares, no information or representation should be relied upon in relation to Admission or in relation to the Ordinary Shares other than as contained in this Admission Document. No person has been authorised to give any information or make any representation other than that contained in this Admission Document and, if given or made, such information or representation must not be relied upon as having been authorised.

It should be remembered that the price of securities and the income from them can go down as well as up and this Admission Document contains references to past performance of the Company and its subsidiaries. Past performance is not a reliable indicator of future results.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission Document publication date	5 February 2016
Admission effective and commencement of dealings in the Ordinary Shares on AIM	8.00 a.m. on 12 February 2016
Expected date for CREST accounts to be credited (where applicable)	12 February 2016
Despatch of definitive share certificates	25 February 2016

All future dates referred to in this Admission Document are subject to change at the discretion of the Company and Allenby Capital. All times are UK times unless otherwise specified.

ADMISSION AND PLACING STATISTICS

Number of Existing Ordinary Shares in issue at the date of this Admission Document	40,000,000
Number of Placing Shares	5,000,000
Number of Conversion Shares	5,166,760
Number of Ordinary Shares in issue immediately following Admission	50,166,760
Placing Shares as a percentage of the Enlarged Share Capital	9.97 per cent.
Conversion Shares as a percentage of the Enlarged Share Capital	10.30 per cent.
Placing Price	20p
Market capitalisation of the Company at the Placing Price on Admission	£10 million
Gross proceeds of the Placing receivable by the Company	£1.0 million
Estimated net proceeds of the Placing receivable by the Company	£0.4 million
AIM symbol	CGP
ISIN number	GB00BYT56612
Website address	www.cogenpower.co.uk

EXCHANGE RATES

The following illustrative exchange rates are set out to assist the understanding of this Admission Document, with "£" being the lawful currency of the United Kingdom and "€" the lawful currency of Italy:

£1.00 €1.32

€1.00 £0.76

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Pickering	*Non-Executive Chairman*
	Dr. Francesco Vallone	*Chief Executive Officer*
	Martin Hugh Charles Groak	*Chief Financial Officer*
	Maria Ilaria Cannata	*Corporate Development Director*
	Richard Joseph Day	*Non-Executive Director*
	all of:	
	5 Fleet Place London EC4M 7RD United Kingdom	
Company Secretary	Martin Groak	
Registered Office	5 Fleet Place London EC4M 7RD United Kingdom	
Principal Place of Group Business	Strada Leini 18/E 10072 Caselle Torinese Torino Italy	
Nominated Adviser and Broker	Allenby Capital Limited 3 St. Helen's Place London EC3A 6AB United Kingdom	
Financial Adviser to the Company and Placing Agent	EnVent S.p.A. Vin Barberini, 95 00187 Rome Italy	
	EnVent Capital Markets Limited 32 Sackville Street London W1S 3EA United Kingdom	
Legal Advisers to the Company *as to* English law	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD United Kingdom	
Legal Advisers to the Company *as to* Italian law	Grande Stevens Law Firm Via del Carmine, 2 10122 Torino Italy	
Legal Advisers to the Nominated Adviser and Broker	Fox Williams LLP 10 Finsbury Square London EC2A 1AF United Kingdom	

Reporting Accountant to the Company	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Auditors to the Company	Reconta Ernst & Young S.p.A. Via Conlienza 10 10121 Torino Italy A member of Assiveri, The Italian Association of Auditors (L'Associazione Italiana Revisori Contabili)
Principal Bankers	UniCredit S.p.A. Centro Corporate SN Torino Cintura Direzione Special Network Lombardia & Nord Ovest Via Italia, 61 10036 Settimo Torinese TO Italy Intesa Sanpaolo S.p.A. Filiale Imprese Ciriè Via San Ciriaco nr. 25 10073, Ciriè TO Italy
Public relations adviser to the Company	Cardew Group Limited Albemarle House 1 Albemarle Street London W1S 4HA United Kingdom
Registrars	SLC Registrars, a division of Equiniti David Venus Limited 42-50 Hersham Road Walton on Thames Surrey KT12 1RZ United Kingdom

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

"Act" or "the Companies Act"	the Companies Act 2006 as in force as the date of this Admission Document;
"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies;
"Admission Document"	this Admission Document;
"Adviser Fee Shares"	the 1,272,875 new Ordinary Shares being issued by the Company at the Placing Price to certain of its professional advisers pursuant to Debt to Equity Swap Agreements, further details of which are set out in paragraph 12.6 of Part VII of this Admission Document;
"AIM"	a market of that name operated by the London Stock Exchange;
"AIM Rules" or "AIM Rules for Companies"	the AIM Rules for Companies issued by the London Stock Exchange (as amended, restated or replaced);
"Allenby Capital"	Allenby Capital Limited, the Company's nominated adviser and broker;
"Anaconda"	a trading division of Cogenpower s.r.l., which operates the Anaconda CHPDH power plant for the generation of heat from natural gas;
"Anaconda power plant"	a highly automated power plant with an urban scale CHPDH system located in Borgaro Torinese, Italy;
"Articles"	the articles of association of the Company adopted prior to Admission which are summarised in paragraph 5 of Part VII of this Admission Document;
"Board" or "Directors"	the board of directors of the Company, who on Admission will comprise those individuals whose names are set out on page 5 of this document;
"Civil Code" or "Codice Civile Italiano"	is an organic body of civil law in Italy and the Italian rules of civil procedure of general significance (e.g. Book VI – Title IV) and incriminatory regulations (e.g. Book V – Title XI);
"Cogenpower s.r.l."	the Company's wholly owned subsidiary, formerly Cogenpower S.p.A., a company incorporated under the laws of Italy, with registered number 08913490010;
"Cogenpower Energia s.r.l."	the wholly owned subsidiary of Cogenpower s.r.l., incorporated under the laws of Italy with registered number 094244300011;
"Cogenpower Engineering s.r.l."	a former wholly owned subsidiary of Cogenpower s.r.l., incorporated under the laws of Italy, with registered number 09466560019;
"Cogenpower Gas & Power s.r.l."	the wholly owned subsidiary of Cogenpower s.r.l., incorporated under the laws of Italy, with registered number 09970070018;

"Conversion Shares"	the Adviser Fee Shares, Creditor Conversion Shares and Director Fee Shares;
"Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (as amended, restated or replaced);
"Company" or "Cogenpower"	Cogenpower plc, a company incorporated in England and Wales on 7 November 2014 and with company number 9301329;
"Creditor Conversion Shares"	the 3,606,885 new Ordinary Shares to be issued by the Company at the Placing Price to certain creditors including trade creditors ETR Gas s.r.l., Elettrogas s.r.l., and Logico s.r.l. who are each converting debt for equity pursuant to Debt to Equity Swap Agreements, further details of which are set out in paragraph 12.6 of Part VII of this Admission Document;
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
"Debt to Equity Swap Agreements"	a number of agreements entered into between Cogenpower, Cogenpower s.r.l. and the New Subscribers, pursuant to which the New Subscribers have agreed to subscribe for the Conversion Shares;
"DECC"	the Department of Energy and Climate Change, UK Government body charged with ensuring the UK has secure, clean, affordable energy supplies and promotes international action to mitigate climate change;
"Director Fee Shares"	the 287,000 new Ordinary Shares to be issued by the Company at the Placing Price to certain of the Directors in payment of consultancy fees in connection with Admission pursuant to Debt and Equity Swap Agreements, further details of which are set out in paragraph 12.6 of Part VII of this Admission Document;
"Disclosure and Transparency Rules" or "DTRs"	the Disclosure Rules and Transparency Rules made by the FCA under FSMA;
"EBITDA"	earnings before interest, taxation, depreciation and amortisation;
"EIS"	the Enterprise Investment Scheme and related reliefs as detailed in Part 5 of the Income Tax Act 2007 and in sections 150A to 150D and Schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992 (as amended);
"EMI Options"	options granted pursuant to the Share Option Scheme which comply with specific rules contained in the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003);
"Enlarged Share Capital"	the issued share capital of the Company on Admission, comprising the Existing Ordinary Shares, the Conversion Shares and the Placing Shares;
"EnVent Capital Markets"	EnVent Capital Markets Limited;

"EnVent S.p.A."	EnVent S.p.A., the Company's financial adviser;
"Esseti Acquisition Agreement"	an agreement for the acquisition by the Company of 100 per cent. of Esseti's share capital entered into between the Company, Mr. Giansandro Cavanna and Cavanna Legno S.r.l, a company in which Mr. Giansandro Cavanna is the majority shareholder, on 11 September 2015, further details of which are set out in paragraph 12.7 of Part VII of this Admission Document;
"Esseti Energia s.r.l." or "Esseti"	the wholly-owned subsidiary of Cogenpower s.r.l., incorporated under the laws of Italy acquired pursuant to the Esseti Acquisition Agreement;
"Euro" or "€"	the lawful currency from time to time of the European Union;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Existing Ordinary Shares"	the 40,000,000 Ordinary Shares in issue at the date of this Admission Document;
"Existing Shareholders"	the Shareholders at the date of this document;
"FCA"	the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry;
"FSMA"	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;
"Group"	the Company and its subsidiaries (as defined in the Act);
"GSE"	Gestore dei Servizi Energetici, the Italian Electricity Services Operator;
"IFRS"	International Financial Reporting Standards;
"ISIN"	international security identification number;
"Italy"	the country of Italy, a member state of the European Union;
"Listing Rules"	the listing rules related to admission to the Official List as published by the FCA acting as the UK Listing Authority;
"Lock-in Agreement"	the lock-in and orderly market agreement between the Company, Allenby Capital and various parties, further details of which are contained in paragraph 12.5 of Part VII of this Admission Document;
"Locked-in Parties"	together the Directors and Stefano Chanoine (Director of Engineering and husband of Ilaria Cannata, Corporate Development Director);
"London Stock Exchange"	the London Stock Exchange Group plc;
"New Subscribers"	those persons who have agreed to subscribe for the Conversion Shares pursuant to Debt to Equity Swap Agreements, as further described in paragraph 12.6 of Part VII of this Admission Document;
"Nominated Adviser and Broker Agreement"	the agreement dated 5 February 2016 between (1) the Company, (2) the Directors and (3) Allenby Capital, further details of which are set out in paragraph 12.2 of Part VII of this Admission Document;
"ORC power plant"	the biomass power plant to be built pursuant to the ORC Project;
"ORC Project"	the 1MWe biomass extension to the Anaconda power plant;

"OECD"	the Organisation for Economic Co-operation and Development;
"Official List"	the Official List of the UK Listing Authority;
"Option"	a right to acquire Ordinary Shares of the Company granted in accordance with, and subject to, the Share Option Scheme;
"Ordinary Shares"	ordinary shares of 0.25 pence each in the capital of the Company;
"Panel" or "Takeover Panel"	the Panel on Takeovers and Mergers;
"Placee(s)"	those person(s) who have agreed to subscribe for or purchase (as the case may be) the Placing Shares under the Placing at the Placing Price pursuant to the Placing Letters;
"Placing"	the proposed placing of the Placing Shares by Allenby Capital at the Placing Price with institutional and other investors pursuant to the Placing Agreement and the Placing Letters;
"Placing Agreement"	the conditional placing agreement dated 5 February 2016 between (1) the Directors, (2) the Company and (3) Allenby Capital relating to the Placing and Admission, further details of which are set out in paragraph 12.1 of Part VII of this Admission Document;
"Placing Letters"	the letters dated between 24 December 2015 and 1 February 2016 pursuant to which the Placees have subscribed for or purchased (as the case may be) the Placing Shares;
"Placing Price"	20 pence per Placing Share;
"Placing Shares"	the 4,744,820 new Ordinary Shares to be issued by the Company and subscribed for by Placees pursuant to the Placing, conditional in each case on Admission;
"Prospectus Rules"	the prospectus rules made by the FCA pursuant to Part VI of FSMA;
"QCA"	the Quoted Companies Alliance;
"QCA Code"	the Corporate Governance Code for Small and Mid-size Quoted Companies 2013 published by the QCA;
"Relationship Agreement"	the agreement between (1) the Company, (2) Allenby Capital and (3) Francesco Vallone dated 5 February 2016, details of which are set out in paragraph 12.4 of Part VII of this Admission Document;
"Registrar"	SLC Registrars, registrars to the Company;
"Senior Managers"	Stefano Chanoine and Paolo Prataviera, further details on whom are contained in paragraph 10 of Part I of this Admission Document;
"Share Dealing Code"	the Company's share dealing code as referred to in paragraph 23 of Part I of this Admission Document;
"Share Exchange Agreement"	a share for share exchange agreement dated 28 August 2015, details of which are set out in paragraph 12.7 of Part VII of this Admission Document;
"Share Option Scheme"	the Company's existing share option scheme adopted conditional on Admission by a resolution of the Company dated 30 December 2015, further details of which are set out in paragraph 11 of Part VII of this Admission Document;

"Shareholders"	holders of Ordinary Shares in the Company from time to time;
"Sterling" "£" and "p" or "GBP"	UK pounds sterling and pence, the lawful currency of the United Kingdom;
"Subsidiaries"	the subsidiaries of the Company being as at the date of this Admission Document: Cogenpower s.r.l., Cogenpower Energia s.r.l., Cogenpower Gas & Power s.r.l. and Esseti Energia s.r.l.;
"Takeover Code"	the City Code on Takeovers and Mergers of the United Kingdom as published by the Panel and as updated from time to time;
"Unapproved Options"	options granted pursuant to the Share Option Scheme, other than EMI Options;
"Uncertificated" or "in uncertificated form"	Ordinary Shares regarded in the Company's register of Shareholders as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"UK Listing Authority" or "UKLA"	the United Kingdom Listing Authority of the FCA, acting in its capacity as competent authority for the purposes of Part IV of FSMA;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"VAT"	UK Value Added Tax or its equivalent in any other relevant jurisdiction;
"VCT" or "Venture Capital Trust"	a Venture Capital Trust for the purposes of Part 6 of the Income Tax Act 2007; and
"£" and "p" or "GBP"	UK pounds sterling and pence, the lawful currency of the United Kingdom.

GLOSSARY OF TECHNICAL TERMS

Lignocellulosic 'biomass'	wood chips, logs of wood reduced by machine to wooden chips which are to feed stock;
'CAGR'	compound annual growth rate;
'CHP'	combined heat and power, sometimes referred to as cogeneration, is the simultaneous production of electricity and heat;
'CHPDH'	combined heat and power district heating;
'Combined Heat and Power Plant'	CHP integrates the production of usable heat and power (electricity), in one single, highly efficient process;
'DH' or 'District Heating'	district heating, a system for distributing heat generated in a centralised location for residential and commercial heating requirements;
'Electrical Power'	production of electricity by a power plant measured by MWe;
'EU Heat Energy Roadmap' or 'HER'	Heat Energy Roadmap, a low-carbon heating and cooling strategy for Europe;
'Feed-in-tariffs'	a pricing policy mechanism designed to accelerate investment in renewable energy technologies;
'Hermes'	software of management and control of Anaconda power plant;
'HNDU'	Heat Networks Delivery Unit;
'KWe'	kilowatt electric, a measure of electrical power;
'local communities'	communities with less than 50,000 inhabitants, the target size for the Company's CHPDH systems;
'MWe'	megawatt electric, a measure of electrical power;
'MWt'	megawatt thermal, a measure of thermal power;
'NDRHI scheme'	non-domestic Renewable Heat Incentive scheme, a UK Government environmental programme that provides financial incentives to increase the uptake of renewable heat;
'ORC'	Organic Rankine Cycle; methodology for efficient heat recovery from low-temperature combustion, such as with biomass;
'PPA'	power purchase agreement;
'SCADA'	supervisory control and data acquisition;
'Thermal Power'	production of heat by a power plant measured by MWt; and
'TWh'	Terawatt hours.

PART I

INFORMATION ON THE GROUP

1. Introduction

Cogenpower is a low-carbon energy business, using sustainable generation to supply cost effective and cleaner energy to urban communities. Cogenpower s.r.l. was founded in 2004 by Dr. Francesco Vallone and is based near Turin, Italy. The Group has been revenue generating since 2004 and profitable at the EBIT/operating profit level since 2009.

The Company designs, builds, transforms, owns and operates high efficiency Combined Heating Plants with annexed District Heating (DH) distribution networks, known as CHPDH. The Group's CHPDH schemes are designed to serve communities of up to 50,000 people. Cogenpower is also a retailer of natural gas and electricity to domestic and commercial customers and a provider of energy services.

A CHP plant with DH networks runs on fuels, such as natural gas, and renewable sources, such as biomass, for use in heat and electricity production. Heat is distributed and sold to households, businesses and amenities within the vicinity of the power plant, thus creating an energy efficient district. Electricity is generally sold through a bilateral contract to a wholesaler and fed into the power grid. The Company's plant has achieved efficiency of above 90 per cent., reducing energy costs and delivering good margins from a loyal customer base.

Since its foundation in 2004, the Group has developed its CHPDH schemes through a number of stages, with increasing levels of efficiency and automation. The Group's flagship Anaconda power plant, located in Borgaro, Torinese (TO), Italy, which is operated by its wholly-owned subsidiary Cogenpower s.r.l., became operational in 2008.

In late 2009, the Group identified a further opportunity for improved efficiency and developed an innovative heat storage facility that was able to store heat when demand was low and release heat when demand peaked. The addition of a heat storage facility enabled the Group's control algorithms to further optimise production, temporarily decoupling heat and power production, and therefore maximising the profits from the sale of heat. Anaconda was equipped with intelligent automation in 2012.

Cogenpower's high efficiency CHPDH systems are both scalable and able to be built and operated easily. They are designed specifically to meet the growing demand for low-carbon community-based energy systems in de-regulated energy markets.

The Group's growth strategy is based on building new green-field CHPDH systems as well as acquiring and transforming existing schemes using Cogenpower's proven technology and expertise. This strategy will target expansion in the Italian market, across Europe and elsewhere internationally, where wider deployment of CHPDH schemes is increasingly regarded as a key enabler of long-term energy efficiency and environmental goals.

Pursuant to the Esseti Acquisition Agreement, the Group recently completed the acquisition of Esseti Energia s.r.l., an independent power producer based in Predosa, to the east of Turin, focused on providing electrical energy fuelled by biomass. Esseti's main operation is a 1 MWe Organic Rankine Cycle (ORC) biomass power plant. By utilising Cogenpower's existing technology the Directors believe that they can extract additional value from Esseti and enhance the Group's overall operational capability. The Group also plans to further develop the Anaconda power plant with the addition of biomass generating capability – creating an advanced hybrid CHPDH scheme. By increasing fuel flexibility it is anticipated that the hybrid plant will reduce both energy production costs and CO_2, a pollutant predominantly responsible for the greenhouse effect, and for these reasons become eligible for feed-in tariff revenues on renewable electricity production for the next 20 years.

The Group plans further growth in Italy and has identified three cash generative CHPDH schemes in Italy, and is in preliminary negotiations for the potential acquisitions of these CHPDH schemes. Cogenpower will be able to add biomass, thermal storage and intelligent automation capability to these targeted acquisition opportunities. The Group also plans to develop a green-field CHPDH project for the local community of Orbassano. This plant will run on natural gas and will supply heat to domestic residential properties.

The UK has been identified by the Company as its next growth area as its de-regulated energy market and the drive toward decarbonisation and energy efficiency is gaining strong momentum. Cogenpower's high-efficiency community energy systems and expertise are therefore expected to be particularly attractive. The Company was incorporated in England in November 2014, establishing a UK presence from which to develop its UK operations. A growth strategy is in place and project plans are in progress.

The Group has three distinct existing business streams:

- *CHPDH Systems:* Cogenpower s.r.l. designs, builds, transforms, owns and operates efficient low-carbon CHPDH schemes, designed to supply urban communities of up to 50,000 people. The company deploys low-carbon technologies integrated within intelligent automation system designs, including heat storage and smart metering technologies to optimise the generation and the supply of lower cost energy.

  Cogenpower's schemes deliver high levels of generation, supply and operational efficiency. Building on the efficiencies offered by combined heat and power systems, Cogenpower's designs combine augmented hybrid energy solutions, advanced process automation strategies and sophisticated operations management systems.

  Designed specifically for local generation and supply, build and operational costs are optimised for operation at the community energy scale. The schemes integrate high-reliability systems that replace the high-maintenance components of traditional designs to deliver high security energy supply, and remove customer maintenance costs associated with boilers, leading to high levels of customer retention.

  Cogenpower's schemes can offer lower heat tariffs than its competitors with reduced carbon footprint, and generate long-term revenue.

  The CHPDH system has been proven at Cogenpower's existing Anaconda power plant, the Group's first automated power plant with an urban-scale CHPDH distribution system.

  The Group has recently completed the acquisition of Esseti Energia, pursuant to the Esseti Acquisition Agreement, an independent power producer based in Pedrosa, providing electrical energy fuelled by biomass.

- *Gas and Power Supply:* Cogenpower Gas & Power is a retailer of natural gas and electricity to domestic and commercial customers. The business serves households and SMEs in the Turin region, Italy. It provides a physical retail presence for Cogenpower, which the Directors believe reinforces the community supplier relationship with customers.

- *Energy Services:* Cogenpower Energia is an energy services business which retrofits and operates boilers and micro CHP plants in addition to supplying heat and electricity to customers.

Background and operations

For more than 10 years the focus of the Group has been the efficient and cost-effective generation and distribution of combined heat and power for local communities in Italy. Cogenpower combines strengths in CHPDH in two main areas:

- the design, build and delivery of highly automated and highly efficient low-carbon generating plant and distribution systems, such as the Anaconda power plant; and

- the long-term operation of CHPDH systems for communities.

The Anaconda power plant integrates low-carbon technologies efficiently, producing heat and power simultaneously. Cogenpower s.r.l. completed the Anaconda scheme on time and to budget in October 2008. The Anaconda power plant has a capacity of 3MWe of electric output and 15MWt of thermal output. The Anaconda power plant heat storage system allows for heat that would otherwise be wasted in conventional power plants to be utilised productively.

The nature of the CHPDH business is that it creates strong first-mover advantage and generates long-term revenues from a committed customer base, advantages which the Group has achieved from the Anaconda project. The Anaconda power plant currently serves a community of some 4,500 people and a total of 59 substations providing Cogenpower with dependable demand for heat. In each of the last three years the

customer retention rate has been above 92 per cent. The Directors believe the community served by the Anaconda power plant also offers considerable growth potential.

The Anaconda power plant has a strong health and safety track record, illustrating the reliability of the systems and the importance the management team places on operating in a safe environment. These systems are highly automated and managed by the Group's control systems including intelligent automation in both the generation and distribution of CHP.

In the year ended 31 December 2014 the Group recorded revenues of €5.80 million, EBITDA (before other operating expenses) of €1.13 million and loss before tax of €0.96 million, and is currently cash generative at the operating level.

The Company is led by an experienced Board. Dr. Francesco Vallone, Chief Executive Officer and Group founder, has nearly 20 years' experience in energy markets, business management and technology. Ilaria Cannata, Corporate Development Director, has worked for the Group since 2006 and has more than 10 years' experience in business and strategic planning. The Board has been further strengthened through the appointments of David Pickering as Non-Executive Chairman, Martin Groak as Chief Financial Officer and by Richard Day as Non-Executive Director.

The Group has a strong management team who have worked together since inception to deliver the success of the Anaconda project. The Board is supported by an experienced senior management team. Stefano Chanoine (Director of Engineering) was the first employee of the Group and has more than 10 years of experience in energy, engineering and management, and Paolo Prataviera (Director of Production and Maintenance) has worked for the Group since 2007 and has accumulated more than 9 years of experience in automation, operation & maintenance and engineering design.

The market

Demand for more efficient, cheaper, cleaner, secure and sustainable power generation and supply is rising rapidly in the European urban energy market. Energy policy and the de-regulation of energy markets are accelerating the transition required to meet this demand.

Cogenpower's high efficiency CHPDH systems are both scalable and able to be built and operated easily. They are designed specifically to meet the growing demand for low-carbon community-based energy systems in de-regulated energy markets across Europe and elsewhere internationally.

The combination of efficient low-carbon technology integration and highly automated operations enables Cogenpower to supply communities with energy at a materially lower cost to customers, whilst delivering higher operating performance for the Group.

Cogenpower s.r.l.'s cost of production is considerably lower than the market price of energy due to the combination of the intrinsic high efficiency of CHP production, heat storage and the fact that the heat energy is delivered without the need for a further conversion process. This enables heat energy to be offered at a rate that is typically between 10 and 20 per cent. lower than market prices.

Across European energy systems a significant amount of energy is lost through inefficient generation and distribution. There is a fundamental shift towards "sustainable" economies by means of renewable energy, energy efficiency and sustainable development. This includes the reduced dependency of non-renewable energy sources, considerations of the cause of harmful pollution and greenhouse effects, and the reduction of Europe's dependency on energy imports.

Change is also being driven by customer and community attitudes. Over the past five years, support for carbon footprint reduction has become more widespread and there has been growing customer dissatisfaction with inflexible large energy providers, often seen as being unresponsive to local community needs. As a result of this increasing shift towards more renewable energy sources, community-based combined heat and power schemes are expected to have an important part to play in meeting the carbon footprint reduction objectives.

The EU Heat Energy Roadmap 2050 ("HER") targets increased energy efficiency to decarbonise the EU by at least 80 per cent. by 2050, to below 1990 levels. The HER has determined that there is currently more

heat being wasted in Europe than is required to heat all of its buildings. District heating, such as that provided by Cogenpower, can capture this surplus heat and deliver it competitively to buildings. The HER targets an increase in district heating, particularly in urban areas from today's level of approximately 10 per cent. penetration, to approximately 30 per cent. by 2030, and 50 per cent. by 2050.

There are broadly two market segments for CHPDH: large cities with populations from 50,000 to more than 1 million, and smaller towns and communities with populations from 5,000 to 50,000 people. Cogenpower's existing proven operations and its target markets are in the latter segment. It is estimated that about a third of the OECD population lives in communities or districts of this size (Source: 'Cities of Tomorrow' – Challenges, visions, ways forward, European Commission, October 2011), demonstrating the opportunity Cogenpower has to utilise its first-mover advantage to become a principal supplier of CHPDH to communities with populations from 5,000 to 50,000 people, both in Italy, across Europe and elsewhere internationally.

Cogenpower s.r.l. has developed its systems and expertise in Italy where there has been a long tradition in District Heating and where the process of energy de-regulation started in 1999. Since 2006 growth in the District Heating market has been accelerated by environmental policy to reduce pollution in city centres. In Italy more than 3 million people are served by approximately 200 District Heating networks. It is in this dynamic market environment the Group has developed and refined its high-efficiency systems.

The presence and credibility that the Group has created over the last ten years through its operations in Italy, and in particular the Anaconda power plant, provide it with a platform for growth both in its domestic market in Italy, and for international expansion.

Growth strategy

The Group's growth strategy is based on:

- transforming existing CHPDH schemes using Cogenpower's proven technology and expertise;
- converting conventional urban heating schemes to CHPDH solutions as well as acquiring and transforming existing CHP schemes; and
- building new green-field CHPDH systems.

This strategy will target expansion both in the Italian market, and internationally, with the initial focus on the UK market.

Italy is a relatively mature de-regulated energy market and the Directors consider the strategic opportunity for Cogenpower is two-fold. First, the acquisition and transformation of existing CHPDH schemes, applying the Company's technology and expertise to deliver high efficiency generation. Second, addressing new community energy market opportunities which are being driven by existing government policy, both as conversion and green-field opportunities.

The UK District Heating market is currently underdeveloped and, whilst de-regulated, is at a considerably earlier stage than the Italian market. However, rapidly changing market conditions in the UK energy market, stimulated by government policy and legislation, make it a highly attractive market for Cogenpower. The Board believes that the Company's CHPDH systems that have been developed and proven in the more mature Italian energy market, match the needs of the emerging UK CHPDH market, and provide the Group with a first-mover advantage when entering the UK marketplace. Cogenpower has recently received a letter of intent from the Bootle in Cumbria Community Interest Company (BICCIC) confirming its interest in working with Cogenpower to secure financing, construction and operation of a CHPDH scheme for the village of Bootle.

Admission to trading on AIM

Cogenpower is seeking admission to AIM and has conditionally raised £1.0 million of equity funding to support the Group's long-term growth strategy. The Directors believe that the Placing and Admission will assist the Group in achieving the following objectives:

- to assist in the funding of the outstanding consideration payable in relation to the Esseti acquisition;
- to extend the Anaconda power plant's fuel usage from natural gas to woodchip biomass, creating a hybrid automated scheme, increasing its overall operational efficiency;

- to repay the most expensive portion of the Company's debts;
- to support the growth of Cogenpower, as described above;
- to allow the Company to access equity capital cost-effectively in the future and to increase the Group's creditworthiness which the Board believes will enable it to obtain bank guarantees and thus improve its ability to procure energy commodities; and
- to enhance the credentials of the Group with existing and potential customers, supporting the development of Cogenpower's brand, particularly in Italy and the UK.

2. Key strengths and value creation

The Directors believe that the Group has a number of key strengths that create value for stakeholders and customers, and which differentiate it from its competitors, enabling it to take advantage of considerable growth opportunities in its market sector.

The Company is differentiated primarily in its market by its proven track record in building and operating high-efficiency, automated, low-carbon community CHPDH schemes. Such schemes can supply energy reliably at materially lower cost to customers than traditional energy suppliers, whilst delivering higher operating margins.

In addition, the Company uses advanced automation technologies to increase operational efficiency and maintain headcount at a minimum. Currently, the Group employs a total of 13 people. Five are members of the executive management team, three work in the engineering department, two work in the administrative department, and the remaining three are split between back office activity and front office activity. The majority of the executive team of Cogenpower s.r.l. has been with the Group since before the construction of the Anaconda power plant and is determined to successfully repeat its innovative CHPDH schemes for other local communities.

Value for stakeholders is created by:

2.1 *Design and delivery of high-efficiency hybrid power plants – tailored to community energy requirements*

The Group builds advanced combined heat and power plants that integrate renewable, low-carbon technologies, controlled throughout by intelligent automation. Conventional combined-cycle power generation operates at around 60 per cent. efficiency. Combined heat and power systems offer improved efficiency, typically around 85 per cent. Cogenpower's systems have been shown to deliver more than 90 per cent. efficiency.

Cogenpower power plants are designed specifically for community energy schemes, serving up to 50,000 people. By integrating system components that are designed to operate at this scale, build, development and operational costs are fully optimised for community schemes.

The Group has demonstrated with Anaconda its capability to build such schemes to time and on budget. The Group's designs are fully field-proven – the Anaconda power plant has been in operation for more than 7 years.

2.2 *High operational efficiency CHPDH schemes – lower cost, low maintenance and high reliability*

The Company's business philosophy is that CHPDH schemes should run with minimal day-to-day human intervention. Cogenpower's power plant and heat distribution networks are highly automated and are designed with high-reliability systems that replace traditional high-maintenance components. This enables the Group to offer customer service contracts with no additional maintenance costs.

Cogenpower schemes optimise the cost of energy production by constantly monitoring and processing end-users' heat consumption data with its control systems and algorithms. These systems determine and forecast heat demand automatically and sequence optimal energy production and storage processes.

The Group has developed sophisticated operational and business management systems that are closely integrated with their automated operational management systems. The Group's billing procedures are automatic and customer consumption data is downloaded by smart meters and processed by the Group's billing platform which enables low administrative costs and high accuracy in the billing process.

The result is greatly reduced operating costs and high availability of energy supply. Cogenpower schemes can offer heat tariffs typically 10 and 20 per cent. lower than direct competitors, with a reduced carbon footprint, while generating consistent EBITDA.

The Group has a strong health and safety track record, illustrating the reliability of its systems and the importance the management team places on operating in a safe environment.

2.3 ***Proven and robust business model – significant first-mover advantage and long-term revenue visibility***

The nature of the CHPDH business is that it creates strong first-mover advantage and long-term revenues from a committed customer base.

Once a community CHPDH scheme is established, the Board believes the cost of establishing a second competitive District Heating system is prohibitive. The cost of competing with the "first mover" CHPDH scheme can be far higher than the benefits a competitor could achieve. Moreover, the Directors believe that it is unlikely that local authorities will provide their consent to build more than one power plant in the same community due to environmental concerns.

Cogenpower holds this first-mover advantage with the Anaconda project and a loyal customer base with dependable demand for electricity, natural gas and heat. The Anaconda power plant serves a customer base of 4,500 people. Over the last three years the customer retention rate of the Anaconda project has been above 92 per cent. Considerable organic growth potential exists for Anaconda through the expansion of Cogenpower's customer base in the local community. Anaconda is currently operating at 60 per cent. capacity and therefore has the potential to benefit from any expansion in local building development.

Recurring and predictable revenues are produced through the products that are sold to customers for heat and from the sale of electricity which enable the Group to plan its capital investments over a medium-term timescale and to use appropriate debt financing to increase return on investment.

2.4 ***A scalable business in a growth market – competitively differentiated***

Demand in the European energy market for more efficient, cheaper and secure power generation and supply is growing rapidly. Energy policy and de-regulation of energy markets are accelerating the transition to environmentally sustainable solutions.

Wider deployment of CHPDH schemes is increasingly seen as a useful component in meeting challenging long-term energy efficiency and environmental goals.

Cogenpower is well equipped to compete in this expanding market. The Group's technical and business systems that take CHPDH to high levels of efficiency are designed to be readily repeatable domestically and in international markets. The opportunity to utilise these assets either to transform existing schemes or reliably develop new ones is considerable.

3. History and formation of the Group

The Company was incorporated in England on 7 November 2014, establishing a UK presence from which to develop the Group's UK operations. Following a share exchange completed on 28 August 2015, Cogenpower became the ultimate holding company of the Group. Cogenpower s.r.l., a wholly-owned subsidiary of the Company, was founded in 2004 by Dr. Francesco Vallone, the Company's Chief Executive Officer, with its CHPDH systems being the principal operations in Italy. The Company's other wholly-owned operating subsidiaries, Cogenpower Gas & Power s.r.l., Cogenpower Energia s.r.l. and Esseti Energia s.r.l., respectively, focus on: (i) the supply of natural gas and electricity; (ii) on upgrading residential flats and commercial buildings with condensing boilers or micro-CHP plants and (iii) on the renewable production of

electricity using untreated virgin wood as fuel. Section 16 of Part 1 of this Admission Document contains a structure chart for the Group.

Cogenpower's first CHPDH scheme, the Anaconda power plant in Borgaro Torinese, was established as a result of Cogenpower s.r.l.'s early development of micro-CHP systems for commercial use. In developing these systems, Cogenpower s.r.l. recognised the opportunity to reduce their high maintenance costs through the use of automatic control and management systems. Between 2005 and 2007 Cogenpower s.r.l. increased the scale of the Company's existing power plant, and developed an automatic control and management system: Hermes.

Between 2006 and 2007 Cogenpower s.r.l., in collaboration with the University of Turin, developed an efficient District Heating system and designed a micro-grid scheme, used as the basis for the development of the Company's highly automated CHPDH system. In September 2007, Cogenpower s.r.l. started the construction of its heat network at the Anaconda power plant, equipped with a fibre optics data network, an essential tool for its intelligent control systems.

The Anaconda power plant began operations in October 2008, providing an urban scale CHPDH system that was able to deliver 3MWe of electrical power and 15 MWt of thermal power, serving 4,500 end-users and reducing CO_2 emissions by more than 3,000 tonnes per year.

In late 2009, Cogenpower s.r.l. identified a further opportunity for improved efficiency and developed a heat storage facility that was able to store heat when demand was low and release heat when demand peaked. The addition of a heat storage facility enabled the Group's control algorithm to further optimise production, temporarily decoupling heat and power production, and therefore maximising the profits from the sale of heat. The Anaconda power plant was equipped with intelligent automation in 2012. In 2013 Cogenpower s.r.l. designed the ORC Project, an extension to the Anaconda power plant that would integrate biomass woodchip, transforming it into a renewable energy, high-efficiency plant. Each of the above has been funded out of the existing working capital of the Group, with further financing by way of short term borrowings, where required.

The GSE (The Italian "Gestore dei Servizi Energetici S.p.A.") has recognised Cogenpower s.r.l.'s work, providing an incentive payment for the generation of heat from high quality CHP, which supports the Group's CHPDH objective of reducing air pollution due to the generation of heat from air polluting fuel sources.

In 2013, Cogenpower s.r.l. also developed a strategic plan to capitalise on its CHPDH technologies and expertise and deliver major growth in both its domestic market and internationally. To facilitate this, Cogenpower s.r.l. has further developed its management structure and procedures.

On 1 December 2015, the Company acquired Esseti as part of Cogenpower's growth strategy and expansion of the Group. Esseti is a 1 MWe ORC biomass power plant based in Predosa, Alessandria, to the east of Turin. By utilising Cogenpower's technology the Directors believe that they can extract additional value from the plant and enhance the Group's overall biomass operational capability.

Esseti is currently EBITDA positive with stable operating and maintenance costs. The power plant has been in operation since 2011 and is eligible to receive feed-in-tariffs for the next 11 years. Esseti produces electricity from its power plant which it sells to the national grid operator.

In addition to adding an operationally profitable generating power plant to the Group, the acquisition has the strategic benefit of enhancing the Group's biomass competence and capability which will be exploited in the development of the Anaconda ORC Project. There is also the potential for Esseti to be developed to recover heat produced by the power plant itself and supply it to a local community as is currently carried out at the Anaconda power plant.

After identifying the UK market as one of the most attractive international growth territories, the Company was founded in 2014 and a base was established in the UK as a local base from which to develop the Group's UK presence.

In addition, Cogenpower has recently received a letter of intent from Bootle in Cumbria Community Interest Company (BICCIC) with regard to working in partnership to secure financing, construction and operation of a CHPDH scheme for the village of Bootle. Recently, Cogenpower has opened exploratory discussions with

Bizcat Limited, a UK energy consulting company operating in the district heating market, with the aim of entering into a commercial partnership. This demonstrates the Group's intention to penetrate the UK market through identifying, over the next few months, the first projects to be developed by Cogenpower in the UK.

4. Information on the Cogenpower business

CHPDH Systems

The principal focus of the Company is to build, own, transform and operate Combined Heating Plants with annexed District Heating (DH) distribution networks, known as CHPDH. The Group's CHPDH schemes are designed to serve communities of up to 50,000 people.

A CHP plant with DH networks requires the burning of fuel, such as natural gas and renewable sources such as biomass, for use in electricity and heat production. Electricity is generally sold through a bilateral contract to a wholesaler and fed into the power grid, whilst heat is distributed and sold to households, businesses and amenities within the vicinity of the power plant, creating an energy efficient district.

On average, the specific CHPDH technology, developed by the Company and suited for communities up to 50,000 people, requires the construction of combined heat and power units to provide between 2 – 20 MWe of electrical power generation and between 15 – 100 MWt power capacity. Cogenpower's technology is well suited to the growing demand for delivering energy with a very low content of carbon dioxide, fuelled by renewable sources, at competitive prices.

By integrating low-carbon technologies within highly automated system designs Cogenpower's schemes operate highly efficiently. The Company has achieved efficiency of above 90 per cent., reducing energy costs to and delivering good margins from a loyal customer base.

In Italy, in December 2011, the Antitrust Authority investigated the competitive market for District Heating, particularly from a pricing and regulatory viewpoint. The investigation concluded that in the District Heating market, it is not necessary for existing competitive forces to be entirely substituted by new pervasive legislation, but such forces should be developed and sustained by specific competition regulation.

The investigation included the market analysis, highlighting the level of prices for heat, a comparison with natural gas and general level of profitability in the market. Relevant data from the market analysis report is included below.

The chart below shows the average market price that heat is sold to customers, across a number of operators. The Cogenpower price is indicated by the red line in the chart. Cogenpower's prices are not artificially high, in order to justify greater margins, nor are they too low, thus underselling the heat it produces. Considering that the heat tariffs are partially dependent on the efficiency of the power plant and the fuel used and also on the cost of the infrastructure, the comparison below should only be seen as an average comparison among different operators.

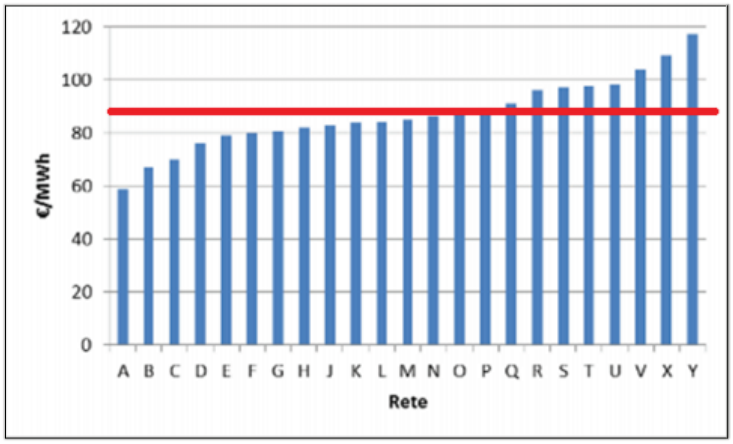


Figure 1: Average heat price in the market for the year 2011 compared to CGP average price (red line). Operator names have been removed and replaced with alphabet letters to ensure anonymity.

(*Source: Antitrust Authority, Investigation Report 2011*)

The following chart shows a comparison between the price of the heat generated by DH systems (red) and the price that can be obtained by burning natural gas in a condensing boiler (in blue). The first result is that in the majority of the cases DH is much more competitive than the alternative technology of condensing boilers running on natural gas. Looking at Cogenpower's average price, indicated by the horizontal red line, it is clearly more competitive than alternative natural gas condensing boiler technology.

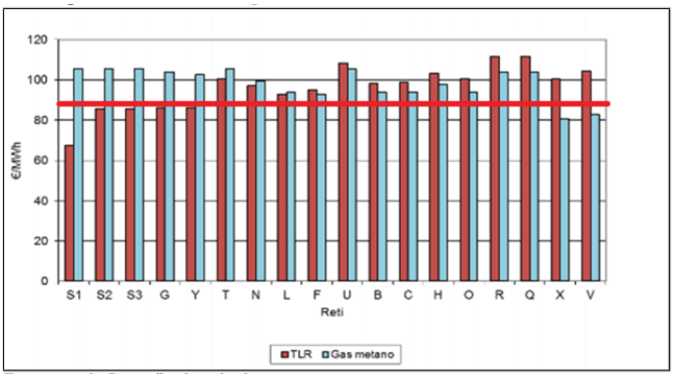


Figure 2: Comparison between the price of heat produced by district heating networks (red) and natural gas condensing boiler (blue). CGP average price (horizontal red line) for the year 2011. Operator names have been removed and replaced with alphabet letters to ensure anonymity.

(*Source: Antitrust Authority, Investigation Report 2011*)

The final chart below shows the profit margins of a number of operators of DH networks in the heat market. Reading from left to right, the first eight cases are DH without a CHP as a source of heat (in this case the source can vary between a simple boiler to a more sophisticated waste management facility not operating in a Combined Heat and Power mode). The rest are CHPDH therefore directly comparable with the Anaconda power plant.

The two main conclusions that can be drawn are:

(a) CHP technology applied to district heating network usually has better profit margins

(b) In all instances but the last one, Cogenpower's profit margins, measured by the percentage of earnings before interest and taxes over revenues (EBIT per cent.) are higher than competitors'.

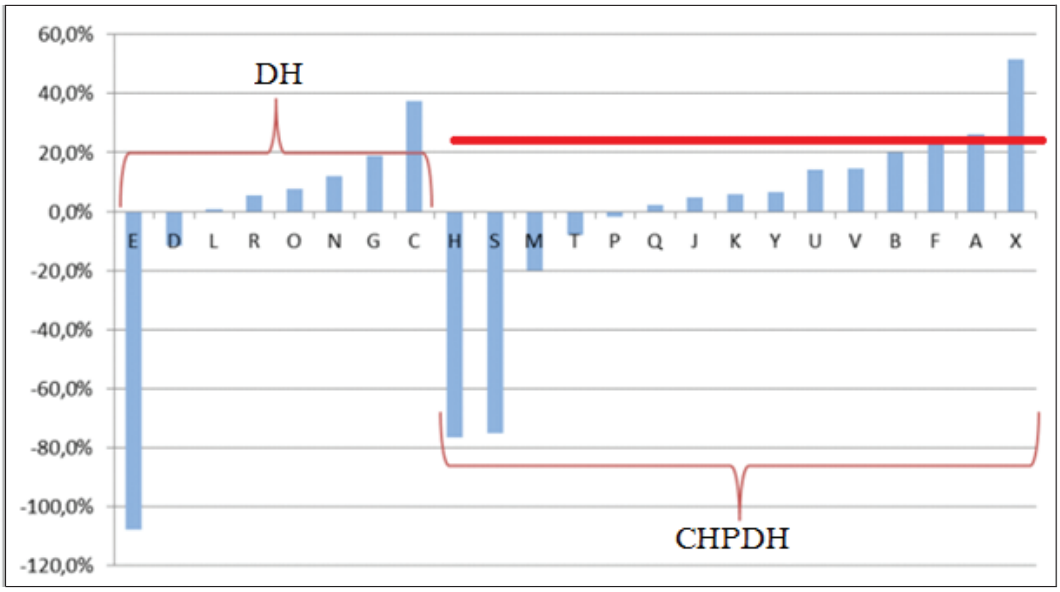


Figure 3: EBIT per cent. of competitors vs. Cogenpower (in red) for the year 2011. Operator names have been removed and replaced with alphabet letters to ensure anonymity.

(*Source: Antitrust Authority, Investigation Report 2011*)

The data published by the Antitrust Authority show that, Cogenpower's heat prices are well within the range of market prices offered by other competitors, but these prices are more competitive than natural gas and the Company's profitability is almost always higher than other similar schemes.

CHPDH Key Capabilities and Skills

Operating high-efficiency CHP plants with district heating networks requires key skills and capabilities that the Group has developed over a number of years. These include:

- Efficient daily and seasonal load management;
- High operational efficiency through automatic command and control systems such as those used at the Anaconda power plant;
- Balancing of energy cost and income, through hedging of electricity contracts;
- Automatic billing procedures; and
- Reliability, safety and maintenance.

Efficient daily and seasonal load management

The Group's CHPDH systems are subject to daily and seasonal changes in the demand for heat, mainly as a result of changes in the external temperature – during winter demand for heat peaks, in summer it reduces.

To service this changing demand effectively, the Group has developed a system design to store heat and manage heat demand. The system automatically sequences the production process in order to achieve the highest efficiency power generation at the lowest cost.

The Company is now intending to add a biomass section to the Anaconda power plant, transforming the plant into a hybrid CHPDH scheme to provide flexibility in reducing carbon dioxide emissions. This is technically achieved by the construction of a biomass CHP plant, running on woodchip as fuel, delivering electricity to the grid and heat to the existing Anaconda district heating infrastructure.

At present biomass fuel is cheaper than natural gas and is eligible to receive feed-in-tariffs. In the long run the relative prices could change but Cogenpower will benefit from the additional flexibility in fuelling the hybrid Anaconda power plant, choosing the least expensive fuel all the time. This capability will be added to the intelligent automation technology already developed, allowing the hybrid power plant to be self-programming and able to select the cheapest fuel automatically. The Company intends to put in place a new debt facility once Admission has occurred to provide funding to enable the Company to complete the building of the Anaconda biomass power plant extension.

High operational efficiency through intelligent automatic command and control of the power plant

Cogenpower s.r.l. has transformed the operational and business performance of its CHPDH schemes through the extensive use of intelligent automation.

Fundamental to Cogenpower's innovative designs is the principle that the power plant should run with minimal human intervention. This is achieved through the extensive use of intelligent automation with advanced SCADA and automated control units deployed throughout the system.

Intelligent automation also enables highly efficient operational performance by automatically processing data from users' heat consumption and estimating heat demand. An algorithm which predicts demand and electricity prices, sequences the production process to fulfill heat and power demand at the lowest possible cost for the consumer.

Balancing of energy cost and income – hedging of electricity contracts

In contrast to large combined cycle power plants that employ long-term tolling agreements and PPAs, a CHPDH business can balance its power costs and energy supply income.

The Anaconda power plant's fuel is purchased with annual contracts that have either a fixed price or a variable price based on energy commodities. The electricity produced is sold through bilateral contracts at a variable price directly related to the market price on the power exchange, such as The Italian Power

Exchange. Heat is sold at a free tariff on an unregulated basis and is updated every three months with a formula that reflects changes in the fuel cost and maintenance and operational costs.

With these pricing mechanisms, there is a natural hedge between the cost of the fuel consumed and the price of the heat sold, whereby increases in fuel costs are absorbed by increases in the heat tariffs.

There is a further significant hedge at the Group level as Cogenpower Gas & Power sells electricity at a fixed price, whilst buying against a variable formula. This variable formula is the same formula used by Anaconda to sell its electricity. Therefore, the Group overall has, on the one hand, fixed price purchases versus fixed price sales, whilst on the other hand, its variable purchases and sales are based on the same formula.

The hedging is necessary only when a feed-in-tariff is not granted (i.e. for CHPDH that runs on natural gas). In this case, hedging can be constructed either using the former scheme or by purchasing derivatives that fix the electricity price (futures contracts).

Automatic billing procedures

The Group has developed sophisticated business management systems that are closely integrated with its automated operational management systems. The Group's billing procedures are automatic and customer consumption data is downloaded by smart meters and processed by the Group's billing platform.

All of the Group's billing activity is managed on a single automated platform which provides the Group with sophisticated control and management procedures, as well as reliable and synchronised billing. This enables low cost of administration of, and high accuracy in, the Group's billing process.

Reliability, safety and maintenance

The advanced technologies deployed by the Group and the selected high reliability components mean that its power plant and distribution networks are extremely reliable. The use of hot water rather than steam in the power plant and in heat distribution enhances the safety of CHPDH operations and allows full automation with minimal human intervention.

The Group enhances its reliability by intelligent automation technologies and optimal design systems. For example, the Anaconda power plant has experienced no serious reliability issues despite having been continuously in operation for the past seven years.

The Group always strives to ensure the highest standards of safety. Since the start of its operations there have been no reported accidents. The Directors believe the reasons for this are: the technology the Group employs, using hot water instead of steam, high-quality suppliers, and the fact that being highly automated the power plant requires minimal human intervention to run.

The Group operates two other businesses:

- ***Gas and electricity sales:*** Cogenpower Gas & Power is a retailer of gas and electricity to domestic and commercial customers. The business serves households and SMEs in the Turin region, Italy. The business provides a physical retail presence for Cogenpower, which strongly reinforces the community-supplier relationship with customers through:
    - a structure that is close to retail customers with staff experienced in the field of energy supplies – avoiding the impersonal atmosphere of a call centre or a hotline; and
    - a billing system that is based on actual consumption, not estimated, thanks to automated meter reading.
- ***Energy Services:*** Cogenpower Energia is a legacy energy services business which upgrades blocks of flats and commercial buildings with condensing boilers and micro CHP plants in addition to supplying heat and electricity to customers.

5. The growth market for Cogenpower

The European urban energy market is changing with demand for more efficient, cleaner, secure and sustainable power generation and supply increasing. Energy policy and the de-regulation of energy markets are accelerating the transition required to meet this demand, in the face of changing customer attitudes and needs.

The Group has identified efficiency to be a critical factor. Across European energy systems, a significant amount of energy is lost through inefficient generation and distribution. Globally, energy transition strategies have shown a fundamental shift towards "sustainable" economies by means of renewable energy sources, energy efficiency and sustainable development. This includes reduced dependency on coal and other non-renewable energy sources, considered to be the causes of harmful pollution and greenhouse effects, and the reduction of Europe's dependency on energy imports.

Energy transition strategies globally have proposed an immediate reduction of the sources of CO_2 such as coal in exchange of a cleaner fuel such as natural gas or an increase in renewable sources. Therefore, the Directors believe, the market for Cogenpower, being aligned with this general trend, is going to grow.

Change is also being driven by consumer and community attitudes. There is widespread support for carbon footprint reduction and low-carbon technologies. Dissatisfaction with inflexible and unresponsive large energy providers is increasing demand for local suppliers with a presence, identity and services much more closely aligned to the needs of a community.

As a result, the Directors believe that community-based combined heat and power schemes will play an important part in meeting these objectives and needs, and the Group is well placed to capitalise on the change toward renewable energy at the community level.

CHPDH market place

In the EU, 45 per cent. of energy consumption is used for heating. Recognising the intrinsic efficiencies of CHPDH schemes in utilising energy lost by other types of system, the EU Heat Energy Roadmap (HER) 2050 targets a major increase in deployment of these schemes.

With a target of decarbonising the EU by 2050 to at least 80 per cent. below 1990 levels, the HER calls for:

- cheaper comfort: estimated annual savings of €100 billion and 15 per cent. lower heating and cooling costs;
- faster decarbonisation through increasing energy efficiency and the recycling of heat otherwise wasted; and
- better energy: through creating a flexible infrastructure and improved technological balance.

HER studies predict that if appropriate investments are made in urban networks, half of Europe's heat requirements could be met through District Heating by 2050 which will considerably reduce the costs of the energy transition with effective heat recycling and increased use of renewable energy sources. This will reduce Europe's dependency on energy imports whilst simultaneously increasing the efficiency of both electricity and heat generation.

In Europe there are currently over 6,000 District Heating systems, serving at least 60 million people. Approximately 57 per cent. of the EU population lives in regions that have at least one District Heating system.

Based on International Energy Agency energy statistics in 2012, 72.8 per cent. of District Heat used in the 28 EU Member States was recycled heat from electricity production (combined heat and power) using biomass or fossil fuels, and also waste-to-energy regeneration plants and industrial processes. The use of renewable energy has been steadily increasing in the past decade and, in total, the share of renewables in the District Heating energy mix is approximately 23.3 per cent.

CHPDH usage in Europe varies between mature markets and relatively new markets with high growth potential. Western European markets, where District Heating has been historically less common, register the strongest growth each year and have the biggest potential for future development. Western European markets have traditionally been dominated by the use of individual domestic boilers. As the benefits of District

Heating for primary energy savings and the environment have been recognised, District Heating has begun to play an increasingly important role and its market share has steadily grown each year. In more mature markets with a higher installed base of District Heating schemes, such as Italy, the demand is for renovation and greater use of renewable energy sources. A key enabler of the market is energy de-regulation, breaking the monopolies of large energy providers and enabling new entrants.

Target market segments

There are broadly two market segments for CHPDH: large cities with populations from 50,000 to over 1 million; and smaller towns and communities from 5,000 to 50,000. These two market segments are addressed by different technologies and very different scale schemes.

Cogenpower has made the strategic decision to focus its operations on the latter segment. It is estimated that about a third of the OECD population lives in communities or districts with populations of less than 50,000 people (source: 'Cities of Tomorrow – Challenges, visions, ways forward', European Commission, October 2011). This market segment is addressed by local companies and smaller scale energy suppliers. The development projects for CHPDH schemes in this market segment are typically between £4 million and £25 million[1].

In this market segment Cogenpower focuses on supporting:

- urban developers by providing cost-effective energy to new residential areas in accordance with the applicable environmental standards. Delivery of heat or hot water is much safer than delivering natural gas to a boiler that must then burn the gas to produce heat;
- local authorities committed to reducing carbon emissions. The Group's focus on the market of local communities with up to 50,000 people enables rapid deployment of its schemes (construction of the Anaconda power plant was completed in less than a year). Speed of construction is particularly important for political consent and building a CHPDH plant meets local authorities' aims for building for future generations;
- residential boroughs – helping reduce energy bills, avoid maintenance and operation costs, while monitoring energy use; and
- energy intensive facilities such as hospitals, schools, universities, sport centres – enabled by the capability of Cogenpower systems to adapt energy production readily to meet different demand profiles, delivering cost savings.

With market opportunity and customer demand growing strongly for urban community-based energy schemes across Europe, the growth opportunity for efficient energy producers like Cogenpower are considerable.

The presence and credibility that Cogenpower has created through its operations in Italy over the last seven years, particularly with regard to establishing and maintaining good relationships with local communities, provides it with an excellent growth platform in the Group's existing domestic market in Italy. The Company also intends to address the considerable opportunity for international expansion.

In the UK, where the de-regulated energy market and the drive toward decarbonisation and energy efficiency is gaining strong momentum, Cogenpower's high-efficiency community energy systems and expertise are expected to be particularly attractive. The UK has therefore been identified by the Company as its next growth area.

[1] Source: management estimates.

Italian Market

District Heating in Italy dates back to the 1970s with a CAGR of over 10 per cent. (see Figure 4). The first projects were installed in large cities such as Brescia, Milan and Turin and remain active.

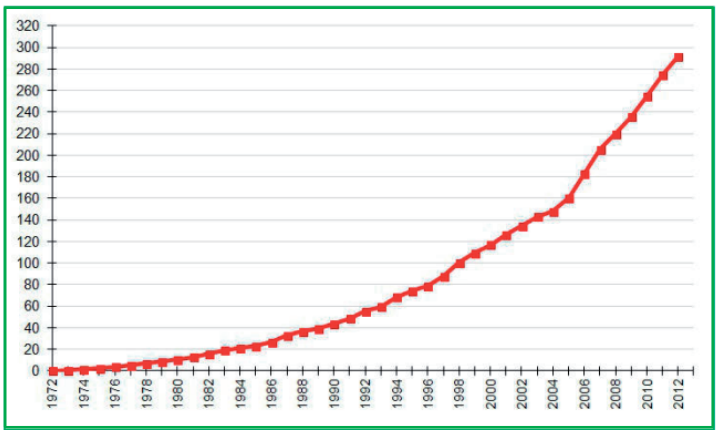


Figure 4: Growth of District Heating in Italy in terms of heated volume (millions of cubic metres)

The December 2014 National Energy Strategy Report, the most recent District Heating survey published by AIRU (the National District Heating Association, which represents 95 per cent. of operators), illustrated that more than 3 million people in Italy are served by more than 190 District Heating networks, primarily located in the North of Italy.

Figure 4 also shows that after 2006 there was an acceleration of growth in this sector, driven mainly by the development of new natural gas engines and changes in environmental policy to reduce pollution in city centres.

Despite this growth, the community energy market segment has traditionally been under-served by energy infrastructure projects. This is principally because communities typically require schemes that are too small to interest large utilities who are focused on large-scale traditional power generation. Furthermore there are few other system integrators able to offer an innovative business model based on the integration of multiple technologies to deliver a highly automated, self-regulating renewable CHPDH infrastructure.

In the National Energy Strategy Report the Italian Government emphasised that the energy sector has a key role in the economic growth of the country. The Italian Government has identified seven priorities for the near future:

- Energy efficiency;
- Competitive gas market and South Europe hub;
- Sustainable development of renewable energy;
- Development of electricity infrastructure and market;
- Restructuring the refining and fuel distribution network;
- Sustainable production of national hydrocarbons; and
- Modernisation of the governance system.

As a relatively mature de-regulated market the strategic opportunity for Cogenpower in Italy is two-fold. First, the acquisition and transformation and conversion of inefficient existing schemes, applying the Group's technology and expertise to deliver high efficiency generation. Secondly, bringing Cogenpower's solutions in at the urban-planning phase.

UK Market

The UK District Heating market is currently underdeveloped and, though de-regulated, is at a considerably earlier stage than the Italian market. However this is expected to change significantly in the next few years (Source: 'Delivering UK Energy Investment: Networks', Department of Energy and Climate Change, January 2015), driven significantly by government policy and legislation.

In a recent infrastructure investment report the Department of Energy and Climate Change (DECC) stated that heat networks can become the UK's third piece of significant energy infrastructure, after the gas and electricity grids, with investment opportunities of up £800 million in the next decade.

Analysis has shown that in the UK District Heating could be a cost effective and viable alternative to individual renewable technologies, and reduce consumers' bills. The Heat Networks Delivery Unit (HNDU) was set up by DECC in September 2012 to support local authorities in developing heat networks. The HNDU provides funding for heat mapping, a masters in energy planning and feasibility studies. Since its creation in 2013, HNDU has awarded support to 180 projects across 115 local authorities including £9.7 million of grant funding.

District heating has been identified as a key component of a strategy to meet UK climate and energy objectives. In the 2013 Heat Strategy, the UK government identified the economic potential to provide up to 14 per cent. of UK heat demand via District Heating by 2030, increasing from only 2 per cent. presently. This includes a vision for up to 50 per cent. of buildings to be connected to heat networks by 2050.

The Scottish government is supporting District Heating with renewable energy with provision of the District Heating Loan Fund. It has proposed a target of 40,000 homes connected to DH and 1.5 TWh of district heat delivered to industry, consumers and businesses by 2020.

In December 2013, DECC launched the Non-Domestic Renewable Heat Incentives (Non-Domestic RHI) for biomass CHPDH which added considerable further stimulus to the heat energy market. CHP is also identified in the "UK Bioenergy Strategy" as a low-risk energy deployment pathway for biomass use to 2030, enabling biomass to contribute to both renewable electricity and renewable heat targets.

The Non-Domestic RHI scheme offers a CHPDH operator material incentives both for heat produced and delivered by means of a District Heating pipeline, and for electricity produced – provided that the power plant is fuelled by wood biomass and it is a high efficiency CHP scheme. Cogenpower's highly efficient CHPDH solutions fit well with the requirements of the Non-Domestic RHI scheme.

Rapidly changing market conditions in the UK heat energy market, stimulated by government policy and legislation make it a highly attractive market for Cogenpower. The Group's CHPDH systems, developed and proven in the more mature Italian energy market, align with the needs of the emerging UK CHPDH market particularly well, and the Board believes this provides the Group with a competitive first-mover advantage.

Cogenpower has recently received a letter of intent from the Bootle in Cumbria Community Interest Company (BICCIC) with regard to working in partnership to secure financing, construction and operation of a CHPDH scheme for the village of Bootle. Recently, Cogenpower also opened exploratory discussions with Bizcat Limited, a UK energy consulting company operating in the district hearing market, with the aim of entering into a commercial partnership. This demonstrates the Group's intention to penetrate the UK market through identifying, over the next few months, the first projects to be developed by Cogenpower in the UK.

6. Growth strategy and objectives

The Group's growth strategy is based on:

- transforming existing CHPDH schemes using Cogenpower's proven technology and expertise;
- converting conventional urban heated schemes to CHPDH solutions as well as acquiring and transforming existing CHP schemes; and
- building new green-field CHPDH systems.

Anaconda power plant Biomass Extension – ORC Project

In March 2015 the Group began the construction of a 1 MWe/4MWt biomass extension to the Anaconda power plant. The ORC biomass plant is expected to be fuelled by untreated virgin wood supplied from Piedmont producers, certified for sustainable forest management.

The addition of this facility to the Anaconda power plant will provide the following advantages:

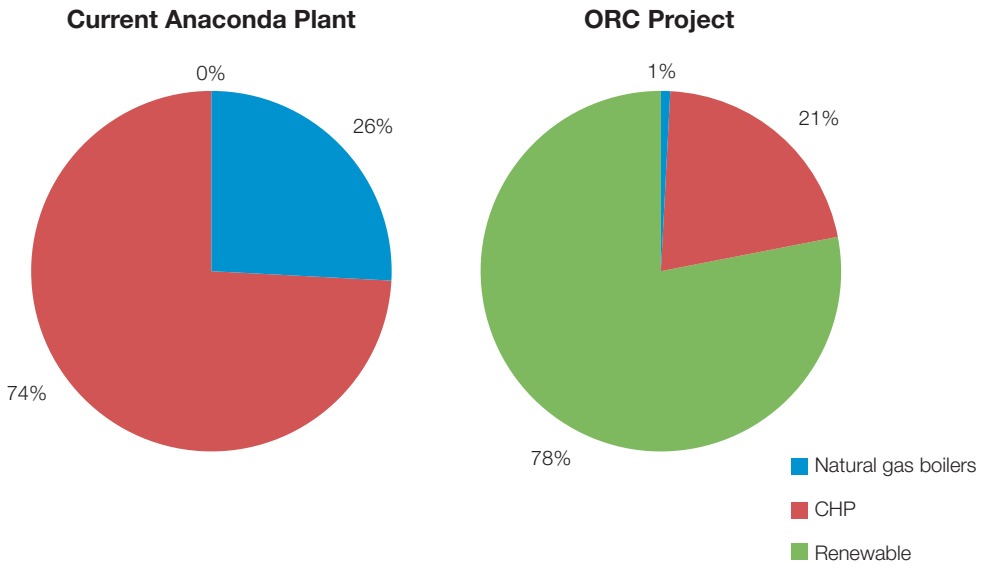
- Further increase the flexibility of the Cogenpower CHPDH hybrid system design – utilising multiple fuel sources (gas and biomass) in the Company's highly efficient automated processes; and

- Demonstrate the benefits of the use of biomass fuel, at the Anaconda power plant and for use in future projects including:
  - Reduced fuel cost, compared with gas;
  - Reduced carbon dioxide emissions;
  - Making the plant eligible to receive feed-in-tariff on renewable electricity production for the next 20 years; and
  - Improved business profitability.

The ORC Project will be constructed adjacent to the existing Anaconda power plant and work has already started on ground works. Key features of this Project:

- Capital cost: €5.2 million which will be funded through a mixture of debt and equity finance to be raised following Admission; and
- Target dates: Q3 2016 for testing and Q4 2016 for entry into operation.

The Project is expected to provide a complementary power generation profile to the current Anaconda power plant:



The ORC power plant is scheduled to commence operations towards the end of 2016. The Directors believe that, once operational, the plant will provide efficient heat energy from renewable sources at a lower cost for the inhabitants of Borgaro Torinese, Italy.

The Company intends to put in place a new debt facility once Admission has occurred to provide funding to enable the Company to complete the building of the Anaconda biomass power plant extension.

In the event that the debt facility is not available on a timely basis, the ORC Project would be divided into two phases:

- *Phase 1* – The construction of the biomass boiler. This phase is expected to deliver lower fuel costs to the Anaconda power plant following its introduction into service in Q4 2016. The cost of this phase will be €1.5 million.
- *Phase 2* – The construction of the ORC and turbine which would create the fully hybrid plant, with both reduced fuel costs and feed-in-tariffs for electricity produced. Phase 2 would also incorporate the re-financing of Phase 1.

Further growth opportunities in Italy

CHPDH acquisition opportunities

The Group has identified three cash generative CHPDH schemes in Italy, and is in preliminary negotiations for the potential acquisition of these CHPDH schemes. Cogenpower will be able to add biomass, thermal storage and intelligent automation capability to these targeted acquisition opportunities.

The CHPDH schemes are expected to each have estimated thermal power generating capacity of between 9.0 MWt and 12.5 MWt, and electrical power generation of between 0.8 MWe and 1.6 MWe. The power plants will be fuelled initially by natural gas.

The Directors believe that the performance of these plants can be significantly enhanced by the Group's technologies and systems, as proven at the Anaconda power plant. These enhancements have the potential to considerably improve operational performance and profitability.

The Group also plans to develop a green-field CHPDH project for the local community of Orbassano. This plant will run on natural gas and will supply heat to domestic residential properties.

The Board has strict assessment criteria when assessing current and future projects. These criteria cover development, progress to date, costs and anticipated returns, and must be fully satisfied before substantive progress can be made.

With its demonstrable development capabilities, access to debt funding and ability to access capital markets, the Board expects that, following Admission, the Group will continue to seek new and attractive opportunities to add further generation capacity to its existing operations.

Penetration of the UK market

After identifying the UK market as an attractive international growth territory, the Company was founded in 2014 as a local presence from which to develop the Group's UK operations. The Company is now developing detailed plans for market development in the UK.

The NDRHI scheme will be an important aspect of Cogenpower's UK growth strategy, particularly as the scheme assembled and used by Anaconda is a good fit with the requirements of the NDRHI scheme.

In addition, the Company plans to establish a series of commercial partnerships around the UK, focused on the district heating market.

7. Revenue sources

The Group's principal revenues are predictable and recurring. They come from the sale of CHPDH products, including electricity and heat produced by the Anaconda power plant, and the resale of electricity and natural gas.

For the year ended 31 December 2014, 52.6 per cent. of the Group's revenues came from the CHPDH business unit, 34.0 per cent. from the gas and power supply business and 13.4 per cent. from the Group's energy services business.

The long term contracts of the CHPDH business with 100 per cent. retention rate, and the high retention rate of the supply business (in the last three years over 92 per cent. per annum), mean that the revenues of the Group are highly predictable and repetitive. The Group (excluding Esseti) has committed revenues from long-term contracts in excess of €36 million over the next six and a half years.

Cogenpower s.r.l. also receives an annual incentive payment from the GSE based on the heat delivered to end-users by its CHPDH system at Anaconda. Esseti receives feed-in-tariffs based on the electricity produced and is eligible to receive such feed-in-tariffs for the next 11 years. Additional revenues also come from the Group's engineering projects.

In terms of growth, the CHPDH and supply business units have different patterns. The CHPDH business grows with time on the existing CHPDH infrastructure, following new property development and new customers that decide to switch from old boilers to the District Heating service, provided the connection is technically and economically feasible. The supply business grows with time based upon customer referrals. This means that the majority of the customers of this business unit are local customers.

8. Customers and suppliers

The Group's customers include organisations and energy-intensive facilities buying heat energy (apartment buildings, public and commercial premises) and large energy companies or importers of energy purchasing renewable certificates and electricity fed into the national grid and other retailers and small and medium enterprises to which the Group re-sells natural gas and electricity.

Customers include:

- urban developers for which cost-effective energy solutions for new residential developments are provided;
- residential boroughs for which the Group helps reduce energy, operation and maintenance bills;
- energy intensive facilities such as hospitals, schools, universities, sport centres to which the Group provides flexible energy solutions that adapt to diverse energy demand profiles; and
- local retailers and SMEs that are looking for better customer service and value.

Heat

Heat is sold to the majority of customers connected to the network grid on a variable rate, tracking quarterly published national gas prices, less a discount. A small number of customers are sold heat at a MWh rate that is fixed annually.

The cost of connection varies depending on the size of the building. Cogenpower s.r.l. connects the property to the district network and installs heat exchangers, one for hot water and one for space heating, and an energy meter at the point of entry into the building.

Public services and commercial customers also receive a discounted price per MWh.

Cogenpower s.r.l. has approximately 50 recurring heat customers. Heat sales are invoiced monthly typically on 60 day payment terms.

Produced electricity

All electricity produced by the Group is sold to the national grid operator. The Group is a price taker and sells at the variable hourly rate set by the grid. Prices fluctuate depending on wider demand, a function of seasonality and time. CHPDH systems simultaneously produce heat and electricity, while heat can be stored in heat storage facilities for later use, electricity, once produced, is immediately fed into the grid. This means that heat storage facilities can be used efficiently to favour the production of CHPDH systems in the hours when the electricity is paid higher prices as, even in the absence of heat demand, the consequent heat produced can be stored and sold later. Produced electricity sales are invoiced monthly typically with 30 day credit terms.

Electricity cannot be stored effectively for a long time period with current technologies and is therefore delivered to the power grid.

Natural gas and electricity supply

Natural gas and electricity are supplied to a variety of customers in and around Turin. These customers comprise domestic customers and small and medium sized enterprises. Cogenpower Gas & Power s.r.l. purchases natural gas and electricity on the wholesale market and resells them with a mark up. The majority of natural gas and electricity sales are invoiced monthly typically with 20 day credit terms through direct debit.

Local retail facility

To distribute and market its products, the Group establishes a local branch office where the customers can be supported by customer service, pay their bills and switch to the Group's services. The Group's model is to open one branch office in any community in which it has established a CHPDH infrastructure, leveraging its brand at the local level.

Suppliers

The Group places a high priority on the selection of high quality suppliers, particularly for its Anaconda power plant. For this reason the Group selected leading suppliers including GE Jenbacher, Siemens and Turboden for its Anaconda power plant.

The Group applies the same high standards in the selection of natural gas and electricity wholesale suppliers that supply natural gas and electricity to the Group for resale.

The Group will continue to apply high standards in the selection of suppliers with a view to engaging only with those who will successfully deliver the required quality of products, cost-effectively and with high performance.

9. Competition

The Group's business units operate in three separate markets, and therefore, have different groups of competitors.

CHPDH Business

The CHPDH business unit competes mainly with two different types of competitors:

(i) other small to medium scale operators providing CHPDH infrastructure to communities with populations of 5,000 to 50,000 people. Some of these companies are engineering companies that build projects for local authorities. Others are companies similar to Cogenpower, building projects and operating schemes. The remaining competitors are companies specialised in the installation, maintenance and upgrading of thermal power plants with boilers. In this category the typical capacity of the power plant is between 1 MW and 50 MW and there are barriers to such power plants being economically scaled up.

(ii) large utility companies that distribute water, gas and heat and are involved sometimes in waste management. In this category, the capacity of the power plant is >200 MW and there are barriers to these power plants being economically scaled down.

The Group's strength in competing with these organisations is in its high efficiency CHPDH schemes which are based on the Group's designs that have been specifically developed for optimal operation at a scale to serve communities of up to 50,000 people. This enables the Group to offer energy tariffs to customers typically at lower levels than its competitors.

Once a project has been completed it creates a first-mover advantage for the builder of the project, typically making it uneconomic for a competitor to build another CHPDH plant to serve the same area. However, competition continues to exist from companies offering alternative technologies, such as condensing boilers and or heat pumps.

Gas and power supply business

Cogenpower's gas and power supply business unit competes formally with the major national utilities but it predominantly serves a local retail customer base. The business creates a local point of contact with the Group's customers, both customers that use the District Heating service and customers that use Cogenpower as their supplier of natural gas and electricity.

Cogenpower is differentiated by its physical proximity to its customers, the technical capabilities of its people and its profile as a 'local producer', particularly for electricity. Customers typically value electricity purchased from Cogenpower as being locally produced, sustainable and environmentally friendly, based on its highly efficient, low-carbon generation. Also, the Group's sophisticated billing processes enable bills to be highly accurate, transparent and clear adding to customer trust and loyalty.

The Directors believe that both the business units have strong competitive advantages in their markets that will support the Group's growth strategy.

Energy services business

Competitors include other retrofitting businesses.

10. Directors and senior management

Directors

As at the date of this Admission Document, the Board consists of 3 Executive Directors and 2 Non-Executive Directors.

David Pickering (aged 61), *Non-Executive Chairman*

David is an experienced non-executive and executive director of both public and private businesses in the services sector. He currently holds a number of non-executive director roles and is a founding director of customer-centred change consultancy C3 Partners. David has considerable experience in building start-up enterprises and developing them into successful brands. As founder and CEO of business and IT consultancy Charteris he developed the business to become one of the top 40 business consultancies in the UK. David led the successful flotation of Charteris on AIM as a part of a strategy for major organic and acquisition growth.

David also has extensive corporate experience. As a director with global IT services firm Logica, David led the growth of the energy & utilities business to become one of the company's largest operating units. The company became one of the major providers of innovative technology and business solutions in the de-regulation of the electricity and gas markets in the UK. This profile facilitated considerable further growth in international markets including the United States and Australia.

David is a Chartered Engineer and Fellow of the British Computer Society. David was appointed as Chairman of the Company on 15 September 2015.

Dr. Francesco Vallone (aged 43), *Chief Executive Officer*

Francesco founded the Group in 2004. Francesco has 19 years of experience in technology and 13 years of direct experience in energy markets. He has worked in international research centres focused on controlled thermonuclear fusion and in the semiconductor industry, and in engineering, marketing and management roles of a New York Stock Exchange listed company.

He has an MA in theoretical physics from the University of Turin (Italy) and an MBA in General Management from Pepperdine University of Malibu (California, USA).

Martin Groak (aged 65), *Chief Financial Officer*

Martin Groak qualified as a chartered accountant after completing a degree in economics from London University and has over 30 years of international business experience. Martin is multi-lingual and speaks Italian. He has a strong background in finance and financial control, predominantly in oil exploration, energy, logistics and physical trading. He has held numerous CFO positions and has been a director of 5 UK publicly listed companies. As a consultant he managed the finances of the UK's 2nd generation nuclear power station fleet and has integrated and organised finance for two privatised German municipal CHPDH companies.

Martin is currently a non-executive director of Tanfield Group plc, an AIM quoted investing company focused on the engineering sector.

Ilaria Cannata (aged 36), *Corporate Development Director*

Ilaria has more than 9 years of experience at Cogenpower and expertise in due diligence activities associated with potential acquisitions, executing market research, feasibility studies and strategic planning and business and strategic development. Prior to joining Cogenpower s.r.l. in 2006, Ilaria was involved with several projects concerning financial public relations of listed companies working for Mailander srl.

She has an MA in International Political Science from the University of Florence.

Richard Day (aged 55), *Non-Executive Director*

Richard was appointed as Non-executive Director on 15 September 2015. He is a qualified Solicitor and Chartered Fellow of The Chartered Institute for Securities & Investment. Richard is an experienced senior executive with particular financial strengths, having diverse management experience and extensive knowledge of capital markets, fund raisings and corporate governance across a range of sectors. He worked in private practice with various City law firms, including Simmons & Simmons and Charles Russell (now Charles Russell Speechlys LLP), then in Corporate Finance for 12 years with Cazenove & Co. Richard was with institutional stockbroker Arden Partners plc from 2002 to 2015, acting as Head of Corporate Finance

for a significant part of his time with the firm. Richard was a founding partner at Arden Partners and a main board director leading up to the company floating on AIM in 2006.

Richard has extensive knowledge and experience of the Listing Rules, the AIM Rules and the Takeover Code, as well as business financial assessment and controls. He now runs his own advisory business RJD Corporate Limited and is a Non-Executive Director of Greka Drilling Limited.

The Directors will give consideration to appointing a further non-executive director to the Board as the business develops.

Senior management

The Directors are supported by the following key members of the senior management team of the Group:

Stefano Chanoine (aged 35), *Director of Engineering*

Stefano has 10 years of experience at Cogenpower. He has expertise in design of electrical and thermal components of energy systems. Stefano has an MA in electrical engineering from Polytechnique of Turin (Italy).

Paolo Prataviera (aged 34), *Director of Production and Maintenance*

Paolo has 8 years of experience at Cogenpower. He has expertise in developing SCADA-based control systems and a background in mechanical and electronic engineering from Polytechnique of Turin (Italy).

11. Summary financial information

Summary financial information of the Cogenpower s.r.l. Group together with aggregated adjusted results for 2014, including Esseti, is set out below:

	2012 audited €'000	*2013 audited €'000*	*2014 audited €'000*	*Six months ended 30 June 2015 unaudited €'000*	*Aggregated adjusted 2014 (Cogenpower s.r.l. & Esseti) €'000*
Revenue	7,287	6,623	5,800	3,825	7,691
Cost of sales	(4,801)	(4,516)	(3,714)	(1,990)	(5,235)
Gross profit	2,486	2,107	2,086	1,835	2,456
EBITDA[1] (before other operating expenses*)	1,771	917	1,130	1,048	1,444
EBITDA[1]	1,771	810	768	589	1,082
Operating profit	1,023	67	52	224	(23)
Profit/(loss) before taxation	294	(665)	(963)	(43)	(751)

*Other operating expenses comprise costs associated with the AIM flotation and the setting up of a UK office.

[1]EBITDA (earnings before interest, tax, depreciation and amortisation) is a non-GAAP measure.

The aggregated adjusted results for 2014 reflect the aggregation of the audited consolidated results of Cogenpower s.r.l. for the year ended 31 December 2014, as set out in Part III of the Admission Document, and the audited results of Esseti prepared under IFRS for the year ended 31 December 2014, as set out in Part V of the Admission Document. In arriving at these aggregated adjusted results the following adjustments have been made:

- The elimination of losses on fixed assets;
- The elimination of fees relating to guarantees provided to third parties by the Vallone family in respect of Group loans;
- The elimination of interest and fines for late payment of taxes;
- The elimination of interest income relating to a C02 allowance relating to prior years;

- The elimination of rental costs payable by Esseti to a related party which will not be incurred following the acquisition of Esseti; and
- The elimination of one-off income relating to the write-off of old creditors.

No account has been taken of any amortisation that may arise on consolidation of Esseti.

Exceptional factors in the years ended 31 December 2013 and 31 December 2014 resulted in a decline in revenue compared to 31 December 2012. The principal factors behind lower revenues in these financial periods were: (i) unseasonably warm weather during 2014 leading to a reduction in heat revenues; (ii) declining wholesale electricity prices in 2013, reflective of Italy's wider economic difficulties, resulting in a decrease in Cogenpower s.r.l.'s electricity revenues; and (iii) the crisis in Ukraine which caused a rise in gas prices, reducing the Group's competitiveness and, as a result, caused the loss of certain customers of Cogenpower Energia s.r.l. and Cogenpower Gas & Power s.r.l. including a large industrial customer that moved to Eastern Europe for general cost-cutting strategies. Notwithstanding the decline in revenues gross profit margin in 2014 increased to 36 per cent. (32 per cent. year ended 31 December 2013; and 34 per cent. year ended 31 December 2012).

For the year ended 31 December 2014 the revenue generated by the Group comprised CHPDH (€3,054k), gas and power supply (€1,970k) and energy services (€776k). This compares to the year ended 31 December 2013 where the revenue generated by the Group comprised CHPDH (€3,755k), gas and power supply (€1,784k) and energy services (€1,084k).

Further financial information on the trading performance of the Group since 2012 is set out in Parts III, IV and V of this Admission Document.

In accordance with AIM Rule 4, the London Stock Exchange has authorised the omission of financial information on Cogenpower required by section 20.1 of Annex I from the Admission Document. Since the date of its incorporation, Cogenpower has not yet commenced operations, has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this Admission Document.

This summary information refers to past performance. Past performance may not be a reliable indication of future results.

12. Current trading and prospects

Trading in the first six months of 2015 was in line with the Directors' expectations, with normal, lower temperatures reflected in increased revenue for the period, compared to the corresponding period in 2014 where the exceptionally warm six months experienced in the first half of the year impacted on the Group's revenue. Revenue for the first six months of 2015 was €3.8 million, up 19 per cent. compared to the previous period, gross profit of €1.8 million, up 29 per cent., and EBITDA of €0.6 million, up 43 per cent.

During the period since the Group's 2014 year-end, Cogenpower has continued to strengthen its leadership and Board and grow both organically and through the acquisition of Esseti. The cost of continuing to build an infrastructure to support the current and anticipated growth of the Group has been achieved to date without impacting operating margins. The consolidated post-tax loss for the first six months of 2015 amounted to €165,000, compared to a loss after tax of €331,000 for the corresponding period in 2014. The strong performance of the Group is illustrative of the more normal level of demand which the Directors' believe will increase as the Group both grows and adds to its operating activities in Italy and enters the UK CHPDH market. On 4 August 2015 the Company signed contracts with Illumia S.p.A. for the supply of natural gas and the sale of electricity, in each case from 1 October 2015 to 1 September 2016.

Trading during the final quarter of 2015 was behind management's earlier expectations primarily due to temperatures being higher than the Board had anticipated. Trading since the beginning of 2016 has been in line with management's expectations and the Company is currently benefiting from higher selling prices.

The Group acquired Esseti in December 2015 and as a result the Directors now expect the benefits of and consequent growth from this acquisition to be realised from the beginning of 2016.

Provided winter temperatures for 2016 remain in line within management's expectations, the Board is confident for the outcome for 2016.

13. Debt Funding

The Group has to date funded the Anaconda power plant with support from UniCredit, Italy's largest bank. Since then the capital structure of the Group has developed and evolved towards a more sustainable capital structure for the long-term between equity and debt.

As at the date of the Admission Document, the Company had total credit facilities in place amounting to €9.4 million, comprising €5.1 million of long-term loans with UniCredit and BCCB, debt of €2.5 million owed to Banca Carige and another bank by the Company following the Esseti acquisition, and €1.8 million of short-term loans. As at the date of this Admission Document, the amount outstanding pursuant to these loan arrangements is €9.2 million. The Company intends to repay the current account credit facility of £600,000 with UniCredit in full immediately following Admission. Please refer to paragraph 14 of Part I below.

The long-term loans in place with UniCredit are secured by certain liens and warranties including charges over the Group's assets, guarantees provided by Dr. Francesco Vallone and other Vallone family members. Further details on the loan arrangements with UniCredit is contained in paragraph 12.9, 12.10, 12.11 and 12.12 of Part VII of this Admission Document.

The Directors are also developing relationships with other significant providers of debt, as required, especially to enable the development of the ORC Project.

14. Use of proceeds

The net proceeds of the Placing will total approximately €517,440 (being gross proceeds of £1 million less estimated expenses of £608,000 payable in cash, converted at €1.32). The Group intends to use the net proceeds of the Placing to continue and accelerate the development of the Group in particular to:

- assist in repaying short-term credit facilities with UniCredit;
- provide additional funding for the development of Esseti; and
- meet general working capital requirements.

15. The Placing

The Placing comprises the issue of 5,000,000 Placing Shares by the Company at the Placing Price, representing 9.97 per cent. of the Enlarged Share Capital. It is anticipated that the Placing will raise £1.0 million for the Company, before expenses. Pursuant to the Placing, Allenby Capital has subscribed for 600,000 Placing Shares at the Placing Price.

Pursuant to the Placing Agreement, Allenby Capital has conditionally agreed to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price on behalf of the Group with certain institutional and other investors. The Placing has not been underwritten by Allenby Capital. The Placing is conditional upon, *inter alia*, Admission becoming effective by not later than 8.00 a.m. on 12 February 2016 (or such later date as Allenby Capital and the Company may agree not being later than 29 February 2016).

Pursuant to a separate sub-agency agreement, Allenby Capital has appointed EnVent Capital Markets as its sub-agent and to use its reasonable endeavours to procure Italian-based (and other, as agreed between the parties) investors to participate in the Placing. Further details of the sub-agency agreement are set out paragraph 12.1 of Part VII of this Admission Document.

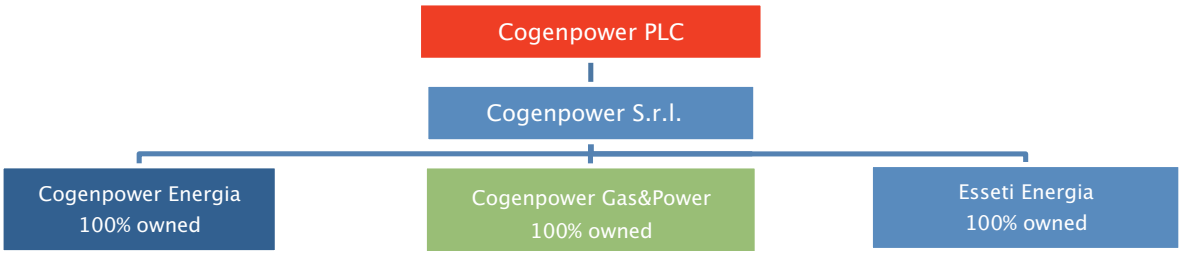
Application will be made for the admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on 12 February 2016.

The Placing Shares are or will be in registered form and, on Admission, will rank *pari passu* with the Existing Ordinary Shares in all respects including, without limitation, in relation to any dividends and other distributions declared, paid or made following Admission. Further details of the Placing Agreement are set out in paragraph 12.1 of Part VII of this Admission Document.

The Placing Shares shall represent 9.97 per cent. of the Enlarged Share Capital, representing, together with the Conversion Shares, 25 per cent. dilution of the Existing Shareholders shareholding at the date of the Admission Document.

16. Group structure

The structure of the Group is as follows:



To summarise the business activities of each constituent of the Group:

- **Cogenpower plc**: was incorporated in November 2014 and is the Group's UK incorporated holding company;
- **Cogenpower s.r.l.**: owns and operates the Anaconda power plant and associated district network and provides certain Group management functions;
- **Cogenpower Gas & Power s.r.l.**: is a retailer of gas and electricity;
- **Cogenpower Energia s.r.l.**: is an energy service business which retrofits and operates boilers and micro CHP plants in addition to supplying heat and electricity to customers; and
- **Esseti Energia s.r.l.:** owns and operates an ORC power plant that produces 1 Mw energy production.

Further details of the Group organisation and structure are set out in paragraph 3 of Part VII of this Admission Document.

17. Relationship agreement

Dr. Francesco Vallone, the Group's Chief Executive Officer, has undertaken to the Company and Allenby Capital that, for so long as he (either alone or together with any party with whom he is acting in concert) is interested in Ordinary Shares carrying 20 per cent. or more of the Company's voting share capital, he will ensure that the Company is capable at all times of carrying on its business independently and that future transactions between the Company and Dr. Vallone are on arm's length terms and on a normal commercial basis.

On Admission, Francesco Vallone will be interested in 38,174,998 Ordinary Shares representing 76.10 per cent. of the Company's Enlarged Share Capital.

Further details in respect of the relationship agreement are set out in paragraph 12.4 of Part VII of this Admission Document.

18. Working capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account both the net proceeds of the Placing receivable by the Company and the debt facilities available to the Group, the working capital available to the Company and its Group will be sufficient for their present requirements, that is for at least 12 months from the date of Admission.

19. Admission and dealing arrangements

Application has been made for admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 12 February 2016.

On Admission the Ordinary Shares will have the ISIN number GB00BYT56612. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

20. Lock-in and orderly market arrangements

At Admission, the Locked-In Parties will hold, or be interested in, directly and indirectly, an aggregate of 38,905,318 Ordinary Shares, representing approximately 77.55 per cent. of the Enlarged Share Capital.

The Locked-In Parties have each undertaken not to dispose of any interest in the Ordinary Shares, which they may have on Admission (or subsequently may acquire within one year of Admission) for the period of one year following Admission except with the consent of Allenby Capital or in certain restricted circumstances. In addition, they have each further agreed that for an additional 12 month period following the first anniversary of Admission they shall only dispose of any interest in Ordinary Shares through Allenby Capital, or the successor to Allenby Capital as the Company's broker, or as may reasonably be required for the maintenance of an orderly market in the Company's shares.

In addition, ETR Gas s.r.l., Elettrogas s.r.l. and Logico s.r.l. have agreed to similar orderly market agreements in respect of their Creditor Conversion Shares for a period of 12 months from Admission. These restrictions will apply in respect of 3,063,377 new Ordinary Shares representing 6.11 per cent. of the Enlarged Share Capital as at Admission. Cardew Group Limited has also agreed to similar orderly market agreements in respect of 125,000 Adviser Fee Shares representing 0.25 per cent. of the Enlarged Share Capital as at Admission for a period of 12 months from Admission.

Details of these lock-in and orderly market arrangements are set out in paragraph 12.5 of Part VII of this Admission Document.

21. Corporate governance

The Corporate Governance Code applies only to companies on the Official List and not to companies admitted to AIM. However, the Directors recognise the importance of sound corporate governance and intend that the Group will comply with the provisions of the Corporate Governance Code and the QCA Code, insofar as they are appropriate given the Group's size, stage of development, and resources. As the Company grows, the Directors intend that it should develop policies and procedures which reflect the Corporate Governance Code, so far as it is practicable taking into account the size and nature of the Company in the future.

The Board is responsible for formulating, reviewing and approving the Group's strategies, budgets and corporate actions. Following Admission, the Group intends to hold Board meetings at least 4 times each financial year and at other times as and when required.

The Group has established an audit and AIM Rules compliance committee and a remuneration committee of the Board with formally delegated duties and responsibilities.

The audit and AIM Rules compliance committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. As well as ensuring compliance with the AIM Rules, it will receive and review reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit and AIM Rules compliance committee will meet not less than twice in each financial year and will have unrestricted access to the Group's auditors. On Admission, the members of the audit and AIM Rules compliance committee will be Richard Day, who will act as chairman of the committee and David Pickering.

The remuneration committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The

committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. In exercising this role, the Directors shall have regard to the recommendations put forward in the Corporate Governance Code and the QCA Code. On Admission, the members of the remuneration committee will be David Pickering, who will act as chairman of the committee and Richard Day.

22. Dividend policy

The Directors do not intend to declare or pay a dividend in the immediately foreseeable future but, subject to, *inter alia*, the availability of sufficient distributable profits, intend to commence the payment of dividends when it becomes commercially prudent to do so and intend to adopt a progressive dividend policy thereafter.

23. Share dealing code

The Company has adopted a code for dealings in securities of the Company by Directors and certain employees which is appropriate for a company quoted on AIM. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance with that rule by the Company's "applicable employees" (as defined in the AIM Rules for Companies).

24. Substantial shareholder and the Takeover Code

The Takeover Code applies to a company whose shares are admitted to trading on AIM if that company's registered office is in the United Kingdom, the Channel Islands or the Isle of Man. The Company is incorporated in the United Kingdom and application will be made for the Enlarged Share Capital to be admitted to trading on AIM. Accordingly, the Takeover Code applies to the Company.

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a public company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, (taken together with shares in which that person is already interested or in which persons acting with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company but not more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired which increases the percentage of shares carrying voting rights in which he together with persons acting in concert with him, are interested.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company, acquires any further shares carrying voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares, though Rule 9 of the Takeover Code would remain applicable to individual members of a concert party who would not be able to increase their percentage interests in the voting rights of such company through or between Rule 9 thresholds without complying with the requirements of Rule 9 or first obtaining a waiver from the Panel.

The Takeover Panel has confirmed that Dr. Francesco Vallone, Golem s.r.l., Re Sipar Investments S.p.A. Ilaria Cannata, Stefano Chanoine, Simona Chanoine, Paolo Prataviera, Ettore Di Francesco, Enrico Bianconi, Antonio Cammarata, Daniel Costaz, Elisabetta Fornasero, I.C.A. s.r.l., Susanna Ricchetti, Renato Stefani, Guiseppe Vallone and Maria Traina (the "Concert Party") are acting in concert for the purposes of the Takeover Code. On Admission, the Concert Party will hold 40,543,508 Ordinary Shares and will therefore be interested in approximately 80.8 per cent. of the Enlarged Share Capital. As the Concert Party will control in excess of 50 per cent. of the Enlarged Share Capital on Admission, for so long as this remains the case, the Concert Party would be entitled to increase its aggregate interest in the voting rights of the Company without incurring the obligation under Rule 9 of the Takeover Code to make a general offer.

In addition, on Admission, Dr. Francesco Vallone will individually hold 38,174,998 Ordinary Shares and will therefore be interested in approximately 76.10 per cent. of the Enlarged Share Capital. As Dr. Francesco Vallone will control in excess of 50 per cent. of the Enlarged Share Capital on Admission, for so long as this remains the case, Dr. Francesco Vallone would be entitled to increase his interest in the voting rights of the Company without incurring the obligation under Rule 9 of the Takeover Code to make a general offer.

25. Share options

The Directors consider that an important part of the Group's remuneration policy should include equity incentives through the grant of share options to Directors and employees. Similarly the Directors believe that the ongoing success of Cogenpower depends on retaining and incentivising the performance of key members of the senior management and directors. Accordingly, the Company has adopted a share option scheme, as described in paragraph 11 of Part VII of this document.

Under the Share Option Scheme adopted by the Company, the Board are able to grant both EMI Options and Unapproved Options.

Under the Share Option Scheme the Board has, conditional on Admission, granted Unapproved Options over 1,500,000 Ordinary Shares to Dr. Francesco Vallone at the Placing Price, EMI Options over 500,000 Ordinary Shares to Martin Groak at the Placing Price, Unapproved Options over 500,000 Ordinary Shares to Ilaria Cannata at the Placing Price, Unapproved Options over 500,000 Ordinary Shares to Stefano Chanoine at the Placing Price and Unapproved Options over 500,000 Ordinary Shares to Paolo Prataviera at the Placing Price.

The share options granted to the Directors and Senior Management, conditional on Admission, are exercisable at the Placing Price.

As at the date of this Admission Document share options to subscribe for 3,500,000 new Ordinary Shares representing approximately 7.0 per cent. of the Enlarged Share Capital have been granted, conditional on Admission, under the Share Option Scheme.

It is the intention of the Directors to grant further options to current and future employees of the Group. The maximum number of Ordinary Shares which will be subject to options granted to Directors and employees under the Share Option Scheme adopted by the Company will not exceed 10 per cent. of the Company's issued share capital from time to time.

Further details of the Share Option Scheme is set out in paragraph 11 of Part VII of this Admission Document and further details of the options held by Directors are set out in paragraph 6 of this Part VII of this Admission Document.

26. Settlement and CREST

To be traded on AIM, securities must be able to be transferred and settled through the CREST system, which is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Cannon Street, London EC4M 5SB or by telephone on +44 (0)207 849 0000.

27. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in Part II and in paragraph 15 in Part VII of this Admission Document. That information is, however, intended only as a general guide to the current tax position under UK taxation law for certain types of investor. Investors who are in any

doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.

28. Shareholder notification and disclosure requirements

As an AIM-listed company incorporated in England and Wales the Company will be subject to certain provisions of the Disclosure and Transparency Rules and, consequently, Shareholders are required to disclose to the Company the level of their interests in Ordinary Shares in accordance with those rules.

Shareholders should consider their notification and disclosure obligations carefully as a failure to make a disclosure to the Company may result in disenfranchisement.

29. Anti-Bribery and corruption policy

Cogenpower s.r.l. has adopted an anti-bribery and corruption policy for the purposes of complying with relevant bribery and corruption laws in Italy. In addition, the Company has adopted an anti-bribery and corruption policy for the purposes of complying with the requirements of the UK Bribery Act 2010, which is based on industry best practice principles and operates alongside Cogenpower's S.r.l's policy. All employees of the Group are required to comply with the Company's anti-bribery and corruption policy. To this end all employees of the Group will receive training on the policy and procedures have already or will be put in place to allow for reporting and communication by the employees and Board of any matters which may be relevant in ensuring that the daily operations of the Group are conducted in accordance with such policy.

30. Additional information

Your attention is drawn to the information included in Parts II to VII of this Admission Document. In particular, you are advised to consider carefully the risk factors contained in Part II of this Admission Document.

PART II

RISK FACTORS

The attention of prospective investors is drawn to the fact that ownership of shares in the Company will involve a variety of risks which, if they occur, may have a materially adverse effect on the Group's business or financial condition, results or future operations. In those circumstances, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment in the Ordinary Shares.

In addition to the other information set out in this Admission Document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Group's performance might be affected by changes in market and economic conditions and in legal, regulatory and tax requirements.

Additionally, there may be further risks of which the Directors are not aware or believe to be immaterial which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA (or equivalent in each relevant jurisdiction where potential investors may be located) who specialises in advising on the acquisition of shares and other securities.

Forward-looking statements

This Admission Document includes "forward-looking statements" which include all statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plan", "project", "believes", "estimates", "aims", "intends", "can", "may", "expects", "forecasts", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those in forward-looking statements include factors in this section entitled "Risk Factors" and elsewhere in this Admission Document. These forward-looking statements speak only as at the date of this Admission Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this Admission Document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgement of the Company's management and prospective investors should not rely on any forward-looking statements.

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. In addition to the usual risks associated with an investment in a business which is at an early stage of development, the Directors believe that the risks set out in this Part II should be considered carefully by prospective investors before acquiring Ordinary Shares. If any of the events or circumstances highlighted in this Part II of the Admission Document actually occur, the Company may not be able to conduct its business as currently planned, and its financial condition, operating results and cash flows could be seriously harmed. In those circumstances, the market price of the Ordinary Shares could decline, and all or part of an

investment in the Ordinary Shares could be lost. No inference should be drawn as to the order in which the following risk factors are presented relative to the potential importance or effect of each listed factor.

RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

Permits and governmental approvals

Pursuant to article 4 of Presidential Decree no.53/1998 and article 2 of Legislative Decree no.152/2006, Cogenpower s.r.l. is authorised to build and operate a cogeneration system with the related district heating network, located in Borgaro Torinese, for the purpose of providing the local community with energy and heat. Cogenpower s.r.l. is also authorised to build and operate an electrical and thermal energy system, fuelled by biomass, in Borgaro Torinese, for the purpose of providing thermal energy to the city's district heating network. Further, Cogenpower s.r.l. has been authorised to produce emissions into the atmosphere, pursuant to article 269 of Legislative Decree no.152/2006. Cogenpower Gas & Power s.r.l. is authorised to sell natural gas to end-users, pursuant to articles 17 and 18 of the Legislative Decree no. 164/00, as amended by article 30 of Legislative Decree no. 93/2011 and by Ministerial Decree of 29 December 2011. The above consents and authorisations are granted for finite periods only, at which point the Group must apply for their renewal, and are subject to a number of conditions including: (i) limits on emissions that can be released into the atmosphere, which the company is required to monitor and test periodically, and to file the results with the Province of Turin on an annual basis; and (ii) in the case of the authorisation to sell natural gas, on the continued technical and financial adequacy of the company. In the event that any of the Group's authorisations was to be suspended or revoked, or was not renewed, this could have a material impact on the Group's business, financial condition or results of operations.

Without limiting the above, the Group will be required to obtain and maintain numerous permits and governmental approvals for the operation of its CHPDH plants. In the ordinary course of business, if the Group fails to obtain, renew or maintain the permits and governmental approvals required to operate its CHPDH plants or to comply with, or to satisfy new conditions of, such standards, laws, regulations, permits and governmental approvals, or is unsuccessful in any pending or future application, it could incur material costs or liabilities, fines or penalties or other sanctions, including the limitation, suspension or termination of operations.

Terms of debt financing and availability and terms of future financing arrangements

To date the Group has been received significant debt funding to fund its existing Anaconda power plant from UniCredit and other Italian banks, supported by a security package which includes charges over the Group's assets, personal guarantees from Dr. Francesco Vallone and other members of the Vallone family, and, in the case of UniCredit, a share pledge over some of the shares of Cogenpower s.r.l. The Company intends to put in place a new debt facility once Admission has occurred to provide funding to enable the Company to complete the building of the Anaconda biomass power plant extension. There can be no assurance that the Company will be able to raise debt funding for the Anaconda biomass power plant extension, whether on acceptable terms or at all. If the Group is unable to obtain the funding it requires it may be unable to complete the Anaconda biomass extension which could have a material adverse effect on the Group's future financial condition and results. The Group may also require additional capital in the future for further expansion, ongoing activities and/or business development, whether from equity or debt sources.

The use of borrowings presents the risk that the Group may be unable to service interest payments and principal repayments or comply with other requirements of its loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost, and the Group might be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not be able to be refinanced or that the terms of such refinancing may be less favourable than the existing terms of borrowing.

A number of factors, including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Group's control, may make it difficult for the Group to negotiate existing financing agreements, obtain new finance on attractive terms or even at all. If a Group company's borrowings become more expensive, relative to the income it receives from its investments, then the Group's profits will be adversely affected. If a Group company is unable to obtain new finance then it may suffer a substantial loss as a result of having to dispose of those investments which cannot be financed.

Pursuant to the Share Pledge, as further described in paragraph 12.13 of Part VII of this document, Dr. Vallone has granted voting rights over shares in Cogenpower s.r.l. to UniCredit. These voting rights have been waived by UniCredit in connection with the Share Exchange and Admission, but will remain as a restriction over the shares in Cogenpower s.r.l. until the Group has paid off its overdraft pursuant to the current account credit facility dated 1 September 2015 with the bank in full, at which point UniCredit has agreed to terminate the Share Pledge. Whilst the Company intends to use part of the Placing proceeds to assist in repaying this overdraft and thus to bring about termination of the Share Pledge, in the event it has insufficient funds available or is otherwise unable to do so this restriction over the voting rights in Cogenpower s.r.l. will remain in place after Admission. Repayment of the credit facility will be recorded by UniCredit as a late payment if made after 15 February 2016.

Seasonal change

The Group's revenues are affected by seasonal changes, particularly between the summer and the winter. The Group generates most of its revenues during the winter season (September to April) and despite the technology employed and developed by Cogenpower intending to safeguard operational efficiency and overall results, the Group is nevertheless affected on a yearly basis due to meteorological factors such as the cold or lack of rainfall. Temporary weather patterns such as an untypically warm winter can have a material effect on the Groups revenues.

Volatility of energy prices and in costs of equipment and associated technologies

The Group's revenue from energy sales may be affected by fluctuations in energy prices, although the Group's policies are designed to minimise such fluctuations. Moreover, given that low-carbon energy projects have high fixed/capital costs and low variable/operating costs, the total cost of generation is very sensitive to changes in equipment costs.

An increase in costs of equipment and associated technologies for low-carbon energy would significantly decrease the cost competitiveness of cleaner energy versus conventional energy. Likewise a significant reduction in technology costs for conventional energy would decrease the competitiveness of low-carbon energy.

Construction of plants

The Group intends to use third party contractors to construct its low-carbon high-efficiency CHPDH plants, being solely responsible for the design and engineering and for monitoring closely the construction process. However, failure by such contractors to meet their obligations under their contractual agreements with the Group could lead to a delay in the power generation plants becoming operational.

Risk of delay due to consent

The Group's operations require obtaining relevant consents (including regulatory and deemed planning), as for the Anaconda Project, as described in this document. The ability for a development site to receive time planning consent will be dependent on local policy, the local political landscape and the local planning officer. This will also be affected by the number of other applications in the pipeline. Whilst the Directors believe that such consents may be obtained in due course there is no guarantee that any or all of the necessary consents will be granted. Due to matters which may be beyond the Group's or Directors' control, the process of obtaining consents may be subject to delays, which may subsequently cause any or all of the proposed projects and/or extension, such as to the Anaconda plant, to be delayed or aborted.

Risk of delay due to grid access

The ability for new development sites to connect to the grid in a timely manner is reliant on the investment strategy of the local distribution companies and the regulatory framework set out by National Agencies. If sufficient capacity is not available to connect a new site to the grid, then additional work with estimated lead times of 6 months may be incurred.

Environmental, health and safety regulations and change in government policies

The operations of the Group's power plants, Anaconda and Esseti, as well as any other CHPDH plants acquired, constructed or expanded in the future could be adversely affected if they failed to comply with the EU or local environmental and health and safety laws and regulations. Changes in these laws and regulations

may cause increased compliance costs, the need for additional expenditure, the reduction of certain benefits currently available to the power plants or may affect output levels. The Group's failure or inability to comply with any such statutes or regulations in the past or in the future or any change in the requirements of such statutes or regulations could result in civil or criminal liability, the limitation, suspension or termination of operations, imposition of clean up costs, fines or penalties and large expenditures.

Government incentives and subsidies

Cogenpower s.r.l. receives an annual incentive payment from the GSE (The Italian "Gestore dei Servizi Energetici S.p.A.") based on the heat delivered to end-users by its CHPDH system at Anaconda. Esseti also receives feed-in-tariffs based on the electricity produced. There can be no guarantee that the Group will continue to receive those or other available government incentives in the future. If the Group is unable to receive incentives it may have a damaging effect on the Group's revenue and profitability.

Geographical expansion

The Group intends to expand into new markets, in particular the UK. Given the potential for growth in the biomass energy plant market, as identified by the Directors, it is likely that the Group will face increasing competition from both domestic and overseas competitors who may have greater capital and other resources or who may be able to provide better services or adopt more aggressive pricing policies. In addition, fast business growth could put significant strain on the Group's managerial, operational and financial resources. The Group's ability to manage future growth will depend on its ability to effectively implement and improve management, operational and financial information systems on a timely basis and to expand, train, motivate and manage its workforce. There is no assurance that the Group would be able to compete successfully in such market circumstances or that the Group's personnel, systems, procedures and controls will be adequate to support its future growth.

Future expansion could expose the Group to economic, political, legislative as well as other risks and there can be no assurance that the Group will be able to successfully penetrate these new markets.

Competition risks

The Group faces competitive pressure in the areas of low-carbon energy development and the sale of low-carbon/renewable energy. In securing additional projects to acquire, develop and/or build, the Group faces competition from other specialist developers and the development arms of major electricity generators and waste processors. The Group also faces price competition from other low-carbon/renewable energy generators selling their energy output into the market. There is no assurance that the Group would be able to compete successfully in such market circumstances.

Dependence on key personnel

The Group believes that its future success will greatly depend upon the expertise and continued services of certain key executives and technical personnel, including, in particular, Francesco Vallone, Martin Groak and the other Executive Directors and Senior Managers. Loss of key management or other key personnel, particularly to competitors, could have adverse consequences for the Group. While the Group has entered into service agreements or letters of appointment with each of its Directors and Senior Managers, the retention of their services cannot be guaranteed. Furthermore as the Company expands it may need to recruit and integrate additional personnel. The Group may not be successful in identifying and engaging suitably qualified people or integrating them into the Company and this could have an adverse effect on the Company's business, financial condition and operating results.

Legislative change – Cogenpower Gas & Power s.r.l.

Cogenpower Gas & Power s.r.l. is a reseller of domestic gas and electricity in the Turin (Italy) area. On the basis of the 2016 Budget Law (the Italian "Legge di Stabilità") resellers of energy are required to collect from customers, in addition to their energy consumption, their television license fees on behalf of RAI, Italy's National public broadcasting company. This procedure came into force from 1 January 2016.

This licence fee is to be invoiced and collected in 10 equal tranches over each calendar year. As this process does not align itself naturally with Cogenpower Gas & Power s.r.l.'s normal billing cycle and, furthermore, each customer's obligation to pay a television licence fee must be identified and monitored, there is a risk that this process may: (i) be disruptive to Cogenpower Gas & Power s.r.l.'s operations; (ii) add cost, and

therefore, have a negative impact on its profitability; and (iii) require a significant investment in re-writing the billing system software to meet the requirements of the legislation. The Directors do not believe that such legislation shall impact upon the Group's other businesses (CHPDH and energy services) and, in particular, would not impact upon the highly automated billing procedure utilised by the CHPDH business.

Reliance on third parties, including manufacturers and suppliers

To the extent that the Group cannot acquire equipment or materials according to its plans and budgets, its ability to complete its work for its customers within the timetable laid down by the contract or at a profit may be impaired. If a manufacturer is unable to deliver the products for any reason, the Group may be required to purchase such equipment or materials from another source at a higher price. The resulting additional costs may be substantial and the Group may be in breach of its contracts with customers, which may result in a financial loss on a particular contract or a loss of business.

The Group has access to a range of suppliers for the main commodities (i.e. natural gas, electricity and biomass) used as fuel in its CHPDH plants or for resale and current Group policy reflects the associated costs with these commodities in the contractual prices. Nonetheless, the Group could be negatively affected by changes in the supply market due to consolidation, fuel restriction and in general to changes in the regulatory landscape. Additionally, the Group may be exposed in the future to fiercer competition for the supply of these fuels leading to increased cost of the Group.

Material litigation, claims or arbitration or legal uncertainties

As at the date of this Admission Document, save as disclosed in paragraph 14 of Part VII of this document, the Group is not engaged in any material litigation, claim or arbitration, either as a defendant or claimant, that has or could have a material effect on its financial position, and the Directors are not aware of any other proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the Group's position or business. However there can be no assurance that the outstanding claims identified in paragraph 14 of Part VII of this document will be concluded on terms favourable to the Group or that there will be no proceedings in the future that could affect the reputation, business or performance of the Group.

Expiry of leases

Certain of the Group's properties are held subject to short term leases which will need to be renewed on expiry of their respective terms. Whilst the Directors do not currently foresee any difficulties in extending such leases there can be no guarantee that the extension will be granted where required and, if an extension is not forthcoming or cannot be agreed on terms that are acceptable to the Group, the Group may be forced to locate additional space elsewhere.

Future acquisitions

Part of the Group's long term business strategy involves expansion through acquisitions of other operating power plant assets and/or businesses. There is a risk related to the Group's ability to accurately identify suitable targets and to successfully execute transactions for such a strategy. As consideration for such acquisitions, the Company may seek to issue Ordinary Shares. There can be no guarantee that sellers of target companies, businesses or assets will be prepared to accept shares traded on AIM as consideration, and this may limit the Group's ability to grow its activities and pursue its strategy. The difficulties involved in integrating any companies, businesses or assets acquired by the Group may divert financial and management resources from the Group's core business, which could adversely affect the Group's business, financial condition and operating results.

Insurance

While the Group may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or that certain risks could be excluded from coverage. There are also risks against which the Group cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Group's earnings and competitive position in the future and, potentially, its financial position. In addition, the potential costs that could be associated with compliance with applicable laws and regulations

may also cause substantial delays and require significant capital outlays, adversely affecting the Group's earning and competitive position in the future and, potentially, its financial position.

Risks relating to obtaining financing

The Group aims to finance its current and future operations with a mixture of equity and debt financing. No assurance can be given that the Group will be able to raise equity and debt financing in the future. If the Group is unable to obtain the funding it requires it may be unable to complete the building of the Anaconda biomass power plant extension and/or develop future CHPDH plants which could have a material adverse effect on the Group's future financial condition and results.

Force majeure

The Group's operations now or in the future may be adversely affected by risks outside the control or anticipation of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

RISKS RELATING TO THE ORDINARY SHARES

Investment in AIM securities and liquidity of the Company's Shares

An investment in companies whose shares are traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

The market of the Company's shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of factors which could lead to losses for Shareholders. These potential factors include amongst others: any additions or departures of key personnel, litigation and press, newspaper and/or other media reports.

Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up, that the market price of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may, therefore, realise less than, or lose all of, their investment.

Trading market for the Ordinary Shares

The share price of emerging companies, such as the Company, can be highly volatile and shareholdings illiquid. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, some specific to the Company and its operations and others to the AIM market in general including, but not limited to, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Group's sector. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. The trading of the Ordinary Shares on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

Control risks

As at the date of Admission Dr. Francesco Vallone (the Group's Chief Executive Officer) will own over 50 per cent. of the Ordinary Shares.

This means that Dr. Vallone has the power to exercise significant influence over all matters requiring Shareholder approval, including the election and removal of the Company's Directors, amendments to the Articles, further issues of new ordinary shares, approval of dividends and share buybacks. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other Shareholders.

The Relationship Agreement regulates aspects of the continuing relationship between the Company and Dr. Vallone with a view to ensuring that the Company is capable at all times of carrying on its business independently of Dr. Vallone and that future transactions between the Company and Dr. Vallone are on arm's length terms and on a normal commercial basis. The Relationship Agreement is described in more detail in paragraph 12.4 of Part VII of this Admission Document.

Dilution of shareholders' interest as a result of additional equity fundraising

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership and voting rights of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors, and will depend upon, among other things, the Group's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

Limitations on the ability of the Company's operating Subsidiaries to pay dividends or make other distributions on equity to the Company may prevent the Company from obtaining sufficient funds from its operating Subsidiaries to satisfy the Company's cash or financing requirements, if such requirements arise in the future.

General taxation

The attention of potential investors is drawn to paragraph 15 of Part VII of this Admission Document headed "Taxation". The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Group may change during the life of the Group. Tax laws and regulations are under constant development and often subject to change as a result of changing government policy. Such changes may occur without sufficient warning. Implementation of various taxes may affect consumption in certain product sectors. There is a risk that changes in tax policy and regulations may adversely affect the demand for certain products or services of the Group.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Admission Document are those currently available and their value depends upon the individual circumstances of investors. Any change in the Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Admission Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART III

FINANCIAL INFORMATION ON THE COGENPOWER S.R.L. GROUP

SECTION A – ACCOUNTANT'S REPORT ON THE AUDITED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF THE COGENPOWER S.R.L. GROUP

BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Cogenpower plc
5 Fleet Place
London
EC4M 7RD

5 February 2016

Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

Dear Sirs

Cogenpower s.r.l. and its subsidiary undertakings (together the "Cogenpower s.r.l. Group")

Introduction

We report on the financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 5 February 2016 of Cogenpower plc (the "Company") (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Cogenpower s.r.l. Group as at 31 December 2012, 31 December 2013 and 31 December 2014 and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP
Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127

SECTION B – AUDITED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF THE COGENPOWER S.R.L. GROUP

Consolidated statement of total comprehensive income

	Note	*Year ended 31 December 2012 €'000*	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Revenue from goods and services	(5)(6)	7,287	6,623	5,800
Cost of sales	(7)	(4,801)	(4,516)	(3,714)
Gross profit		2,486	2,107	2,086
Other operating income		224	30	104
Administrative expenses	(8)(9)	(939)	(1,220)	(1,060)
Depreciation and amortization	(13)(14)	(748)	(743)	(716)
Other operating expenses	(8)	–	(107)	(362)
Profit from operations		1,023	67	52
Finance expense	(10)	(895)	(924)	(1,095)
Finance income	(10)	47	47	80
Movement on fair value of interest rate swap	(4)	119	145	–
Net finance expense		(729)	(732)	(1,015)
Profit/(loss) before tax		294	(665)	(963)
Tax expense/(refund)	(11)	(143)	44	(82)
Profit for the year attributable to equity holders of the parent company		151	(621)	(1,045)
Other comprehensive income (net of tax)		–	–	–
Total comprehensive income attributable to equity holders of the parent company		151	(621)	(1,045)
Earnings/(loss) per share for profit attributable to the equity holders of the parent during the year				
Basic and diluted (cents)	(12)	8.3	(31.0)	(52.3)

Consolidated statement of financial position

	Note	*As at 31 December 2012 €'000*	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Non-current assets				
Property, plant and equipment	(13)	11,589	11,342	10,943
Intangible assets	(14)	291	304	337
Investments		12	12	12
Deferred tax assets	(22)	406	514	609
Total non-current assets		12,298	12,172	11,901
Current assets				
Inventories	(16)	5	25	212
Trade and other receivables	(17)	3,965	4,689	3,786
Cash and cash equivalents		61	28	119
Total current assets		4,031	4,742	4,117
Total assets		16,329	16,914	16,018
Current liabilities				
Trade and other payables	(18)	3,465	4,848	4,576
Provisions	(19)	181	325	462
Borrowings	(20)	2,058	7,787	7,304
Corporation taxes	(21)	487	499	620
Other taxes	(21)	1,443	1,443	2,289
Total current liabilities		7,634	14,902	15,251
Non-current liabilities				
Borrowings	(20)	6,615	375	179
Deferred tax liability	(22)	26	14	10
Total non-current liabilities		6,641	389	189
Total liabilities		14,275	15,291	15,440
Net assets		2,054	1,623	578
Equity attributable to equity holders of the Parent				
Share capital	(23)	1,810	2,000	2,000
Share premium account		1,173	1,173	1,173
Revaluation reserve		316	316	316
Retained earnings		(1,245)	(1,866)	(2,911)
Total equity		2,054	1,623	578

Consolidated statement of changes in equity

	Share capital €'000	*Share premium €'000*	*Revaluation reserve €'000*	*Retained earnings €'000*	*Total €'000*
At 1 January 2012	1,810	1,173	316	(1,396)	1,903
Comprehensive income					
Profit for the Year	–	–	–	151	151
Total comprehensive income for the year	–	–	–	151	151
Equity as at 31 December 2012	1,810	1,173	316	(1,245)	2,054
Comprehensive income					
Loss for the year	–	–	–	(621)	(621)
Total comprehensive income for the year	–	–	–	(621)	(621)
Proceeds of sale of shares	190	–	–		190
Equity as at 31 December 2013	2,000	1,173	316	(1,866)	1,623
Comprehensive income					
Loss for the year	–	–	–	(1,045)	(1,045)
Total comprehensive income for the year	–	–	–	(1,045)	(1,045)
Equity as at 31 December 2014	2,000	1,173	316	(2,911)	578

Consolidated statement of cash flows

	Note	*Year ended 31 December 2012 €'000*	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Operating activities				
Profit/(loss) before tax		294	(665)	(963)
Adjustment for:				
Amortisation of intangible assets	(8)	79	74	52
Depreciation of property, plant and equipment	(8)	670	670	664
Finance expense	(10)	895	924	1,095
Finance income	(10)	(47)	(47)	(80)
Fair value movement on interest rate swap		(119)	(145)	–
Loss on disposal of assets		8	56	41
Decrease/(increase) in trade and other receivables		134	(751)	836
Decrease/(increase) in inventories		1	(20)	(187)
Increase/(decrease) in trade and other payables		(618)	1,553	(71)
Increase/(decrease) in other taxes		243	(2)	847
Cash generated from operations		1,540	1,647	2,234
Income tax paid	(21)	(93)	(63)	(60)
Net cash flows from operating activities		1,447	1,584	2,174
Investing activities				
Finance income		47	47	80
Purchase of property, plant and equipment	(13)	(333)	(480)	(306)
Purchase of intangibles	(14)	(227)	(84)	(84)
Net cash used in investing activities		(513)	(517)	(310)
Financing activities				
Repayment of loans		(250)	(435)	(693)
New loans		–	150	–
Drawdown/(repayment) of bank overdraft		59	(81)	15
Finance expense		(895)	(924)	(1,095)
Proceeds from sale of shares		–	190	–
Net cash used in financing activities		(1,086)	(1,100)	(1,773)
Cash flow of the period		(152)	(33)	91
Cash and cash equivalents at beginning of period		213	61	28
Cash and cash equivalents at end of period		61	28	119
Net change in cash and cash equivalents		(152)	(33)	91
Cash and cash equivalents consist of:				
Cash at bank and in hand		61	28	119

Notes to the consolidated financial information

1. General information

Description of business

Cogenpower s.r.l. was founded in 2004 and is based near Turin, Italy.

The Cogenpower s.r.l. Group is a low-carbon energy business focused on the provision and development of 'Combined Heat and Power District Heating' (CHPDH) networks in towns and cities with populations below 50,000.

The Cogenpower s.r.l. Group has three distinct business streams:

- The operation of CHPDH projects that are constituted by a power plant, which can run on natural gas and/or other fuel, able to produce simultaneously electricity and heat and a district heating network to deliver the produced heat to buildings and other facilities;
- Retailing electricity and natural gas to a mixture of domestic and commercial consumers; and
- Retrofitting blocks of flats and commercial buildings with condensing boilers or micro CHP plants to supply residents with heat and electricity.

2. Accounting policies

Basis of preparation

The financial information has been prepared by consolidating the financial information of Cogenpower s.r.l., Cogenpower Energia s.r.l., Cogenpower Gas & Power s.r.l. and Cogenpower Engineering s.r.l. (in liquidation).

The principal accounting policies adopted in the preparation of the consolidated financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in '000 euros unless otherwise stated. The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable sections of the Italian Civil Code. The Group adopted IFRS for the first time for the period from 1 January 2010. The disclosures regarding first time adoption can be seen in note 27.

The financial information has been prepared using the historical cost basis except for the following:

- Derivatives measured at fair value.

The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2014 are reflected in the financial information. The level of rounding for the financial information is the nearest one thousand Euro.

New standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments have been published but have not been endorsed by the European Union, or are not effective for the periods presented and the Group has chosen not to early adopt:

- IFRS 9: Financial Instruments (effective 1 January 2018).
- IFRS 15: Revenue from customer contracts (effective 1 January 2018).
- IAS 1 Disclosure initiatives: Applying professional judgement in disclosure of information in financial statements (effective 1 January 2016).
- IFRS 11: Application of principals of IFRS 3 Business combinations to interests in Joint Ventures (effective 1 January 2016).
- IAS 27: Option to apply equity method when accounting for investments in subsidiaries, joint ventures, associates in separate financial statements (effective 1 January 2016).

- Annual improvements to IFRSs 2012-2014 cycle – Amendments to IFRS 5 Non current assets held for sale, IFRS 7 financial instruments disclosure, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting (effective 1 January 2016).

Management is currently assessing the impact of these amendments, revisions and interpretations on its financial statements and will continue to consider whether they will have a material impact.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of subsidiaries acquired or disposed of during the year are included in the Statement of Comprehensive Income from the date control is obtained or ceases to be held.

The statement of financial position at 31 December 2014 incorporates the results of Cogenpower s.r.l. and its subsidiaries for all periods, as set out in the basis of preparation.

Green certificates

Green Certificates relate to district heating performed without the use of additional energy and are issued by the Italian government agency during the month of June following the end of the relevant calendar year. Prior to the year-end, the agency publishes the price for which they will redeem each Certificate and, based on an estimate of the electricity produced, management accrue over the grant income to be received at each year end. This is recognised as grant income in the profit and loss and is netted off against production expense in line with the requirement of IAS 20.

Following the year end when the Green Certificates are received these are recognised as inventory and the grant receivable is settled. When the risks and rewards of owning the certificates pass to the third party broker, revenue is recognised. At this point the inventory is derecognised and the cost of sale is recognised in the statement of comprehensive income.

Revenue recognition

Revenue for the Cogenpower s.r.l. Group is measured at the fair value of the consideration received or receivable. The Cogenpower s.r.l. Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The Group has the following revenue streams:

- Supply of electricity and heat – revenue is recognised when supply is passed to the end customer. Revenue is measured at the market price for the electricity and heat at the date of the transaction.
- Green Certificates – see above accounting policy.

All these entities typically invoice and recognise revenues on a monthly basis with the exception of the Green Certificates described above.

Revenues are reported net of the following:

- VAT.
- Excise and duties where the Cogenpower s.r.l. Group is acting as agents for the collection thereof.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

Intangible asset	
Licences	5 years

Internally generated intangible assets

The Cogenpower s.r.l. Group has developed internally a number of control systems and predictive software which are used in the optimisation of the Anaconda plant's operations.

Where internal resources are applied to this development of intangible assets, the costs of the relevant personnel are time-apportioned and the cost directly relating to the development of the asset is capitalised as part of the cost base. Where the time cost relates to research, this is expensed to the profit or loss in the period in which it was incurred. Internally generated intangible assets are not depreciated until the asset is brought into use.

Property, plant and equipment

Property, plant and equipment ('PPE') are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items of PPE.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/(expenses)" in the income statement.

Where the Cogenpower s.r.l. Group's employees are actively contributing to the building of plant and equipment, the time they expend on such work is calculated and the appropriate proportion of their total cost of employment is deducted from administrative costs and capitalised at cost as part of the tangible asset in development. Where time relates to maintenance activity this is expensed to the profit or loss in the period in which it occurs

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. Land is not depreciated. Assets under construction are not depreciated until the asset is brought into use.

Depreciation is provided at the following rates:

Buildings	–	3%
Plant & equipment	–	6.5% – 9%
District heating network	–	3%
Fixtures and fittings	–	12% – 20%

Impairment of non financial assets

The carrying values of non financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the consolidated income statement, except to the extent they reverse previous gains recognised in the consolidated statement of comprehensive income.

Financial assets

The Cogenpower s.r.l. Group classifies its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Cogenpower s.r.l. Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Cogenpower s.r.l. Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents include cash held at bank and in the Cogenpower s.r.l. Group companies' offices. Bank overdrafts are shown within loans and borrowings in current liabilities in the consolidated statement of financial position.

Invoicing discounting

Where funds have been received against discounted sales invoices, a separate presentation is adopted whereby the gross amount of the sales invoice discounted is shown on the balance sheet within trade debtors until the funds are received from the customer and a corresponding liability in respect of the proceeds advanced shown within bank loans. The amounts are shown gross because the Group retains the credit risk over the debtors.

Financial liabilities

The Cogenpower s.r.l. Group classified the following financial liabilities as other financial liabilities at amortised cost:

- Bank loans are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The Cogenpower s.r.l. Group classified the following financial liability as fair value through profit and loss:

- Available-for-sale interest rate swaps are marked to market at the end of each accounting period and the movement accounted for within the income statement.

Share capital

Financial instruments issued by the Cogenpower s.r.l. Group are treated as equity only to the extent that they meet the definition of a financial liability. The Cogenpower s.r.l. Group's ordinary shares are classified as equity instruments.

Share premium

To the extent that the company's ordinary shares are issued for a consideration greater than the nominal value of those shares (in the case of the company, €1 per share), the excess is deemed Share Premium. Costs directly associated with the issuing of those shares are deducted from the share premium account, subject to local statutory guidelines.

Retained earnings

Retained earnings are the cumulative, consolidated after-tax profits less losses of the Cogenpower s.r.l. Group, after the elimination of inter-company sales and purchases.

Revaluation reserve

Land and buildings are shown at cost, or, where there has been a change of fiscal classification, the revised valuation placed on it by the fiscal authorities, following an independent survey. The difference between the revised value and the depreciated cost at the time of the asset(s) in question is held in the revaluation reserve.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Cogenpower s.r.l. Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Italian corporate entities are subject to a corporate income tax (IRES) and to a regional production tax (IRAP).

As the interest expense that may be deducted from taxable income is currently capped under Italian fiscal law to 30 per cent. of Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), this can lead to the existence of a deferred tax asset position.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

Deferred tax assets and liabilities are offset when the Cogenpower s.r.l. Group 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 either:

- the same taxable group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Technical Director and Corporate development Director.

The Board considers that the Cogenpower s.r.l. Group has three operating segments, as defined under IFRS 8. Management reviews the performance of the Cogenpower s.r.l. Group by reference to total results against budget.

The operating segments are:

- Combined Heat and Power District Heating (CHPDH);
- Gas & Power Supply; and
- Energy Services.

The total profit measures are operating profit and profit for the year, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Cogenpower s.r.l. Group financial information.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Cogenpower s.r.l. Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Cogenpower s.r.l. Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Cogenpower s.r.l. Group. The Cogenpower s.r.l. Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Employee benefits

Post-employment benefits

Employees departing the Cogenpower s.r.l. Group, whether voluntarily or involuntarily, are entitled to receive post-employment benefits ("TFR") in cash of approximately one month's salary, less social security deductions, for each year worked. These are the only post-employment benefits.

Functional and foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Cogenpower s.r.l. Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial information is presented in Euro, which is the Cogenpower s.r.l. Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities not retranslated. All exchange differences are recognised in profit or loss.

3. Critical accounting estimates and judgements

Management makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The 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 discussed below.

Accounting estimates

(a) Green Certificates

Green Certificates are awarded to Cogenpower s.r.l. for its use of the heat created as a by-product of electricity generation to provide heating and hot water to properties connected to its district heating network. The Certificates are issued by the Italian government agency during the month of June after the end of the production year following a review of the company's detailed submission of qualifying production. The government agency publishes prior to the year-end the price at which they will redeem Certificates once granted.

At the year-end management estimates the grant income to accrue for each financial period based on the electricity produced in the period. The assessment of which part of the production qualifies for Green Certificates is a well-established process and can therefore be conducted with a high probability of accounting.

(b) Useful lives of depreciable assets

Management reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected utilisation of each asset. Uncertainties in these estimates relate to technical obsolescence that may change the utilisation of certain items of plant and equipment, heating network and software.

(c) Inventories

Management estimates the net realisable value of inventory, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market driven changes that reduce the future selling price.

Key judgements

(a) Capitalisation of development expenditure in PPE and intangible assets

The Group capitalises development costs provided the conditions in IAS 38 and IAS 16 have been met. Consequently management is required to continually assess the commercial potential of the asset under development. Impairment testing of capitalised development costs is carried out annually or when indicators of impairment are noted. Management carries out impairment tests by assessing the assets' value in use. This assessment is based upon risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows are based on forecasts and therefore subject to significant judgements regarding timing and value of cash flows, discount rates, inflation and heat and electricity prices.

(b) Fair Value of Interest Rate Swaps

In 2012 and 2013 the Group had taken out interest rate swaps. These contracts are fair valued at each accounting period based on a Level 2 valuation technique, being the present value of the future cash flows based on an observable yield curve. Given the complex nature of these instruments management has applied judgement to the variables used in the valuation model. For full details please refer to note 4.

(c) Recoverability of deferred tax

Under current Italian fiscal regulations, interest charges can only be offset against taxable income provided they do not exceed 30 per cent. of EBITDA. To the extent that interest does exceed that amount, a deferred tax asset is created. As i) the Group is profitable at the EBITDA level and expects to continue to be so, and ii) the intention is to replace the most expensive debt with equity, thereby reducing the interest burden, the deferred tax is adjudged to be recoverable and is therefore not impaired. This position is reviewed for each accounting period.

(d) Provision for doubtful debts

Management performs an assessment of the recoverability of debtors when evidence arises that demonstrates the collection is uncertain. Management periodically reassesses the adequacy of the allowance for doubtful debts in conjunction with its credit policy and discussions with each specific customer. Judgement is applied at the point where recoverability is deemed uncertain and thus when a provision is to be recognised.

4. Financial instruments – risk management

The Board has overall responsibility for the determination of the Cogenpower s.r.l. Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Cogenpower s.r.l. Group's competitiveness and flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Cogenpower s.r.l. Group does not currently use derivative financial instruments, although has previously used interest rate swaps (in 2012 and 2013).

The Cogenpower s.r.l. Group does not issue or use financial instruments of a speculative nature.

The Cogenpower s.r.l. Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk

The Cogenpower s.r.l. Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Cogenpower s.r.l. Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents

- Trade and other payables
- Bank loans
- Derivative financial liabilities – interest rate SWAPS

The fair values of the primary financial assets and liabilities of the Cogenpower s.r.l. Group together with their carrying values are as follows:

	2014 Carrying value €'000	*2014 Fair value €'000*	*2013 Carrying value €'000*	*2013 Fair value €'000*	*2012 Carrying value €'000*	*2012 Fair value €'000*
Financial assets						
Trade receivables and green certificates	2,205	2,205	3,509	3,509	2,568	2,568
Other receivables	197	197	185	185	98	98
Cash and cash equivalents	119	119	28	28	61	61
Financial liabilities						
Trade payables	4,083	4,083	4,498	4,498	3,098	3,098
Other payables	338	338	228	228	264	264
Derivative financial liabilities – interest rate SWAPS	–	–	–	–	145	145
Borrowings	7,483	7,483	8,162	8,162	8,673	8,673

Basis of determining fair value

Certain assets and liabilities designated and carried at amortised cost are borrowing, receivables and payables. The carrying value of all financial instruments at 31 December 2012, 2013 and 2014, apart from the derivatives (interest rate swaps) approximate to fair value due to their short term nature.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than those quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that includes inputs for the assets or liability that are not based on observable market data.

The Group only has the derivative interest rate swaps which are fair valued after initial recognition. These are deemed to be fair valued based on a level 2 valuation using the following criteria:

The valuation of the instrument uses generally accepted principles used by market operators, such as a) discounted cash flow analysis and b) option pricing models

Specifically the discounted cash flow analysis estimates the value of the financial instrument through the algebraic sum of the discounted cash flow determined in the future based on the particular maturity of the interest rate.

Option pricing models are used in the valuation of the financial instruments that contain optional components i.e. in the event that the cash flow is subject to random influences. A probability is assigned to each of the possible outcomes, to which a cash flow value is then attributed and a weighted average applied.

This valuation technique influences the trajectory of interest rate movements by reference to risk-based volatility and exchange rate and commodity price movements as applied to the maturity of the particular instrument.

Credit risk

Credit risk is the risk of financial loss to the Cogenpower s.r.l. Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Cogenpower s.r.l. Group is mainly exposed to credit risk from credit sales. As at 31 December 2014 the Cogenpower s.r.l. Group has trade receivables of €3,786 thousand (31 December 2013: €4,688 thousand; 31 December 2012: €3,965 thousand).

The Cogenpower s.r.l. Group is exposed to credit risk in respect of these balances such that, if one or more of the customers encounters financial difficulties, this could materially and adversely affect the Cogenpower s.r.l. Group's financial results. The Cogenpower s.r.l. Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms.

The Cogenpower s.r.l. Group only deposits its cash with banks with the highest credit rating.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2014 and consequently no further provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Cogenpower s.r.l. Group's management of working capital. It is the risk that the Cogenpower s.r.l. Group will encounter difficulty in meeting its financial obligations as they fall due. The Cogenpower s.r.l. Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days. The Cogenpower s.r.l. Group also uses an invoice discounting facility to help manage this risk.

The following are the undiscounted contractual maturities of financial liabilities, including interest, as at each balance sheet date:

	2014 carrying value €'000	*2014 contractual cash flows €'000*	*0-12 months €'000*	*1-2 years €'000*	*2-5 years €'000*	*> 5 years €'000*
Borrowings	7,483	(8,569)	(2,760)	(756)	(2,218)	(2,834)
Trade payables	4,083	(4,083)	(4,083)	–	–	–
Totals	11,566	(12,652)	(6,843)	(756)	(2,218)	(2,834)

	2013 carrying value €'000	*2013 contractual cash flows €'000*	*0-12 months €'000*	*1-2 years €'000*	*2-5 years €'000*	*> 5 years €'000*
Borrowings	8,162	(9,333)	(2,618)	(908)	(2,263)	(3,548)
Trade payables	4,498	(4,498)	(4,498)	–	–	–
Totals	12,660	(13,831)	(7,116)	(908)	(2,263)	(3,548)

	2012 carrying value €'000	2012 contractual cash flows €'000	0-12 months €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
Borrowings	8,673	(10,146)	(2,872)	(758)	(2,270)	(4,295)
Trade payables	3,098	(3,098)	(3,098)	–	–	–
Totals	11,771	(13,244)	(5,970)	(758)	(2,270)	(4,295)

Interest rate risk

Interest rate risk arises from the Cogenpower s.r.l. Group's borrowings, the largest of which have maturities between 2021 and 2025. The interest rate is expressed as Euribor + a margin, dependent upon the loan. Although the margin is fixed for the period of the loan, Euribor is a floating rate. It is estimated that a 100 basis point (1 per cent.) rise in the Euribor rate would reduce profit and equity by €54,000.

Other market risk

Market risk arises from the Group's purchasing and selling of electricity, a commodity whose price varies substantially even within any one day. Cogenpower Gas & Power (G&P) sells electricity at a fixed price but buys at a variable price. There is, however, a natural hedge within the group as Cogenpower s.r.l. is itself a seller of electricity, which it does based on the same variable formula as that used for G&P's purchases. This natural hedge covers approximately 50 per cent. of the Cogenpower s.r.l. Group's exposure. Historically, the volatility of electricity prices has had an impact of less than €50,000 on the Cogenpower s.r.l. Group's gross profit. This is monitored regularly and management considers the appropriateness or otherwise of purchasing derivative instruments to further mitigate the exposure. The Cogenpower s.r.l. Group has currently no such derivative instrument.

Capital and financial risk management

The Cogenpower s.r.l. Group's capital is made up of share capital, revaluation reserves and retained earnings totalling €578 thousand as at 31 December 2014 (December 2013: €1,623 thousand; December 2012: €2,054 thousand).

The Cogenpower s.r.l. Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Cogenpower s.r.l. Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

5. Revenue

Net revenues were as follow:

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Revenue arising from:			
Provision of CHPDH services	4,544	3,764	3,042
Provision of Gas and Power supply	1,597	1,812	1,996
Provision of energy services	1,146	1,047	762
	7,287	6,623	5,800

Net revenues were attributed as follows:

Analysis of concentration of customers			
Top customers:			
Customer 1	1,144	838	811
Customer 2	835	663	451
Customer 3	444	344	280
	2,423	1,845	1,542
% of total	*33%*	*28%*	*27%*
Others	4,864	4,778	4,258
Total	7,287	6,623	5,800

6. Operating segments

The Cogenpower s.r.l. Group consists of 3 operating divisions which management regards as the only operating segments:

- Combined Heat and Power and District Heating (CHPDH)
- Gas and Power Supply (G&P)
- Energy Services which retrofit CHP solutions in individual buildings (Energia)

There are no geographical segments as the business currently produces 100 per cent. of its revenue within Italy.

Segment analysis: income statement

	Year ended 31 December 2012			
	CHPDH	*G&P*	*Energia*	*Total*
	€'000	*€'000*	*€'000*	*€'000*
Revenue from goods and services	3,874	2,154	1,259	7,287
Cost of sales	(2,011)	(1,881)	(909)	(4,801)
Gross profit	1,863	273	350	2,486
	48%	13%	28%	
Other operating income	150	–	74	224
Administrative expenses	(556)	(110)	(273)	(939)
Depreciation and amortization	(660)	(17)	(71)	(748)
Profit from operations	797	146	80	1,023
	21%	7%	6%	
Finance expense	(832)	(50)	(13)	(895)
Finance income	12	33	2	47
Movement on fair value of interest rate swap	119	–		119
Net finance expense	(701)	(17)	(11)	(729)
Profit before tax	96	129	69	294
Tax expense	(86)	(43)	(14)	(143)
Profit for the year	10	86	55	151

Segment analysis: income statement

	Year ended 31 December 2013			
	CHPDH	*G&P*	*Energia*	*Total*
	€'000	*€'000*	*€'000*	*€'000*
Revenue from goods and services	3,755	1,784	1,084	6,623
Cost of sales	(2,105)	(1,545)	(866)	(4,516)
Gross profit	1,650	239	218	2,107
	44%	13%	20%	
Other operating income	28	–	2	30
Administrative expenses	(787)	(149)	(284)	(1,220)
Depreciation and amortization	(655)	(17)	(71)	(743)
Other operating expenses	(107)	–	–	(107)
Profit from operations	129	73	(135)	67
	3%	4%	(12)%	
Finance expense	(820)	(72)	(32)	(924)
Finance income	17	27	3	47
Movement on fair value of interest rate swap	145	–		145
Net finance expense	(658)	(45)	(29)	(732)
Profit/(loss) before tax	(529)	28	(164)	(665)
Tax benefit/(expense)	78	(46)	12	44
Profit/(loss) for the year	(451)	(18)	(152)	(621)

Segment analysis: income statement

	Year ended 31 December 2014			
	CHPDH	*G&P*	*Energia*	*Total*
	€'000	*€'000*	*€'000*	*€'000*
Revenue from goods and services	3,054	1,970	776	5,800
Cost of sales	(1,577)	(1,552)	(585)	(3,714)
Gross profit	1,477	418	191	2,086
	48%	21%	25%	
Other operating income	88	8	8	104
Administrative expenses	(558)	(262)	(240)	(1,060)
Depreciation and amortization	(640)	(17)	(59)	(716)
Other operating expenses	(362)	–	–	(362)
Profit from operations	5	147	(100)	52
	0%	7%	(13)%	
Finance expense	(1,028)	(43)	(24)	(1,095)
Finance income	62	5	13	80
Net finance expense	(966)	(38)	(11)	(1,015)
Profit/(loss) before tax	(961)	109	(111)	(963)
Tax benefit/(expense)	(6)	(92)	16	(82)
Profit/(loss) for the year	(967)	17	(95)	(1,045)

Segment analysis: statement of financial position

	31.12.2012			2012	31.12.2013			2013	31.12.2014			2014
	CHPDH €'000	Energia €'000	G&P €'000	Total €'000	CHPDH €'000	Energia €'000	G&P €'000	Total €'000	CHPDH €'000	Energia €'000	G&P €'000	Total €'000
Non-current assets												
Additions	288	269	3	560	343	156	65	564	273	117	–	390
Property, plant and equipment	10,728	860	1	11,589	10,396	945	1	11,342	10,114	827	2	10,943
Intangible assets	153	131	7	291	103	86	115	304	59	163	115	337
Non-current investments	12	–	–	12	12	–	–	12	12	–	–	12
Deferred tax assets	390	6	10	406	458	52	4	514	486	40	83	609
Total non-current assets	11,283	997	18	12,298	10,969	1,083	120	12,172	10,671	1,030	200	11,901
Current assets												
Inventories	–	5	–	5	17	8	–	25	204	8	–	212
Trade and other receivables	2,470	696	799	3,965	2,880	453	1,356	4,689	2,971	310	505	3,786
Cash and cash equivalents	47	–	14	61	10	–	18	28	31	5	84	120
Total current assets	2,517	701	813	4,031	2,907	461	1,374	4,742	3,206	323	589	4,118
Total assets	13,800	1,698	831	16,329	13,876	1,544	1,494	16,914	13,877	1,353	789	16,019
Current liabilities												
Trade and other payables	759	274	2,613	3,646	529	236	4,408	5,173	968	203	3,867	5,038
Borrowings	1,454	118	486	2,058	7,639	81	67	7,787	7,148	9	147	7,304
Corporation and other taxes	700	82	1,148	1,930	921	–	1,021	1,942	939	6	1,964	2,909
Total current liabilities	2,913	474	4,247	7,634	9,089	317	5,496	14,902	9,055	218	5,978	15,251
Non-current liabilities												
Borrowings	6,554	61	–	6,615	375	–	–	375	179	–	–	179
Deferred tax liability	26	–	–	26	14	–	–	14	10	–	–	10
Total non-current liabilities	6,580	61	–	6,641	389	–	–	389	189	–	–	189
Total liabilities	9,493	535	4,247	14,275	9,399	317	5,496	15,212	9,244	218	5,978	15,440
Net assets	4,307	1,163	(3,416)	2,054	4,477	1,227	(4,002)	1,702	4,633	1,135	(5,189)	579

7. Cost of sales

Net revenues were as follows:

	Year ended 31 December 2012 €'000	Year ended 31 December 2013 €'000	Year ended 31 December 2014 €'000
Gas purchased for resale	3,130	2,700	2,015
Gas purchased for production	106	96	79
Electricity purchased for resale	514	548	419
Electricity distribution	417	601	712
Gas transportation	254	275	200
Other	380	296	289
Cost of sales	4,801	4,516	3,714

8. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Staff costs	458	423	435
Depreciation	670	670	664
Intangible assets amortisation	79	73	52
Lease payments	78	94	128
Other operating expenses	–	107	362
Auditors' remuneration:			
Audit fees	21	17	18
Other taxation services	48	77	47

Other operating expenses include €362,000 (2013: €107,000; 2012: €nil) with respect to AIM flotation costs and setting up a UK office.

9. Staff costs

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Wages and salaries	335	411	440
Social security costs	90	119	132
Other post-employment benefits	33	41	41
	458	571	613
Less: Staff costs capitalised (notes 13 and 14)	–	(148)	(178)
	458	423	435

Staff costs include labour costs consisting of direct wages, social security costs and statutory post-employment benefits.

Where employees work on developing tangible and intangible non-current assets, the employment cost associated with the relevant working hours is capitalised and included in the cost of the assets.

Key management personnel

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Salaries	192	308	354
Post-employment benefits	8	12	12
Other employment costs	76	104	111
Total	276	424	477

Key management personnel are: Francesco Vallone, CEO; Ilaria Cannata, Corporate Development Director; Stefano Chanoine, Director of Engineering and Paolo Prataviera, Director of Production and Maintenance.

10. Finance income and expense

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Finance income			
Bank interest and interest charged to customers	47	47	80

	€'000	*€'000*	*€'000*
Finance expenses			
Bank interest	122	146	159
Bank loan interest	254	242	246
Other finance expenses	519	536	690
	895	924	1,095

Bank interest represents principally the financial expenses related to factoring of trade receivables. Other finance expenses relate predominantly to amounts paid and accruing to the Vallone family for providing personal guarantees for borrowings and interests and penalties for late payment of taxes.

11. Income tax

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Current tax expense			
Current tax on profits for the period	243	76	181
Deferred tax income			
Less: Movement on deferred tax asset (note 22)	(94)	(108)	(95)
Reversal of deferred tax liability (note 22)	(6)	(12)	(4)
Total tax expense/(income)	143	(44)	82

The Cogenpower s.r.l. Group's activities are all within the Italian state where two corporate taxation regimes operate:

– IRES is the state tax which was levied at 27.5 per cent. of taxable income.

– IRAP is a regional tax, for which the standard rate is 3.9 per cent., with certain local variations permitted. For 2014, IRAP was assessed to be €57,000 (2013: €34,000; 2012: €57,000).

In calculating IRES taxable income, interest costs in excess of 30 per cent. of EBITDA are disallowed, but are retained on the balance sheet as a deferred tax asset and may be applied against taxes when the interest charge falls below 30 per cent. of EBITDA.

Each company within the Cogenpower s.r.l. Group is taxed as a separate entity.

The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate and income taxes recognized was as follows:

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Profit/(loss) for the period before tax	294	(665)	(963)
Expected tax charge/(benefit) @ 27.5%	81	(183)	(265)
Tax effect of eliminated income subject to tax @ 27.5%	–	–	129
Tax expected of interest cost not deductible due to cap	70	117	55
Tax losses not utilised	–	183	181
Other adjustments	(119)	4	6
Tax losses and interest cap carried forward	(94)	(108)	(95)
Timing differences	(6)	(12)	(4)
Permanent differences	54	(79)	18
Total tax expense/(income), excluding IRAP	86	(78)	25
IRAP	57	34	57
Total tax expense/(income)	143	(44)	82

12. Earnings/(loss) per share

	Year ended 31 December 2012 €'000	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Earnings			
Profit /(loss)used in calculating basic and diluted earnings	151	(621)	(1,045)
Number of shares			
Weighted average number of shares for the purpose of basic and diluted earnings per share	1,810,000	2,000,000	2,000,000

The basic and diluted earnings/(loss) per share for 2014, 2013 and 2012 were determined by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of shares outstanding during the periods. There were no dilutive instruments in the period under review.

13. Property, plant and equipment

	Land €'000	*Plant & Buildings €'000*	*Equipment €'000*	*District Heating network €'000*	*Fixtures & Fittings €'000*	*Assets under construction €'000*	*Total €'000*
COST							
At 1 January 2012	195	953	6,224	6,543	105	–	14,020
Additions	–	10	134	177	12	–	333
Disposals	–	–	(2)	–	(14)	–	(16)
At 31 December 2012	195	963	6,356	6,720	103	–	14,337
Additions	–	7	55	113	13	291	479
Disposals	–	–	(74)	–	–	–	(74)
At 31 December 2013	195	970	6,337	6,833	116	291	14,742
Additions	–	–	27	24	12	243	306
Disposals	–	–	(53)	–	(10)	–	(63)
At 31 December 2014	195	970	6,311	6,857	118	534	14,985
DEPRECIATION							
At 1 January 2012	–	(94)	(1,387)	(551)	(54)	–	(2,086)
Charge for year	–	(29)	(424)	(202)	(15)	–	(670)
On disposals	–	–	1	–	7	–	8
At 31 December 2012	–	(123)	(1,810)	(753)	(62)	–	(2,748)
Charge for year	–	(29)	(420)	(206)	(15)	–	(670)
On disposals	–	–	18	–	–	–	18
At 31 December 2013	–	(152)	(2,212)	(959)	(77)	–	(3,400)
Charge for period	–	(29)	(418)	(206)	(11)	–	(664)
On disposals	–	–	19	–	3	–	22
At 31 December 2014	–	(181)	(2,611)	(1,165)	(85)	–	(4,042)
NET BOOK VALUE							
At 31 December 2012	195	840	4,546	5,967	41	–	11,589
At 31 December 2013	195	818	4,125	5,874	39	291	11,342
At 31 December 2014	195	789	3,700	5,692	33	534	10,943

Plant and equipment includes the Anaconda power plant, the Cogenpower Energia power plant and the heat storage equipment. Additions to assets under construction of €243,000 in 2014 (2013: €291,000) relate principally to the Anaconda ORC and Orbaranna projects and include capitalised personnel costs of €101,000 (2013: €83,000).

14. Intangible assets

	Software Licences €'000	*Assets under development €'000*	*Total €'000*
COST			
At 1 January 2012	317	–	317
Additions	89	138	227
Disposals	–	–	–
At 31 December 2012	406	138	544
Additions	19	65	84
Disposals	–	–	–
At 31 December 2013	425	203	628
Additions	7	77	84
Disposals	–	–	–
At 31 December 2014	432	280	712
AMORTISATION			
At 1 January 2012	(176)	–	(176)
Charge for year	(77)	–	(77)
On disposals	–	–	–
At 31 December 2012	(253)	–	(253)
Charge for year	(71)	–	(71)
On disposals	–	–	–
At 31 December 2013	(324)	–	(324)
Charge for period	(51)	–	(51)
On disposals	–	–	–
At 31 December 2014	(375)	–	(375)
NET BOOK VALUE			
At 31 December 2012	153	138	291
At 31 December 2013	101	203	304
At 31 December 2014	57	280	337

Additions of €84,000 in 2014 (2013: €84,000) include development costs of €77,000 (2013: €65,000), consisting primarily of personnel expenses relating to the development of a forecasting commodities pricing model in collaboration with the Ecole Politechnique of Paris, that will be used as a basis for a commodities trading software focused on energy markets.

15. Subsidiaries

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are all owned 100 per cent. and are as follows:

Name	*Principal activity*	*Ownership*
Cogenpower Energia s.r.l.	Energy Services	Cogenpower s.r.l.
Cogenpower Gas & Power s.r.l.	Supply of natural gas and electricity	Cogenpower s.r.l.
Cogenpower Engineering s.r.l. (dormant)	Engineering Services	Cogenpower s.r.l.

Cogenpower Engineering, whilst consolidated within these financial statements, is currently in liquidation and under Italian law, its holding company, Cogenpower s.r.l., is responsible for any future liabilities, which are recognized in the provisions stated in note 19.

16. Inventories

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Finished goods and goods for resale	5	25	212
	5	25	212

In 2014, included in inventory is a chiller unit acquired for €220,000. Its use within the business was re-evaluated and it was held within inventory at the year-end to be used in future operations. Management has assessed its net realisable value to be €180,000. A write down of €40,000 was taken in cost of goods sold.

17. Trade and other receivables

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Trade receivables	2,568	3,509	2,205
Green Certificates: accrued income	835	838	813
Excise duties and other indirect taxes receivable	436	128	518
Advances to suppliers	1	24	38
Other receivables	97	161	159
Prepayments and accrued income	28	29	53
	3,965	4,689	3,786

Trade receivables are shown net of provisions for doubtful debts of €154,000 (2013: €88,000; 2012: €61,000).

Ageing analysis of trade receivables	*As at 31 December 2012 €'000*	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Current and not past due	1,302	1,613	1,042
1 to 2 months	550	920	574
2 to 3 months	209	369	170
Over 3 months	24	103	39
CV-TLR (Green Certificates)	835	838	813
CO2 Credits	483	504	380
Total trade receivables	3,403	4,347	3,018
Other receivables	562	342	768
Total trade and other receivables	3,965	4,689	3,786

18. Trade and other payables

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Trade payables	3,098	4,498	4,083
Payments received on account	37	30	46
Employment costs	103	122	155
Derivative financial liability: interest rate SWAP	145	–	–
Other payables	82	198	292
	3,465	4,848	4,576

Employment costs includes the Italian employee severance indemnity (TFR) obligation amounting to €112,000 at 31 December 2014 (2013: €84,000; 2012: €63,000).

19. Provisions

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Tax provision	111	190	140
Legal proceedings	–	–	93
Cogenpower Engineering provision	70	135	168
Financial guarantees provision	–	–	61
	181	325	462

The tax provisions relate to penalties and interest for late payment of taxes. Legal proceedings relate to estimates of maximum exposure with respect to litigation proceedings (note 28). The Cogenpower Engineering provision relates to the liquidation of that company (as the cost must be borne by its parent company, Cogenpower s.r.l.). The financial guarantees provision relates to fees for personal guarantees provided by the Vallone family which may be waived if the guarantee level is reduced on review by the bank.

20. Borrowings

Cogenpower s.r.l. has both long-term borrowings funding fixed assets and short-term credit facilities for working capital. Borrowings shown in current and non-current liabilities are as follows:

In current liabilities

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
1. Finanz.Intesa SP 0I51073056563	–	–	150
2. Finanz.Unicredit 4070471 **	–	1,069	960
3. Finanz.Unicredit 4059671 **	–	3,091	2,718
4 .Finanz.Unicredit 3804987 **	–	1,781	1,631
5. Finanz.BCCooperativo 92139	–	–	–
Other short-term credit facilities	2,058	1,846	1,845
	2,058	7,787	7,304

In non-current liabilities

1. Finanz.Intesa SP 0I51073056563	–	150	–
2. Finanz.Unicredit 4070471 **	1,154	–	–
3. Finanz.Unicredit 4059671 **	3,336	–	–
4 .Finanz.Unicredit 3804987 **	1,856	–	–
5. Finanz.BCCooperativo 92139	269	225	179
	6,615	375	179
Total of borrowings	8,673	8,162	7,483

Details of the long-term borrowings are shown below:

	Outstanding 31/12/2014 €	*Total facilities €*	*Interest rate*	*Maturity Date*	*Repayment*	*Security*
1. Finanz.Intesa SP 0151073056563	150,000	150,000	Euribor +6.00%	26 March 2015	Rescheduled to 31/03/2015	None
2. Finanz.UniCredit 4070471**	959,902	1,500,000	Euribor +3.25%	31 December 2023	Quarterly	Mortgage on land and lien facilities
3. Finanz.UniCredit 4059671**	2,717,917	4,400,000	Euribor +3.00%	31 December 2022	Quarterly	Mortgage on land and lien moveable property
4. Finanz.UniCredit 3804987**	1,631,647	2,000,000	Euribor +4.25%	31 December 2025	Quarterly	Lien on movable property
5. Finanz.BC Cooperativo 92139	178,680	400,000	Euribor +1.25%	12 July 2017	Quarterly	None

Credit Agreements with UniCredit Bank stipulate a number of commonly used covenants, including the maintenance of a minimum ratio of "NFP" (Net debt) to "EBITDA" and "NFP" to "Equity" (as defined in the Credit Agreement). At the end of 2014 and in 2013 the Cogenpower s.r.l. Group was in default with respect to these covenants and although a waiver from the bank was received in each of the post-balance sheet

periods, prior to the publication of the Cogenpower s.r.l. Group's accounts, the loans in default(**) were technically repayable on demand at the respective balance sheet dates and are therefore shown as current rather than non-current liabilities.

The table below shows the balances that would have been reported as non-current liabilities had the breaches of covenants described above not occurred:

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
1. Finanz.Intesa SP 0I51073056563	–	150	–
2. Finanz.Unicredit 4070471 **	1,154	1,069	960
3. Finanz.Unicredit 4059671 **	3,336	3,091	2,718
4 .Finanz.Unicredit 3804987 **	1,856	1,781	1,631
5. Finanz.BCCooperativo 92139	269	225	179
Long-term borrowings : Per maturities:	6,615	6,316	5,488

21. Corporation and other taxes

Corporation Tax	*As at 31 December 2012 €'000*	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Opening balance	337	487	499
Tax paid	(93)	(63)	(60)
Current tax	243	75	181
Closing balance	487	499	620

Other taxes	*As at 31 December 2012 €'000*	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Opening balance	1,200	1,443	1,443
Excises	35	(282)	473
Net VAT	323	210	343
Employee taxes	(112)	72	12
Other	(3)	–	18
Closing balance	1,443	1,443	2,289

22. Deferred tax

The movement on the deferred tax assets (DTA) account is shown below:

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Opening balance	312	406	514
Movements:			
Tax effect of eliminated inter-company margins	46	16	20
Tax effect of interest cost not deductible due to cap	70	117	55
Release of DTA on interest rate swaps	(33)	(40)	–
Tax losses in Cogenpower Energia	–	11	14
Other	11	4	6
Recognised in income statement: Tax expense	94	108	95
Closing balance	406	514	609

The movement on the deferred tax liability account is shown below:

	As at 31 December 2012 €'000	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Opening balance	32	26	14
Recognised in income statement: Tax expense			
Amortised loan costs tax-effected on inception	(6)	(12)	(4)
Closing balance	26	14	10

23. Share capital

	As at 31 December 2012 €	*As at 31 December 2013 €*	*As at 31 December 2014 €*
As at 1 January	1,810,000	1,810,000	2,000,000
Additions during the year	–	190,000	–
As at 31 December	1,810,000	2,000,000	2,000,000

At 31 December 2014, fully paid-up share capital of Cogenpower s.r.l. amounted to €2,000,000 (€2,000,000 at 31 December 2013 and €1,810,000 at 31 December 2012) and consisted of 2,000,000 common shares, all with a par value of €1 each. During 2013, 190,000 new common shares were issued at par.

24. Operating leases

With the exception of a rented property in Cambridge where the lease expired in August 2015, all operating leases have break clauses allowing exit in 1-3 months, some with penalties payable.

As at 31.12.2014:

The aggregate contractual commitments up to the various break points were:	€41,500*
The aggregate of penalties payable under the various break clauses totalled	€52,000

* including the rental in Cambridge

As at 31 December 2013:

€'000	*Less than 1 year*	*1-5 years*	*Over 5 years*	*Total*
Lease commitments	47	47	–	94
Total	47	47	–	94
As at 31 December 2012				
Lease commitments	31	47	–	78
Total	31	47	–	78

25. Related party transactions

	Year ended 31 December 2012	*Year ended 31 December 2013*	*Year ended 31 December 2014*
Invoiced transaction: revenues			
Vallone Francesco (charge for work done by company personnel)	–	–	1
Jelmini Ugo* (former shareholder – sales of gas)	3	3	4
Brillada* SNC (owner is former shareholder – sales of gas)	273	90	3
	276	93	8

	As at 31 December 2012	*As at 31 December 2013*	*As at 31 December 2014*
Trade and other receivables			
RSI S.p.A. (F.Vallone's company – prepaid guarantee fees)	12	–	77
Brillada SNC (accounts receivable for gas sold)	27	30	–
	39	30	77

* Messrs Jelmini and Brillada were shareholders until 2014 and their respective sons were directors of Cogenpower s.r.l. until 2014.

Guarantees

The Vallone family has provided personal bank guarantees to UniCredit S.p.A. and other banks over a number of years. In March 2010 these personal guarantees were increased in value especially by UniCredit and a pledge on about 72 per cent. of the shares held by the family through its controlled companies Re Sipar Investments S.p.A. and Golem s.r.l. (both fully owned by Francesco Vallone) has been added by UniCredit.

At the Board meeting of 30 September 2010, the Board voted to recognise an interest or a fee to any shareholders willing to underwrite the business with personal guarantees in favour of the banks. The substance of these guarantees was to cover and repay the loans received from UniCredit and other banks in case the other security was insufficient to cover the amounts due.

Only the Vallone family accepted – and in particular Francesco Vallone, Roberta Di Francesco (wife of Francesco), Giuseppe Vallone (father of Francesco), Maria Traina (mother of Francesco) and Sergio Vallone (brother of Francesco). The fee was set at 1.95 per cent. of the total value of guarantees underwritten. The amounts underwritten were:

	2012	*2013*	*2014*
	€	*€*	*€*
Opening balance	9,411,665	11,411,665	11,338,665
Movements	2,000,000	(73,000)	611,500
Closing balance	11,411,665	11,338,665	11,950,165

The guarantees cover debt interest and notional future credit lines.

	2012	*2013*	*2014*
	€'000	*€'000*	*€'000*
Fees			
Fees included in finance expenses with respect to each year (€'000)	136	137	134
Fees included in finance expenses in 2014 relating to prior years	–	–	132
Total	136	137	266

Rental agreement

The Group's sales office in Borgaro Torinese is rented by Cogenpower Gas & Power from Golem s.r.l., a company controlled by Francesco Vallone, the CEO of the Group. The rental agreement is for renewable periods of one year from 1 October 2012. Rental for the initial period was €12,000. The rent for renewed periods thereafter are adjusted upwards in accordance with official inflation figures and is currently being charged at €12,096 for the year to 30 September 2015. At the beginning of the contract, a deposit of €500 was paid to Golem.

26. Control

The ultimate controlling party as at 31 December 2014 was Re Sipar Investments S.p.A., entirely controlled by Francesco Vallone.

27. First-time adoption of IFRS

This financial information, for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 is the first the Cogenpower s.r.l. Group has prepared in accordance with IFRS. For the periods up to and including the year ended 31 December 2011 the Cogenpower s.r.l. Group prepared financial statements in accordance with Italian generally accepted accounting practice.

Accordingly, the Cogenpower s.r.l. Group has prepared financial information which complies with IFRS applicable for periods ending on or after 31 December 2012, as described in the accounting policies. In preparing this financial information, the Cogenpower s.r.l. Group's opening statement of financial position was prepared at 1 January 2011, the Cogenpower s.r.l. Group's transition to IFRS. This note explains the principal adjustments made by the Cogenpower s.r.l. Group in restating its Italian GAAP statement of financial position at 1 January 2011 and its previously published Italian GAAP financial statements as at and for the year ended 31 December 2011.

Reconciliation of opening balances from Italian GAAP to IFRS

		Italian GAAP At 31 December 2011 €'000	*Re-measurement At 31 December 2011 €'000*	*IFRS At 31 December 2011 €'000*
Non-current assets				
Property, plant and equipment		11,933	–	11,933
Intangible assets	(i)	192	(51)	141
Non-current investments		12	–	12
Deferred tax assets	(ii)	239	73	312
Total non-current assets		12,376	22	12,398
Current assets				
Inventories		5	–	5
Trade and other receivables	(i)	4,134	(36)	4,098
Cash and cash equivalents		213	–	213
Total current assets		4,352	(36)	4,316
Total assets		16,728	(14)	16,714
Current liabilities				
Trade and other payables		4,086	–	4,086
Corporation and other taxes		1,537	–	1,537
Total current liabilities		5,623	–	5,623
Non-current liabilities				
Borrowings	(iii)	8,944	(226)	8,718
Interest rate swap	(iv)	–	263	263
Provisions		175	–	175
Deferred tax liability		–	32	32
Total non-current liabilities		9,119	69	9,188
Total liabilities		14,742	69	14,811
Net assets		1,986	(83)	1,903
Equity				
Share capital		1,810	–	1,810
Share premium		1,173	–	1,173
Revaluation reserve		316	–	316
Retained earnings		(1,313)	(83)	(1,396)
		1,986	(83)	1,903

(i) Under Italian GAAP borrowing costs attributed to bank loans (e.g. arrangement fees) are capitalised as an intangible asset. Under IFRS such borrowing costs are deducted from the principal in line with the requirements of IAS 39. The adjustment above reflects this reallocation. The amounts in trade and other receivables relate to similar costs recognized as a prepayment under Italian GAAP. On conversion to IFRS these have also been reallocated to borrowings. There is no impact on the statement of comprehensive income for these two transactions.

(ii) The deferred tax asset adjustment reflects the impact of recognizing the interest rate swaps at fair value and the consequent change to the Cogenpower s.r.l. Group's tax position. The impact to the statement of comprehensive income is a credit of €73,000 to the income tax expense.

(iii) The adjustment to borrowings relates to the capitalization of the borrowing costs noted in part (i) and the subsequent re-measurement of these loans at amortised cost under the requirements of IAS 39. The impact on the statement of comprehensive income for this adjustment was €116,000.

(iv) Under Italian GAAP there is no requirement to fair value the interest rate swaps as a derivative financial liability at the end of each reporting period. The adjustment above reflects the mark-to-market valuation required under IFRS. The impact on the statement of comprehensive income is a debit of €192,000. The remainder of the movement is reflected in brought forward retained earnings and is deemed immaterial to show in a reconciliation.

Overall, the IFRS adjustments to the opening balance sheet at 1 January 2011 are deemed immaterial for further disclosure and are in line with the above disclosures.

28. Post balance sheet events (from 31 December 2014)

Acquisition of Esseti Energia s.r.l.

In the post-balance sheet period, Cogenpower s.r.l. entered into an agreement to acquire the entire share capital of Esseti Energia s.r.l. (Esseti), of Predosa, Alessandria, east of Turin. Esseti produces electricity by burning biomass.

On 1 December 2015 the transaction was completed for a consideration of €250,000 and the obligation of assuming €2.25 million of finance with respect to the biomass plant.

At the time that this financial information was authorised for issue the Company was in the process of determining the fair values of the identifiable assets acquired and the liabilities and contingent liabilities to be assumed, as well as identifying all transaction costs. At present, the Directors are therefore unable to provide the IFRS3 disclosures for this transaction. These disclosures are anticipated to be provided in the 31 December 2015 financial statements.

Repayment of loan

The following loan, with maturity 26 September 2015 was repaid on 26 March 2015:

Finanz.Intesa SP 0I51073056563	€150,000

Share for share exchange and change of ownership

On 28 August 2015, the shareholders of Cogenpower s.r.l., the then holding company of the Cogenpower s.r.l. Group, completed a share-for-share exchange whereby the entire share capital of Cogenpower s.r.l. was exchanged for 100 per cent. of the issued share capital of Cogenpower PLC, a public limited company resident in England, which became the holding company of the Group.

The ultimate controlling party following the transaction remained Re Sipar Investments S.p.A., entirely controlled by Francesco Vallone.

Sale of Cogenpower Engineering s.r.l.

In October 2015 Cogenpower Engineering s.r.l., which had been in liquidation since 2011, was sold to Golem s.r.l., a company controlled by Francesco Vallone, for a de minimis consideration. Approximately €86,000 of fiscal and other liabilities remained with the Cogenpower s.r.l Group. In December 2015, Golem

s.r.l. agreed to assume all of Cogenpower's residual liabilities in exchange for approximately 326,000 new shares in Cogenpower PLC.

Conversion of trade payables into shares

Three suppliers have agreed to convert amounts owing to them to equity in Cogenpower PLC, provided the Company becomes listed on AIM. The amount of debt they have agreed to be settled by the issuing of shares is approximately €825,000.

PART IV

UNAUDITED CONSOLIDATED INTERIM RESULTS OF THE COGENPOWER S.R.L. GROUP FOR THE SIX MONTHS TO 30 JUNE 2015

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months to 30 June 2015 (unaudited) €'000s	*Six months to 30 June 2014 (unaudited) €'000s*	*Year to 31 December 2014 (audited) €'000s*
Revenue from goods and services	3,825	3,209	5,800
Cost of Sales	(1,990)	(1,784)	(3,714)
Gross Profit	1,835	1,425	2,086
Other operating income	–	–	104
Administrative expenses	(787)	(788)	(1,060)
Depreciation and Amortization	(365)	(393)	(716)
Other operating expenses	(459)	(226)	(362)
Profit from operations	224	18	52
Finance expense	(287)	(259)	(1,095)
Finance income	20	16	80
Net finance (expense) income	(267)	(243)	(1,015)
Loss for the period before tax	(43)	(225)	(963)
Taxation	(122)	(106)	(82)
Loss & total comprehensive income for the period attributable to equity shareholders	(165)	(331)	(1,045)
(Loss) per share			
(Loss) per share from operations:			
Basic & diluted (Cents)	(8.3)	(16.6)	(52.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€'000)

As at 30 June 2015

	30 June 2015 (unaudited) €'000s	*31 December 2014 (audited) €'000s*
Non-current assets		
Property, plant and equipment	11,357	10,943
Intangible assets	586	337
Non-current investment	12	12
Deferred tax assets	526	609
	12,481	11,901
Current assets		
Inventories	216	212
Trade and other receivables	2,480	3,786
Cash and cash equivalents	308	119
	3,004	4,117
Total assets	15,485	16,018
Current liabilities		
Trade and other payables	5,990	5,038
Borrowings	1,026	7,304
Corporation and other taxes	2,680	2,909
	9,696	15,251
Non-current liabilities		
Deferred tax liability	10	10
Borrowings	5,366	179
	5,376	189
Total liabilities	15,072	15,440
Net Assets	413	578
Equity attributable to equity holders of the Company		
Share capital	2,000	2,000
Share premium	1,173	1,173
Revaluation reserve	316	316
Retained earnings	(3,076)	(2,911)
Total equity	413	578

STATEMENT OF CHANGES IN EQUITY

For the 6 month period ended 30 June 2015

	Share capital €'000s	*Share premium €'000s*	*Revaluation reserve €'000s*	*Retained earnings €'000s*	*Total €'000s*
At 1 January 2015	2,000	1,173	316	(2,911)	578
Comprehensive income					
Loss for the period	–	–	–	(165)	(165)
Total comprehensive income for the period	–	–	–	(165)	(165)
At 30 June 2015	2,000	1,173	316	(3,076)	413

For the year ended 31 December 2014

	Share capital €'000s	*Share premium €'000s*	*Revaluation reserve €'000s*	*Retained earnings €'000s*	*Total €'000s*
At 1 January 2014	2,000	1,173	316	(1,866)	1,623
Comprehensive income					
Loss for the period	–	–	–	(1,045)	(1,045)
Total comprehensive income for the year	–	–	–	(1,045)	(1,045)
At 31 December 2014	2,000	1,173	316	(2,911)	578

CASH FLOW STATEMENT

For the six months ended 30 June 2015

	Six months to 30 June 2015 (unaudited) €'000s	*Six months to 30 June 2014 (unaudited) €'000s*	*Year to 31 December 2014 (audited) €'000s*
Operating activities			
Loss before tax	(42)	(225)	(963)
Amortization of intangible assets	33	57	52
Amortization of property, plant and equipment	332	336	664
Finance expense less income	267	243	1,015
Loss on disposal of assets	–	–	41
Decrease/(Increase) in trade and other receivables	1,306	1,697	836
(Increase) in inventories	(4)	(8)	(187)
Increase/(Decrease) in trade and other payables	969	(546)	(71)
Increase/(Decrease) in other taxes	(281)	268	847
Cash generated from operations	2,580	1,822	2,234
Payment of taxes	(87)	(54)	(60)
Net cash flows from operating activities	2,493	1,768	2,174
Investing activities			
Purchase of property, plant and equipment	(747)	(54)	(306)
Purchase of intangibles	(199)	(301)	(84)
Net cash used in investing activities	(946)	(355)	(390)
Financing activities			
Repayment of loans	(225)	(297)	(693)
Drawdown/(repayment) of bank overdraft	(866)	(735)	15
Finance expense	(287)	(259)	(1,095)
Finance income	20	16	80
Net cash used in financing activities	(1,358)	(1,275)	(1,693)
Cash flow for the period	189	138	91
Cash and cash equivalents at beginning of period	119	28	28
Cash and cash equivalents at end of period	308	166	119
Net change in cash and cash equivalents	189	138	91
Cash and cash equivalents consist of:			
Cash at bank and in hand	308	166	119

1 Basis of preparation

The financial information has been prepared by consolidating the financial information of Cogenpower s.r.l., and its subsidiaries: Cogenpower Energia s.r.l., Cogenpower Gas&Power s.r.l. and Cogenpower Engineering s.r.l.(in liquidation.) (together: the "Cogenpower s.r.l. Group").

The half-year report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Cogenpower s.r.l. Group as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Cogenpower s.r.l. as at 31 December 2014 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Independent Auditors' Report on the Financial Statements for 2014 was unqualified.

The accounting policies and methods of computation adopted in the Cogenpower s.r.l. Group's preparation of the half-year financial report include a number of revised Standards and interpretations adopted in the period.

Annual Improvements to IFRSs	(2010-2012 Cycle)	1 February 2015
Annual Improvements to IFRSs	(2011-2013 Cycle)	1 January 2015

The Directors do not regards these revised standards as having a material impact on the results of the Cogenpower s.r.l. Group.

Other applicable standards issued but not yet effective can also be found in the annual Financial Report of Cogenpower s.r.l. as at 31 December 2014.

2 Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those financial statements.

3 Seasonality

The Cogenpower s.r.l. Group's business is focused on the provision of heat for domestic and business space heating, and hot water. The main activities of the Cogenpower s.r.l. Group are currently undertaken in the north of Italy where the requirement for space heating in the summer months is extremely small compared to the winter months and although air-conditioning can be provided from the same system, only a small number of clients currently have air-conditioning installed. Therefore, the first half of the calendar year, which tends to see lower temperatures, will generally yield higher revenues than the second half of the year and the results contained in this interim report should be read with that uneven split of revenues in mind.

4 Financial Instruments

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and other loans approximate their fair value due to short term maturities.

5 Other Operating Expenses

Other operating expenses consist of costs associated with setting up an office in the UK and AIM flotation costs.

6 Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

Number of shares

	Six months to 30 June 2015 '000s	*Six months to 30 June 2014 '000s*	*Year to 31 December 2014 '000s*
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,000	2,000	2,000

There were no dilutive instruments in place during the periods under review

Earnings

	Six months to 30 June 2015 €'000s	*Six months to 30 June 2014 €'000s*	*Year to 31 December 2014 €'000s*
From operations			
Loss for the purposes of basic and diluted earnings per share being net loss attributable to owners of the parent	(165)	(331)	(1,045)
Earnings/(loss) per share from operations			
Basic and diluted (cents)	(8.3)	(16.6)	(52.3)

PART V

SECTION A – HISTORICAL FINANCIAL INFORMATION FOR THE TWELVE MONTHS TO 31 DECEMBER 2014 OF ESSETI ENERGIA S.R.L.

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Independent Auditors' Report

To the Board of Directors of Esseti Energia s.r.l.

Report on the Financial Statements

We have audited the accompanying financial statements of Esseti Energia s.r.l., which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The balance sheet and the income statement of Esseti Energia s.r.l. as at 31 December 2014 show for comparative purposes the amounts of the previous year, that have been reviewed by us only to the extent necessary to express our opinion on the financial statements 2014. Therefore our opinion does not extend to the comparative amounts.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Esseti Energia s.r.l. as at 31 December 2014, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Turin, 14 December 2015

BDO Italia S.p.A.

Eugenio Vicari
(Partner)

Statement of total comprehensive income

	Note	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Revenue from goods and services	(5)	1,937	1,890
Cost of sales	(6)	(1,555)	(1,699)
Gross profit		**382**	**191**
Administrative expenses	(7)	(77)	(63)
Depreciation and amortization	(7)	(384)	(388)
Profit from operations		**(79)**	**(260)**
Finance expense	(8)	(129)	(131)
Finance income	(8)	–	–
Net finance expense		**(129)**	**(131)**
Profit/(loss) before tax		**(209)**	**(391)**
Tax expense/(refund)	(9)	13	15
Total comprehensive income/(loss)		**(222)**	**(406)**

Statement of financial position

	Note	*As at 31 December 2013 €'000*	*As at 31 December 2014 €'000*
Non-current assets			
Property, plant and equipment	(10)	4,320	3,964
Intangible assets	(11)	117	134
Financial credits		2	2
Deferred tax assets	(17)	55	40
Total non-current assets		**4,494**	**4,140**
Current assets			
Inventories	(12)	300	292
Trade and other receivables	(13)	358	388
Cash and cash equivalents		211	115
Total current assets		**868**	**795**
Total assets		**5,362**	**4,935**
Current liabilities			
Trade and other payables	(14)	2,891	3,403
Borrowings and amount owed to banks	(15)	600	510
Corporation taxes	(16)	(3)	(3)
Total current liabilities		**3,488**	**3,910**
Non-current liabilities			
Borrowings	(15)	210	150
Trade and other payables	(14)	2,768	2,418
Total non-current liabilities		**2,978**	**2,568**
Total liabilities		**6,466**	**6,478**
Net assets		**(1,104)**	**(1,543)**
Equity attributable to equity holders of the Parent			
Share capital	(18)	30	30
Extraordinary reserve	(2)	6	6
Retained earnings		(1,140)	(1,579)
Total equity		**(1,104)**	**(1,543)**

Statement of changes in equity

	Share capital €'000	*Extraordinary reserve €'000*	*Legal reserve €'000*	*Retained Earnings €'000*	*Total €'000*
At 1 January 2014	**30**	**6**	**–**	**(1,140)**	**(1,104)**
Other variations	–	–	–	(33)	(33)
Comprehensive Income					
Profit (loss) for the year	–	–	–	(406)	(406)
Total comprehensive income for the year				(406)	(406)
Equity as at 31 December 2014	**30**	**6**	**–**	**(1,579)**	**(1,543)**

Statement of cash flows

	Note	*Year ended 31 December 2013 €'000*	*Year ended 31 December 2014 €'000*
Operating activities			
Profit/(loss) before tax		(208)	(391)
Adjustments for:			
Amortisation of intangible assets	(11)	16	7
Other variations in equity		–	(33)
Depreciation of property, plant and equipment	(10)	368	370
Decrease/(increase) in trade and other receivables		398	(30)
Decrease/(increase) in inventories		(27)	8
Increase/(decrease) in trade and other payables		(325)	162
Increase/(decrease) in other taxes		–	15
Cash generated from operations		**222**	**108**
Income tax paid	(21)	(13)	(15)
Net cash flows from operating activities		**209**	**93**
Investing activities			
Purchase of property, plant and equipment	(13)	(48)	(14)
Purchase of intangibles	(14)	–	(25)
Net cash used in investing activities		**(48)**	**(39)**
Financing activities			
Repayment of loans		(216)	(93)
New loans		–	49
Drawdown/(repayment) of bank overdraft		266	(106)
Net cash used in financing activities		**50**	**(150)**
Cash flow of the period		**211**	**(96)**
Cash and cash equivalents at beginning of period		–	211
Cash and cash equivalents at end of period		**211**	**115**
Net change in cash and cash equivalents		**211**	**(96)**
Cash and cash equivalents consist of:			
Cash at bank and in hand		211	115

Notes to the financial information

1. General Information

Founded in 2010, Esseti Energia s.r.l. (the "Company" or "Esseti") is an independent power producer (IPP) with legal residence in Genoa (Italy) and is owned by Cavanna Legno s.r.l. (90 per cent.) and Mr. Cavanna Giansandro (10 per cent.).

The business of the Company is electricity production. The power plant, located in Predosa (Italy), has been operating since 2 January 2012. The energy source of the power plant is wood biomass, a renewable energy source, and the Company receives incentives in the form of feed-in tariffs from GSE (Gestore Servizi Energetici). The tariff (fixed rate) is granted over a period of 15 years and is based on the electricity fed into the grid. There are no other trading activities.

The Company is directed by a sole director, Cavanna Giansandro, legal representative of the Company.

2. Accounting policies

Basis of preparation

The financial information has been prepared on the basis of the financial information of the Company.

The principal accounting policies adopted for the preparation of the these financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in '000 euros unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable sections of the Italian Civil Code.

The financial information has been prepared using the historical cost basis.

The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2014 are reflected in these financial statements. The level of rounding for the financial information is the nearest one thousand Euro.

New standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments, have been published but have not been endorsed by the European Union, or are not effective for the periods presented and the Company has chosen not to early adopt.

- IFRS 9: Financial Instruments (effective 1 January 2018)
- IFRS 15: Revenue from customer contracts (effective 1 January 2018)
- IAS 1 Disclosure initiatives: Applying professional judgement in disclosure of information in financial statements (effective 1 January 2016)
- IFRS 11: Application of principals of IFRS 3 Business combinations to interests in Joint Ventures (effective 1 January 2016)
- IAS 27: Option to apply equity method when accounting for investments in subsidiaries, joint ventures, associates in separate financial statements (effective 1 January 2016)
- Annual improvements to IFRSs 2012-2014 cycle – Amendments to IFRS 5 No current assets held for sale, IFRS 7 financial instruments disclosure, IAS 19 Employee Benefits, IAS 34 Interim financial Reporting (effective 1 January 2016).

Revenue Recognition

Revenue for the Company is measured at the fair value of the consideration received or receivable. Esseti recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

As above mentioned, the Company's business is the sale to GSE of electricity produced; in 2014, occasionally, wood was sold to its parent company.

Revenue is measured at the fixed feed-in tariff, invoiced and recognised on a monthly basis.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Easement is not depreciated, as it is an possession of third party assets for a fixed term of time.

Intangible asset	
Long-term financial expenses	20%
Other long-term expenses	20%

Internally generated intangible assets

There are no internally generated intangible assets.

Property, plant and equipment

Property, plant and equipment ("PPE") is stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items of PPE.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/(expenses)" in the income statement.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. Land is not depreciated. Assets under construction are not depreciated until the asset is brought into use.

Depreciation is provided at the following rates:

Machinery	11.5%
Equipment	20%
Work on building	3%
Transportations	20%
Furniture & Fixtures	20%
Improvement on assets owned by others	11.5%
Computer equipment	20%

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Impairment charges are included in the income statement, except to the extent they reverse previous gains recognised in the consolidated statement of comprehensive income.

Financial assets

The Company classifies its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired.

Financial credits and receivables

These assets are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents include cash held at bank and in the Company's offices. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Invoice discounting

Where funds have been received against discounted sales invoices, a separate presentation is adopted whereby the gross amount of the sales invoice discounted is shown on the balance sheet within trade debtors until the funds are received from the customer and a corresponding liability in respect of the proceeds advanced shown within bank loans. The amounts are shown gross because the Company retains the credit risk over the debtors.

Financial liabilities

The Company classified the following financial liabilities as other financial liabilities at amortised cost:

- Bank loans are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Extraordinary reserve

This reserve arises from profits accumulated in previous periods.

Retained Earnings

Retained earnings are the cumulative, after-tax profits less losses of the Company.

Leased Assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an 'operating lease'), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Italian corporate entities are subject to a corporate income tax (IRES) and to a regional production tax (IRAP).

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

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 either:

- the same taxable company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Operating Segments

The Sole Director considers that the Company has one operating segment, as defined under IFRS 8, which is energy production.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of

the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Employee Benefits

Post-employment benefits

Employees departing Esseti, whether voluntarily or involuntarily, are entitled to receive post-employment benefits ("TFR") in cash of approximately one month's salary, less social security deductions, for each year worked. These are no other post-employment benefits.

Functional and foreign currencies

In case of transactions in foreign currencies, they are converted into the respective functional currencies on initial recognition, using the exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are not retranslated. All exchange differences are recognised in profit or loss.

3. Critical accounting estimates and judgements

The Sole Director makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Accounting estimates

(a) *Useful lives of depreciable assets*

The Sole Director reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected utilisation of each asset. Uncertainties in these estimates relate to technical obsolescence that may change the utilisation of certain items of plant and equipment.

(b) *Inventories*

The Sole Director estimates the net realisable value of inventory, taking into account the most reliable evidence available at each reporting date.

Key judgements

(c) *Recoverability of deferred tax*

This position is reviewed for each accounting period.

(d) *Provision for doubtful debts*

The Sole Director performs an assessment of the recoverability of debtors when evidence arises that demonstrates the collection is uncertain.

4. Financial instruments – Risk Management

The Sole Director has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Sole Director is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company does not use derivative financial instruments.

The Company does not issue or use financial instruments of a speculative nature.

The Company is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk

Esseti is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank loans

The fair values of the primary financial assets and liabilities of the Company together with their carrying values are as follows:

	2014 Carrying Value €'000	*2014 Fair value €'000*	*2013 Carrying Value €'000*	*2013 Fair Value €'000*
Financial assets				
Trade and other receivables	388	388	358	358
Cash and cash equivalents	115	115	211	211
Financial liabilities				
Trade and other payables	5,821	5,821	5,659	5,659
Borrowings	660	660	810	810

Basis of determining fair value

Certain assets and liabilities designated and carried at amortised cost are borrowing, receivables and payables. The carrying value of all financial instruments approximate to fair value due to their short term nature.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than those quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices);

Level 3: fair value measurements are those derived from valuation techniques that includes inputs for the assets or liability that are not based on observable market data.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales.

The Company only deposits its cash with banks with the highest credit rating.

The Sole Director is unaware of any factors affecting the recoverability of outstanding balances at 31 December 2014 and consequently no provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements. The Company also uses an invoice discounting facility to help manage this risk together with the loans provided by the parent Company and by the Sole Director.

Interest rate risk

Interest rate risk arises from the Company's borrowings. The interest rate is expressed as Euribor + a margin, dependent upon the loan. Please refer to following note 15 for details on existing loans.

Other Market Risk

Market risk arises from the Company's purchasing and selling of electricity, a commodity whose price varies in the years. Historically, the volatility of electricity prices has not had a significant impact.

5. Revenue

	Year ended 31 December 2013 €'000	*Year ended 31 December 2014 €'000*
Revenue arising from:		
Energy sales	1,932	1,830
Wood sales	–	53
Net revenues were attributed as follows:	**1,932**	**1,883**
Analysis of concentration of customers:		
GSE	1,932	1,830
Cavanna Legno s.r.l.	–	53
	1,932	1,883
Others	5	7
Total	**1,937**	**1,890**

6. Cost of sales

	Year ended 31 December 2013 €'000	*Year ended 31 December 2014 €'000*
Combustion goods	706	822
Electricity	446	471
Maintenance and other services	174	164
Rentals	152	145
Staff costs	56	54
Consumable goods	21	43
Cost of sales	**1,555**	**1,699**

Staff costs

	Year ended 31 December 2013 €'000	*Year ended 31 December 2014 €'000*
Wages and salaries	40	41
Social security costs	14	11
Other post-employment benefits	2	1
	56	**53**

Staff costs include labour costs consisting of direct wages, social security costs and statutory post-employment benefits.

Key Management Personnel

Key management personnel is Giansandro Cavanna, Sole Director.

7. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2013 €'000	*Year ended 31 December 2014 €'000*
Depreciation	368	370
Intangible assets amortization	16	18
Administrative expenses	77	63

The intangible assets amortization includes the expenses for guarantee commissions for 11 thousand euro (12 thousand euro in 2013).

8. Finance income and expense

	Year ended 31 December 2013 €'000	*Year ended 31 December 2014 €'000*
Finance expenses		
Bank interest	38	63
Bank loan interest	9	1
Interests on leasing	81	67
Other	1	–
	129	**131**

There is no finance income.

Bank interest represents principally interest for overdrafts and advances.

9. Income tax

	Year ended 31 December 2013 €'000	*Year ended 31 December 2014 €'000*
Current tax expense		
Current tax on profits for the period	4	–
Deferred tax income		
Reversal of deferred tax asset (note 17)	9	15
Total Tax Expense/(Income)	**13**	**15**

The Group's activities are all within the Italian state where two corporate taxation regimes operate:

- IRES is the state tax which was levied at 27.5 per cent. of taxable income. For 2014 no IRES was due (2013: 3 thousand of Euro)
- IRAP is a regional tax, for which the standard rate is 3.9 per cent., with certain local variations permitted. For 2014, IRAP no was due (2013: 1 thousand of Euro).

The reversal of the deferred tax asset is related to leasing adjustments.

10. Property, plant and equipment

	Land *€'000*	*Machinery* *€'000*	*Equipment* *€'000*	*Fixtures & Fittings* *€'000*	*Improvements on assets Owned by others* *€'000*	*Total* *€'000*
COST						
At 1 January 2013	17	4,915	22	3	7	4,964
Additions	–	102	–	–	–	102
Disposals	–	–	–	–	–	–
At 31 December 2013	17	5,017	22	3	7	5,066
Additions	–	15	–	–	–	15
Disposals	–	–	–	–	–	–
At 31 December 2014	**17**	**5,032**	**22**	**3**	**7**	**5,081**
DEPRECIATION						
At 1 January 2013	–	379	2	–	1	382
Charge for year	–	359	5	1	–	365
On disposals	–	–	–	–	–	–
At 31 December 2013	–	738	7	1	1	747
Charge for period	–	364	4	1	1	370
On disposals	–	–	–	–	–	–
At 31 December 2014	**–**	**1,102**	**11**	**2**	**2**	**1,117**
NET BOOK VALUE						
At 31 December 2013	17	4,279	15	2	6	4,320
At 31 December 2014	**17**	**3,930**	**11**	**1**	**5**	**3,964**

Machinery includes the acquisition by leasing of the following assets:

11. Intangible assets

	Easement *€'000*	*Long-term expenses* *€'000*	*Total* *€'000*
COST			
At 1 January 2013	110	5	115
Additions	–	10	10
Disposals	–	–	–
At 31 December 2013	110	15	125
Additions	–	25	25
Disposals	–	–	–
At 31 December 2014	**110**	**40**	**150**
AMORTISATION			
At 1 January 2013	–	4	4
Charge for year	–	4	4
On disposals	–	–	–
At 31 December 2013	–	8	8
Charge for period	–	8	8
On disposals	–	–	–
At 31 December 2014	**–**	**16**	**16**
NET BOOK VALUE			
At 31 December 2013	110	7	117
At 31 December 2014	**110**	**24**	**134**

12. Inventories

	As at 31 December 2013 €'000	*As at 31 December 2014 €'000*
Materials	300	292
	300	**292**

13. Trade and other receivables

	As at 31 December 2013 €'000	*As at 31 December 2014 €'000*
Trade receivables	346	377
Prepaid expenses	9	10
Other receivables	3	1
	358	**388**

The Company's customers are Cavanna Legno s.r.l. and GSE. There is no provision for doubtful debts since the receivables are considered collectable.

14. Trade and other payables

	As at 31 December 2013 €'000	*As at 31 December 2014 €'000*
Trade payables	1,004	1,186
Loans from shareholders	1,536	1,851
Current lease liabilities	346	356
Employment costs	2	8
Other payables	3	2
Current	**2,891**	**3,403**
Non-current lease liabilities	2,755	2,404
Inter-company loan	10	10
Employee severance indemnity	3	4
Non-current	**2,768**	**2,418**
The loans from shareholders are detailed as follows:		
Giansandro Cavanna (non-interest loan)	223	419
Cavanna Legno s.r.l. (non-interest loan)	1,313	1,432
	1,536	**1,851**

15. Borrowings

	As at 31 December 2013 €'000	*As at 31 December 2014 €'000*
In current liabilities		
1. Long term Carige loan	55	60
2. Banca Carige invoice advances	485	278
3. CRAL loan	60	23
4 .Banca Carige overdraft	–	100
5. BPN loan	–	49
	600	**510**
In non-current liabilities		
1. Long-term Carige loan	210	150
	210	**150**
Total of borrowings	**810**	**660**

The following schedule summarize the details of the Company's borrowings at 31 December 2014:

Subject	*Amount in Euro*	*Security provided*	*Interest rate*	*Repayment terms*	*Penalty clauses*
Banco Popolare loan	Total amount of 70,000 and residual amount 49,265	–	4.332%	The amortization plan foresees payment each month starting from 31-07-14 to 31-07-15	–
Banca Carige loan	Total amount of 300,000 and residual amount 209,520	–	5.829%	The amortization plan foresees payment each month starting from 18-04-13 to 18-04-18	–
Banca Carige invoice advances	278,474	–	9.25%	Until revocation	–
Banca Carige advance account	100,000	–	12.5%	Until revocation	–
Banca Popolare di Milano loan	Total amount of 150,000 and residual amount 22,531	–	2.90%	The amortization plan foresees payment each month starting from 30-09-10 to 31-07-15	–

16. Corporation and other taxes

Taxes	*As at 31 December 2013*	*As at 31 December 2014*
IRES, IRAP	(6)	(6)
Employee taxes	3	3
	(3)	**(3)**

17. Deferred Tax

The movement on the deferred tax assets (DTA) account is as shown below:

	As at 31 December 2014 €'000
Opening balance	55
Movements:	
Release of DTA on leasing adjustment	(15)
Recognised in income statement: Tax expense	(15)
Closing balance	**40**

18. Share capital

At 31 December 2014, fully paid-up share capital amounted to €30,000 (€30,000 at 31 December 2013) and consisted of 30,000 shares.

19. Related party transactions

In the following chart there is a summary of the related parties' transactions of the two periods:

	As at 31 December 2013	*As at 31 December 2014*
Cavanna Legno s.r.l. (accounts receivable)	–	58
Cavanna Legno s.r.l. (accounts payable)	123	107
Giansandro Cavanna loan (non-interest-bearing)	223	419
Cavanna Legno s.r.l. loan (non-interest-bearing)	1,313	1,432
Frafil s.r.l. (invoice to receive)	452	144
Frafil s.r.l. (loan)	10	10

	Year ended 31 December 2013	*Year ended 31 December 2014*
Frafil s.r.l. (rental agreement)	144	144
Cavanna Legno s.r.l. (Wood sales)	–	53
Cavanna Legno s.r.l. (Combustion goods)	204	219

The Company has the VAT Group together with Cavanna Legno s.r.l..

Rental Agreement

The Company's plant site in Predosa is rented by Frafil Sr.l., a family Company of Giansandro Cavanna, for the amount of Euro 144,000 per year. The rental agreement is for the period November 2010 – November 2022.

20. Post balance – sheet events

In the post-balance sheet period, Cogenpower s.r.l. entered into a conditional agreement to acquire the entire share capital of Esseti.

Predosa, 10 dicembre 2015

PART V

SECTION B – UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS TO 30 JUNE 2015 OF ESSETI ENERGIA S.R.L.

Statement of total comprehensive income

	Year ended 31 December 2014 €'000	*Half year ended 30 June 2015 €'000*
Revenue from goods and services	1,890	972
Cost of sales	(1,699)	(871)
Gross profit	**191**	**101**
Administrative expenses	(63)	(19)
Depreciation and amortization	(388)	(195)
Profit from operations	**(260)**	**(113)**
Finance expense	(131)	(55)
Finance income	–	–
Net finance expense	**(131)**	**(55)**
Profit/(loss) before tax	**(391)**	**(168)**
Tax expense/(refund)	15	8
Total comprehensive income/(loss)	**(406)**	**(176)**

Statement of financial position

	As at 31 December 2014 €'000	*As at 30 June 2015 €'000*
Non-current assets		
Property, plant and equipment	3,964	3,779
Intangible assets	134	131
Financial credits	2	2
Deferred tax assets	40	32
Total non-current assets	**4,140**	**3,944**
Current assets		
Inventories	292	443
Trade and other receivables	388	349
Cash and cash equivalents	115	70
Total current assets	**795**	**862**
Total assets	**4,935**	**4,806**
Current liabilities		
Trade and other payables	3,403	3,419
Borrowings and amount owed to banks	510	412
Corporation taxes	(3)	(4)
Total current liabilities	**3,910**	**3,827**
Non-current liabilities		
Borrowings	150	153
Trade and other payables	2,418	2,237
Total non-current liabilities	**2,568**	**2,390**
Total liabilities	**6,478**	**6,217**
Net assets	**(1,543)**	**(1,411)**
Equity attributable to equity holders of the Parent		
Share Capital	30	30
Extraordinary reserve	6	6
Retained earnings	(1,579)	(1,447)
Total equity	**(1,543)**	**(1,411)**

Statement of changes in equity

	Share capital €'000	*Extraordinary reserve €'000*	*Legal reserve €'000*	*Retained Earnings €'000*	*Total €'000*
At 1 January 2015	**30**	**6**	**–**	**(1,579)**	**(1,543)**
Other variations	–	–	–	308	308
Comprehensive Income					
Profit (loss) for the semester	–	–	–	(176)	(176)
Total comprehensive income for the semester	–	–	–	(176)	(176)
Equity as at 30 June 2015	**30**	**6**	**–**	**(1,447)**	**(1,411)**

Statement of cash flows

	Year ended 31 December 2014 €'000	*Half year ended 30 June 2015 €'000*
Operating activities		
Profit/(loss) before tax	(391)	(168)
Adjustments for:		
Amortisation of intangible assets	7	3
Other variations in equity	(33)	305
Depreciation of property, plant and equipment	370	185
Decrease/(increase) in trade and other receivables	(30)	40
Decrease/(increase) in inventories	8	(151)
Increase/(Decrease) in trade and other payables	162	(165)
Increase/(Decrease) in other taxes	15	8
Cash generated from operations	**108**	**57**
Income tax paid	(15)	(8)
Net cash flows from operating activities	**93**	**49**
Investing activities		
Purchase of property, plant and equipment	(14)	–
Purchase of intangibles	(25)	–
Net cash used in investing activities	**(39)**	**–**
Financing activities		
Repayment of loans	(93)	(90)
New loans	49	70
Drawdown/(repayment) of bank overdraft	(106)	(74)
Net cash used in financing activities	**(150)**	**(94)**
Cash flow of the period	**(96)**	**(45)**
Cash and cash equivalents at beginning of period	211	115
Cash and cash equivalents at end of period	**115**	**70**
Net change in cash and cash equivalents	**(96)**	**(45)**
Cash and cash equivalents consist of:		
Cash at bank and in hand	115	70

Notes to the financial information

1. General Information

Founded in 2010, Esseti Energia s.r.l. (the "Company" or "Esseti") is an independent power producer (IPP) with legal residence in Genoa (Italy) and is owned by Cavanna Legno s.r.l. (90 per cent.) and Mr. Cavanna Giansandro (10 per cent.).

The business of the Company is electricity production. The power plant, located in Predosa (Italy), has been operating since January 2, 2012. The energy source of the power plant is wood biomass, a renewable energy source, and the Company receives incentives in the form of feed-in tariffs from GSE (Gestore Servizi Energetici). The tariff (fixed rate) is granted over a period of 15 years and is based on the electricity fed into the grid. There are no other trading activities.

The Company is directed by a Sole Director, Cavanna Giansandro, legal representative of the Company.

2. Accounting policies

Basis of preparation

The financial information has been prepared on the basis of the financial information of the Company.

The principal accounting policies adopted for the preparation of the these financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in '000 euros unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable sections of the Italian Civil Code.

The financial information has been prepared using the historical cost basis.

The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to the operations and effective for half year reporting period beginning on 1 January 2015 are reflected in these financial statements. The level of rounding for the financial information is the nearest one thousand Euro.

New standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments, have been published but have not been endorsed by the European Union, or are not effective for the periods presented and the Company has chosen not to early adopt.

- IFRS 9: Financial Instruments (effective 1 January 2018)
- IFRS 15: Revenue from customer contracts (effective 1 January 2018)
- IAS 1 Disclosure initiatives: Applying professional judgement in disclosure of information in financial statements (effective 1 January 2016)
- IFRS 11: Application of principals of IFRS 3 Business combinations to interests in Joint Ventures (effective 1 January 2016)
- IAS 27: Option to apply equity method when accounting for investments in subsidiaries, joint ventures, associates in separate financial statements (effective 1 January 2016)
- Annual improvements to IFRSs 2012-2014 cycle – Amendments to IFRS 5 No current assets held for sale, IFRS 7 financial instruments disclosure, IAS 19 Employee Benefits, IAS 34 Interim financial Reporting (effective 1 January 2016).

Revenue Recognition

Revenue for the Company is measured at the fair value of the consideration received or receivable. Esseti recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

As above mentioned, the Company's business is the sale to GSE of electricity produced.

Revenue is measured at the fixed feed-in tariff, invoiced and recognised on a monthly basis.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Easement is not depreciated, as it is an possession of third party assets for a fixed term of time.

Intangible asset

Long-term financial expenses	20%
Other long-term expenses	20%

Internally generated intangible assets

There are no internally generated intangible assets.

Property, plant and equipment

Property, plant and equipment ("PPE") is stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items of PPE.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/(expenses)" in the income statement.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. Land is not depreciated. Assets under construction are not depreciated until the asset is brought into use.

Depreciation is provided at the following rates:

Machinery	11.5%
Equipment	20%
Work on building	3%
Transportations	20%
Furniture & Fixtures	20%
Improvement on assets owned by others	11.5%
Computer equipment	20%

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Impairment charges are included in the income statement, except to the extent they reverse previous gains recognised in the consolidated statement of comprehensive income.

Financial assets

The Company classifies its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired.

Financial credits and receivables

These assets are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents include cash held at bank and in the Company's offices. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Invoice discounting

Where funds have been received against discounted sales invoices, a separate presentation is adopted whereby the gross amount of the sales invoice discounted is shown on the balance sheet within trade debtors until the funds are received from the customer and a corresponding liability in respect of the proceeds advanced shown within bank loans. The amounts are shown gross because the Company retains the credit risk over the debtors.

Financial liabilities

The Company classified the following financial liabilities as other financial liabilities at amortised cost :

- Bank loans are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Extraordinary reserve

This reserve arises from profits accumulated in previous periods.

Retained Earnings

Retained earnings are the cumulative, after-tax profits less losses of the Company.

Leased Assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an 'operating lease'), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Italian corporate entities are subject to a corporate income tax (IRES) and to a regional production tax (IRAP).

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

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 either:

- the same taxable company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Operating Segments

The Sole Director considers that the Company has one operating segment, as defined under IFRS 8, which is energy production.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of

the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Employee Benefits

Post-employment benefits

Employees departing Esseti, whether voluntarily or involuntarily, are entitled to receive post-employment benefits ("TFR") in cash of approximately one month's salary, less social security deductions, for each year worked. These are no other post-employment benefits.

Functional and foreign currencies

In case of transactions in foreign currencies, they are converted into the respective functional currencies on initial recognition, using the exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are not retranslated. All exchange differences are recognised in profit or loss.

3. Critical accounting estimates and judgements

The Sole Director makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Accounting estimates

(a) *Useful lives of depreciable assets*

The Sole Director reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected utilisation of each asset. Uncertainties in these estimates relate to technical obsolescence that may change the utilisation of certain items of plant and equipment.

(b) *Inventories*

The Sole Director estimates the net realisable value of inventory, taking into account the most reliable evidence available at each reporting date.

Key judgements

(c) *Recoverability of deferred tax*

This position is reviewed for each accounting period.

(d) *Provision for doubtful debts*

The Sole Director performs an assessment of the recoverability of debtors when evidence arises that demonstrates the collection is uncertain.

4. Financial instruments – Risk Management

The Sole Director has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Sole Director is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company does not use derivative financial instruments.

The Company does not issue or use financial instruments of a speculative nature.

The Company is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk

Esseti is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank loans

The fair values of the primary financial assets and liabilities of the Company together with their carrying values are as follows:

	2014 Carrying Value €'000	*2014 Fair value €'000*	*2015 Carrying value €'000*	*2015 Fair Value €'000*
Financial assets				
Trade and other receivables	388	388	349	349
Cash and cash equivalents	115	115	70	70
Financial liabilities				
Trade and other payables	5,821	5,821	5,656	5,656
Borrowings	660	660	565	565

Basis of determining fair value

Certain assets and liabilities designated and carried at amortised cost are borrowing, receivables and payables. The carrying value of all financial instruments approximate to fair value due to their short term nature.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than those quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices);

Level 3: fair value measurements are those derived from valuation techniques that includes inputs for the assets or liability that are not based on observable market data.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales.

The Company only deposits its cash with banks with the highest credit rating.

The Sole Director is unaware of any factors affecting the recoverability of outstanding balances at 30 June 2015 and consequently no provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements. The Company also uses an invoice discounting facility to help manage this risk together with the loans provided by the parent Company and by the Sole Director.

Interest rate risk

Interest rate risk arises from the Company's borrowings. The interest rate is expressed as Euribor + a margin, dependent upon the loan. Please refer to following note 15 for details on existing loans.

Other Market Risk

Market risk arises from the Company's purchasing and selling of electricity, a commodity whose price varies in the years. Historically, the volatility of electricity prices has not had a significant impact.

Predosa, 10 December 2015

PART VI

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The unaudited pro forma income statement for the twelve months ended 31 December 2014 and pro forma statement of net assets as at 30 June 2015 and the related notes thereto set out in this Part VI (together the "Unaudited Pro Forma Financial Information") have been prepared on the basis of the notes set out below to illustrate the effect of the acquisition of Esseti and the proceeds of the placing as if it had taken place on 1 January 2014, and on the net assets of the Company as if it had taken place on 30 June 2015. The Unaudited Pro Forma Financial Information has been prepared in a manner consistent with the accounting policies to be adopted by the Company in preparing its audited consolidated financial statements for the year ended 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation. It does not purport to represent what the Enlarged Group's financial position or results of operations actually would have been if the acquisition of Esseti and the placing associated with the transaction had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date.

Shareholders should read the whole of this document and not rely solely on the Unaudited Pro Forma Financial Information contained in this Part VI.

Unaudited pro forma income statement for the year ended 31 December 2014

	Cogenpower s.r.l. €'000	*Esseti €'000*	*Pro forma enlarged group €'000*
Revenue from goods and services	5,800	1,890	7,690
Cost of sales	(3,714)	(1,699)	(5,413)
Gross profit	2,086	191	2,277
Other operating income	104	–	104
Administrative expenses	(1,060)	(63)	(1,123)
Depreciation and amortisation	(716)	(388)	(1,104)
Other operating expenses	(362)	–	(362)
Profit/(loss) from operations	52	(260)	(208)
Finance expense	(1,095)	(131)	(1,226)
Finance income	80	–	80
Loss before tax	(963)	(391)	(1,354)
Tax expense	(82)	(15)	(97)
Loss before tax	(1,045)	(406)	(1,451)

Unaudited pro forma statement of net assets as at 30 June 2015

		Adjustments			
	Cogenpower s.r.l. as at 30 June 2015 (note 1) €'000	*Esseti as at 30 June 2015 (note 2) €'000*	*Acquisition of Esseti (note 3) €'000*	*Placing proceeds and conversion of debt to equity (note 4) €'000*	*Pro forma net assets of the Group €'000*
Assets					
Non-current assets					
Property, plant and equipment	11,357	3,779	–	–	15,136
Intangible assets	586	131	57	–	774
Financial credits	–	2	–	–	2
Non-current investment	12	–	–	–	12
Deferred tax assets	526	32	–	–	558
	12,481	**3,944**	**57**	**–**	**16,482**
Current assets					
Inventories	216	443	–	–	659
Trade and other receivables	2,480	349	–	–	2,829
Cash and cash equivalents	308	70	–	517	895
	3,004	**862**	**–**	**517**	**4,383**
Total assets	**15,485**	**4,806**	**57**	**517**	**20,865**
Liabilities					
Current liabilities					
Trade and other payables	5,990	3,419	(1,604)	(1,013)	6,792
Borrowings	1,026	412	–	–	1,438
Corporation tax liability	2,680	(4)	–	–	2,676
	9,696	**3,827**	**(1,604)**	**(1,013)**	**10,906**
Non-current liabilities					
Trade and other payables	–	2,237	–	–	2,237
Borrowings	5,366	153	–	–	5,519
Deferred tax liability	10	–	–	–	10
	5,376	**2,390**	**–**	**–**	**7,766**
Total liabilities	**15,072**	**6,217**	**(1,604)**	**(1,013)**	**18,672**
Net assets/(liabilities)	**413**	**(1,411)**	**1,661**	**1,530**	**2,193**

Notes:

1. The income statement of Cogenpower s.r.l. for the year ended 31 December 2014 has been extracted without material adjustment from the financial information set out in Part III of this document. The net assets of Cogenpower s.r.l. at 30 June 2015 have been extracted without material adjustment from the financial information on Cogenpower s.r.l. set out in Part III of this document.

   Cogenpower plc acquired Cogenpower s.r.l. via a share for share exchange. This will be accounted for as a group reorganisation rather than an acquisition and, accordingly, no account is taken of fair values. Cogenpower plc has not traded or carried out any transactions other than the issue of shares and therefore no net assets are presented for the Company.

Adjustments:

2. The income statement of Esseti for the year ended 31 December 2014 has been extracted without material adjustment from the financial information set out in Part V of this document. The net assets of Esseti at 30 June 2015 have been extracted without material adjustment from the audited statement of financial position of Esseti set out in Part V of this document.
3. An adjustment has been made to reflect the estimated intangible assets arising on the acquisition of Esseti.

	€'000
Consideration payable in cash	250
Book value of net assets of Esseti as at 30 June 2015 (see below)	193
Intangible asset arising on acquisition	57

Net assets of Esseti at acquisition

	€'000
Net liabilities of Esseti as at 30 June 2015	(1,411)
Add back shareholders' loans as at 30 June 2015 assigned to Cogenpower s.r.l. on a non-recourse basis	1,604
	193

The Esseti shareholder loans assigned to Cogenpower s.r.l. are eliminated on consolidation in the pro forma statement of net assets.

Under IFRS acquisition accounting it is necessary to fair value the consideration paid and all the assets and liabilities of the acquired business. As the acquisition of Esseti only took place on 1 December 2015 the Cogenpower Board does not believe it has sufficient information to reasonably calculate the fair value adjustment with the necessary factual support to include this information in the unaudited pro forma financial information.

4. The net proceeds of the placing are £392,000 (gross proceeds less estimated expenses of £608,000 (payable in cash, converted at €1.32)).

   The reduction in trade and other payables reflects the settlement of certain liabilities due to suppliers and other creditors by the issue of the Conversion Shares as part of the transaction.

   No adjustment has been made to reflect any trading or other transactions since 31 December 2014 in respect of the pro forma income statement or 30 June 2015 in respect of the pro forma statement of net assets.

PART VII

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Company and the Directors accept responsibility for the information contained in this document, including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

2. INCORPORATION AND STATUS OF THE COMPANY

2.1 The Company was incorporated in England and Wales on 7 November 2014 under the name of Cogenpower plc with registered number 09301329 as a public limited company under the Companies Act and obtained its trading certificate on 14 September 2015.

2.2 The liability of the members of the Company is limited.

2.3 The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

2.4 The registered office of the Company is at 5 Fleet Place, London, England EC4M 7RD, telephone number +(39)011 450 1466.

2.5 The Company's corporate website, at which the information required by Rule 26 of the AIM Rules for Companies can be found, is www.cogenpower.co.uk

3. THE SUBSIDIARIES

3.1 The Company acts as the holding company of the Group and has the following subsidiary undertakings:

Name	*Field of Activity*	*Country of Incorporation*	*Percentage of issued share capital owned by the Company*
Cogenpower s.r.l.	Group corporate managerial functions and owns and operates the Anaconda power plant	Italy	100%
Cogenpower Energia s.r.l.	Energy services	Italy	100%
Cogenpower Gas & Power s.r.l.	Gas and electricity reseller	Italy	100%
Esseti Energia s.r.l.	Owns and operates a 1MWe ORC biomass power plant	Italy	100%

4. SHARE CAPITAL OF THE COMPANY

4.1 The issued share capital of the Company, at the date of this document and immediately following Admission, is and will be as follows:

	Nominal value plus premium £	*Number of Ordinary Shares of 0.25p each, issued and credited as fully paid*
At the date of this document	100,000	40,000,000
On Admission	10,000,076	50,166,760

4.2 On incorporation, the issued share capital of the Company was £1.00 divided into 100 ordinary shares of £0.01 each, of which 100 were issued as fully paid.

4.3 On 28 August 2015, pursuant to an ordinary resolution passed by the sole shareholder of the Company, the issued share capital of the Company was consolidated into 20 ordinary shares of £0.05 each.

4.4 On 28 August 2015, pursuant to a share for share exchange agreement (the "**Share Exchange Agreement**"), the Company acquired the entire issued share capital of Cogenpower s.r.l., in consideration for which the Company allotted and issued a further 1,999,980 Ordinary Shares of £0.05 each, credited as fully paid to, the Existing Shareholders (the "**Share Exchange**"). Further information on the terms of the Share Exchange Agreement appears at paragraph 12.7 of this Document.

4.5 At a general meeting of the Company held on 30 December 2015 by the passing of ordinary and special resolutions:

4.5.1 the issued share capital of the Company of 2,000,000 ordinary shares of 5p each was sub-divided into 40,000,000 Ordinary Shares of 0.25p each;

4.5.2 the Company adopted the Share Option Scheme;

4.5.3 the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to allot Ordinary Shares and grant rights to subscribe for or convert any security into Ordinary Shares (together "relevant securities") provided that this power is limited to:

(a) the allotment of relevant securities pursuant to the Placing and Admission or the related subscription for Conversion Shares;

(b) the grant of options over Ordinary Shares to Directors or employees under the Share Option Scheme;

(c) the allotment of relevant securities otherwise than pursuant to sub-paragraph (a) of this paragraph 4.5.3 up to an aggregate nominal amount of £41,667, representing approximately one-third of the enlarged share capital of the Company immediately following Admission; and

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date of the next annual general meeting of the Company or 15 months after the passing of this ordinary resolution (whichever is earlier) save that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this ordinary resolution has expired;

4.5.4 the Directors were given the general power to allot equity securities (as defined by section 560 of the Companies Act) for cash, either pursuant to the authority conferred by resolution 4.5.3 or by way of a sale of treasury shares, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities pursuant to the Placing and Admission or the related subscription for Conversion Shares;

(b) the grant of options over Ordinary Shares to Directors or employees under the Share Option Scheme;

(c) the allotment of equity securities of up to an aggregate nominal amount of £12,500 representing approximately ten per cent. of the enlarged share capital of the Company immediately following Admission, and

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the Company's next annual general meeting or 15 months after the passing of this special resolution (whichever is earlier) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this special resolution has expired; and

4.5.4 the Company adopted the Articles.

4.6 The provisions of section 561(1) of the Companies Act (which, to the extent not dis-applied pursuant to section 571 of the Companies Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the Company except to the extent dis-applied as described in paragraph 4.5.4. Subject to certain limited exceptions, unless the approval of shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of existing Ordinary Shares on a *pro rata* basis.

4.7 Pursuant to Debt to Equity Swap Agreements entered into between 13 November 2015 and the date of this document, the New Subscribers have agreed to subscribe for the Conversion Shares, in exchange for the waiver of outstanding debts. Further information on the terms of the Debt to Equity Swap Agreements appears at paragraph 12.6 of this document.

4.8 The new Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.

4.9 No Ordinary Shares are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

4.10 3,500,000 Ordinary Shares, being equal to approximately 7 per cent. of the number of Ordinary Shares in issue on Admission, are subject to options pursuant to the Share Option Scheme.

4.11 Save as disclosed above:

4.11.1 no share or loan capital of the Company has been issued or is proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

4.11.2 no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option; and

4.11.3 no commission, discounts, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

5. ARTICLES OF ASSOCIATION

5.1 The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles and English law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles, a copy of which will be available on the Company's website from Admission.

5.1.1 **Voting**

Subject to disenfranchisement in the event of:

(a) non-payment of calls or other monies due and payable in respect of Ordinary Shares; or

(b) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares,

and, without prejudice to any special rights or restrictions as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every shareholder who is present in person (including by corporate representative) and every proxy present who has been duly appointed to vote on the resolution shall have one vote, and on a poll every shareholder who is present in person (including by corporate representative) and every proxy present who has been duly appointed to vote on the resolution shall have one vote for every Ordinary Share held.

5.1.2 **Dividends**

The Company may by Ordinary Resolution declare dividends but no dividend shall exceed the amount recommended by the Directors. Except insofar as the rights attaching to, or the terms of issue of, any shares otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. If in the Directors' opinion the profits of the Company justify such payments, the Directors may pay interim dividends of such amounts and on such dates and in respect of such periods as they think fit. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

5.1.3 **Transferability of Ordinary Shares**

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. All transfers of shares which are in uncertificated form may be effected by means of a relevant system (as defined in the Articles).

The Directors may, in the case of shares in certificated form, in their absolute discretion refuse to register any transfer of shares (not being fully-paid shares), provided that any such refusal does not prevent dealings in partly-paid shares from taking place on an open and proper basis. In addition, the Directors may, subject to the Crest Regulations, refuse to register a transfer of shares (whether fully-paid or not) in favour of more than four persons jointly or made to or by an infant or patient within the meaning of the Mental Health Act 1983.

The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer is duly stamped, is in respect of only one class of share and is lodged at the Transfer Office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (or if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so).

5.1.4 **Variation of rights**

Where the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation be varied or abrogated either with the written consent of the holders of three-fourths in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. At every such general meeting the necessary quorum shall be two or more persons holding or representing by proxy (which proxies are authorised to exercise voting rights) not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held in treasury) (but so that at an adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

The special rights attached to any class of share sharing preferential rights shall not, unless otherwise expressly provided by the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith but in no respect in priority thereto or the purchase or redemption by the Company of any of its own shares.

5.1.5 **Changes in capital**

Subject to the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation and to any special rights previously conferred on the holders of any shares or class of shares, the Company may issue redeemable shares. Subject to the provisions of the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation and to any special rights previously conferred on the holders of any existing shares, any share may be classified and issued with such preferred, deferred or other special rights or subject to such restrictions as the Company may determine by ordinary resolution (or, in the absence of any such determination, as the Directors determine). The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of a larger amount and sub-divide its shares, or any of them, into shares of a smaller amount (subject to the provisions of the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation).

Subject to the provisions of the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation, the Company may reduce its share capital, or any capital redemption reserve, share premium account or other undistributable reserve in any manner. The Company may also, subject to the requirements of the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation, purchase its own shares (including any redeemable shares).

5.1.6 **Untraced Shareholders**

Subject to the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation, the Company may sell any shares of a member or the shares of a person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no communication from such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on three consecutive occasions notices sent to a member have been returned undelivered, such member shall not thereafter be entitled to receive notices from the Company until he shall have communicated with the Company and supplied in writing to the Transfer Office a new registered address or a postal address within the United Kingdom for the service of notices or shall have informed the Company, in such manner as may be specified by the Company, of an address for the service of notices by electronic communication.

5.1.7 **Non-UK Shareholders**

There are no limitations in the Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notices of general meetings, unless he has given a postal address in the UK or an address for the service of notices by electronic communication to the Company to which such notices may be sent.

5.1.8 **Annual General Meetings**

An annual general meeting shall be held once in every year, at such time and place as may be determined by the Directors, and must not be more than fifteen months apart. An annual general meeting shall be called by not less than 21 clear days' written notice.

5.1.9 **General Meetings**

The Directors may, whenever they think fit, and in accordance with the Companies Act, convene a general meeting. The Directors must convene one on the requisition of members under the Companies Act and, if they fail to do so within the time allowed, any of the requisitionists may convene the meeting. A general meeting of the Company shall be called by notice of at least such length as is required in the circumstances by the Companies Act and, in particular, a general meeting, other than an annual general meeting, may be called by notice of not less than 14 clear days' notice.

5.1.10 **Return of Capital**

On a winding up or other return of capital, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, to share in the whole of any surplus assets of the Company remaining after the discharge of its liabilities.

5.1.11 **Pre-emption Rights**

There are no rights of pre-emption under the Articles of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

5.1.12 **Sanctions on Shareholders**

A member loses his rights to vote in respect of his shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the Companies Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more of the issued shares of the class concerned, the sanctions which may be applied by the Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the shares concerned.

5.1.13 **Directors' Fees**

The Directors (other than those holding executive office with the Company or any subsidiary of the Company) shall be entitled to remuneration for their services in such amount as the Directors may determine, not exceeding in aggregate £100,000 per annum (or such higher amount as the Company may by ordinary resolution determine). In addition, any Directors who are resident outside the UK and not holding full-time salaried employment in the Company or any subsidiary of the Company, may be paid such extra remuneration as the Directors may determine. Any Director who holds executive office or who serves on any committee, or who otherwise performs services outside the ordinary duties of a Director, may be paid such remuneration or extra remuneration by way of salary, commission or otherwise as the Directors may determine.

The Directors may also be paid all such reasonable expenses as they may incur in attending and returning from meetings of the Company or of the Directors or any Committee or otherwise in or about the business of the Company or the proper exercise of their duties.

The Company may also fund a Director's expenditure (and that of a director of any subsidiary) for the purposes permitted under the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation and may do anything to enable a Director (or a director of any subsidiary) to avoid incurring such expenditure as provided in the Act, the CREST Regulations, the AIM Rules or any other relevant statute or statutory instrument, law or regulation.

5.1.14 **Directors' Conflicts of Interest**

A Director must declare to the other Directors any situation in which he has, or could have, a direct or indirect interest that conflicts, or possibly might conflict, with the interests of the Company unless it relates to a contract, transaction or arrangement with the Company or the matter has been authorised by the Directors or the situation cannot reasonably be regarded as likely to give rise to a conflict of interest.

The Directors may (subject to such terms and conditions, if any, as they may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise, to the fullest extent permitted by law:

(a) any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties);

(b) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises,

provided that for this purpose the Director in question and any other interested Director are not counted in the quorum at any board meeting at which such matter, or such office, employment or position, is approved and it is agreed to without their voting or would have been agreed to if their votes had not been counted.

A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office, employment or position, which has been approved by the Directors (subject in any such case to any limits or conditions to which such approval was subject).

5.1.15 **Votes and Directors' Interests**

A Director who is in any way, whether directly or indirectly, interested in a proposed or existing contract, transaction or arrangement with the Company must declare the nature and extent of that interest to the other Directors unless it cannot reasonably be regarded as likely to give rise to a conflict of interest.

A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, transaction, arrangement or any other proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise in or through the Company), except that this prohibition shall not apply to:

(a) The giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;

(b) The giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) Any contract or arrangement by a Director to participate in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange;

(d) Any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Companies Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;

(e) Any arrangement for the benefit of Directors or employees of the Company or any directors or employees of its subsidiaries which does not award him any privilege or benefit not generally awarded to the other persons to whom such arrangement relates;

(f) Any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of *inter alia* any Directors of the Company;

and the Company may by ordinary resolution suspend or relax any such prohibitions or ratify any transaction not duly authorised by reason of a contravention of a prohibition.

5.1.16 **Retirement**

At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. The Directors to retire in every year shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those Directors who have been longest in office since their last re-election or appointment, and as between persons who became directors or were last re-elected on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire shall retire by rotation at every third Annual General Meeting after his last appointment or re-appointment. A retiring Director shall be eligible for re-election. The Company may by ordinary resolution appoint any person to be a Director. The Directors may also appoint one or more Directors (so as not to exceed any maximum number fixed by the Articles) but any Director so appointed shall retire at, or at the end of, the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

5.1.17 **Executive Office**

The Directors may from time to time appoint one or more Directors to be the holder of any executive office on such terms and for such period as they determine.

5.1.18 **Borrowing Powers**

The Articles provide that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 200 per cent. of the gross assets of the Company at that time. The expression “gross assets” has the meaning given to it in Schedule 3 of the AIM Rules. If at the relevant time the amount of the gross assets of the Company are less than £31,000,000, then for the purposes of the Articles, the amount of the gross assets shall be deemed to be £31,000,000 (being approximately twice the gross assets of the Group (including Esseti) as at Admission).

6. INTERESTS OF THE DIRECTORS

6.1 The interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of section 252 of the Companies Act) in the issued share capital of the Company and the existence of which could, with reasonable diligence, be ascertained by any Director as at the date of this document and as expected to be immediately following Admission are as follows:

	At the date of this document			*Immediately following Admission*		
Name	*No. of Ordinary Shares*	*% of Issued Share Capital*	*No. of Ordinary Shares over which Options are granted*	*No. of Ordinary Shares*	*% of Enlarged Share Capital*	*No. of Ordinary Shares over which Options are granted*
Francesco Vallone*	37,848,880	94.62%	Nil	38,174,998	76.10	1,500,000
Ilaria Cannata**	443,320	1.11%	Nil	443,320	0.88	500,000
David Pickering***	N/A	N/A	Nil	72,000	0.14	Nil
Richard Day	N/A	N/A	Nil	72,000	0.14	Nil
Martin Groak****	N/A	N/A	Nil	143,000	0.29	500,000

*37,258,540 of the Ordinary Shares are held by Re Sipar Investments S.p.A. and 589,940 (916,058 on Admission) Ordinary Shares are held by Golem s.r.l., each being a company of which Francesco Vallone is sole director and shareholder.
**221,660 Ordinary Shares held by Stefano Chanoine (Director of Engineering), husband of Ilaria Cannata.
***72,000 Ordinary Shares held by Esprit Partners Ltd, being a company of which David Pickering is sole director and shareholder.
****143,000 Ordinary Shares held by Marker Management Services Ltd, being a company of which Martin Groak is a director and shareholder.

6.2 Save as disclosed above, none of the Directors (or persons connected with the Directors within the meaning of section 252 of the Companies Act) has any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company.

6.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

6.4 Save as disclosed above, and save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.

6.5 None of the Directors or any person connected with them (within the meaning of section 252 of the Companies Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).

7. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

7.1 Executive Directors

7.1.1 Dr. Francesco Vallone entered into a service agreement with the Company to act as Chief Executive Officer on 5 February 2016 with effect from the date of this document. His term of employment is for an indefinite period terminable on six months' written notice by either the Company or Francesco. The Company may at any time and in its absolute discretion terminate the Agreement with immediate effect and make a payment in lieu of notice in a sum equal to the basic salary (as at the date of termination) which Francesco would have been entitled to receive under the agreement during his six month notice period. Francesco will receive an annual salary of £167,000 payable by equal monthly instalments in arrears. His salary will be reviewed annually. He will be entitled to private health insurance for himself and his close family, permanent health insurance cover, life assurance cover and shall be provided with a Company car. He will be entitled to 28 days' paid holiday per annum. The Agreement contains detailed provisions regarding confidentiality, intellectual property and other matters and post-termination restrictive covenants applicable for six to twelve months after the termination. In the event of termination of his appointment, however caused, he has agreed he will not be entitled to any compensation for loss of office.

7.1.2 Ilaria Cannata entered into a full time employment contract with Cogenpower s.r.l. on 2 January 2013 with effect from the date of that agreement. Her employment may be terminated on notice, the period of such is provided under the applicable National Collective Bargaining Agreement (NCBA) depending upon accrued length of service. Ilaria receives an annual salary of €61,938 payable by equal monthly instalments in arrears, at Cogenpower s.r.l.'s discretion such salary shall be increased to €120,000 per annum on Admission. In addition, Ilaria receives an annual fee of €8,000 as a board director of Cogenpower s.r.l. During her secondment in Cambridge, which ended on 31 August 2015, she also received a daily secondment payment equal to €45 plus housing and travel expenses. Cogenpower s.r.l. may, in its absolute discretion pay to Ilaria a bonus of such amount payable at such times as may from time to time be determined by the directors of Cogenpower s.r.l. She will be entitled to private medical cover for herself and her close family, PHI cover, life assurance cover and membership of a defined contribution occupational pension scheme. Pursuant to the applicable NCBA, she will be entitled to 4 weeks' holiday per annum. The Agreement is governed by Italian law.

On 5 February 2016, Ilaria also entered into a deed of appointment with the Company as its Corporate Development Director from the date of this document. The deed contains detailed provisions regarding confidentiality, intellectual property and other matters and post-termination restrictive covenants applicable for six to twelve months after the termination. In the event of termination of her appointment, however caused, she has agreed she will not be entitled to any compensation for loss of office.

7.1.3 Martin Groak entered into a service agreement with the Company to act as Chief Financial Officer on 5 February 2016 with effect from the date of this document. His term of employment is for an indefinite period terminable on six months' notice by either the Company or Martin. Within the first six months of the appointment, the Company may at any time terminate the Agreement on one month's notice. The Company may at any time and in its absolute discretion terminate the Agreement with immediate effect and make a payment in lieu of notice in a sum equal to the basic salary (as at the date of termination) which Martin would have been entitled to receive under the agreement during his six month notice period. Martin will receive an annual salary of £120,000 payable by equal monthly instalments in arrears. His salary will be reviewed annually. He will be entitled to private medical cover for himself and his close family, permanent health insurance cover and life assurance cover. In the event that the Company cannot obtain such benefits at a reasonable cost, it will instead contribute an amount of £500 per month to a pension of Martin's choice. The Company also confirms it shall comply with its obligations owed to Martin under the Pension Act 2008. He will be entitled to 20 days' paid holiday per annum (excluding public holidays in England and Wales). The Agreement contains detailed provisions regarding confidentiality, intellectual property and other matters and post-termination restrictive covenants applicable for six to twelve months after the termination. In the event of termination of his appointment, however caused, he has agreed he will not be entitled to any compensation for loss of office.

7.2 **Non-Executive Directors**

7.2.1 David Pickering entered into a letter of appointment with the Company to act as its Non-Executive Director and Chairman on 5 February 2016 with effect from the date of this document. The appointment is for an initial period of three years subject to three months' notice by either party at any time and also subject to the Articles. David will receive a gross annual fee of £27,000 payable in monthly instalments in arrears in relation of a time commitment of 15 days per annum. In respect of any additional time devoted by David to the Company in his appointed role he shall be paid a daily rate of £1,800 (gross). In addition to his agreed time commitment, David shall make himself available for no less than ten further days in the first year of his appointment for the purposes of a comprehensive, formal and tailored induction to the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event David is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

7.2.2 Richard Day entered into a letter of appointment with the Company to act as a Non-Executive Director on 5 February 2016 with effect from the date of this document. The appointment

is for an initial period of three years, subject to three months' notice by either party at any time and also subject to the Articles. Richard will receive an annual fee of £22,500 payable in monthly instalments in arrears in relation of a time commitment of 15 days per annum. In respect of any additional time devoted by Richard to the Company in his appointed role, he shall be paid a daily rate of £1,500 (gross). In addition to his agreed time commitment, Richard shall make himself available for no less than three further days in the first year of his appointment for the purposes of a comprehensive, formal and tailored induction to the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event Richard is not re-elected as a director or he is retired from office under the Articles, his appointment as a Non-Executive Director shall terminate and he will not be entitled to any compensation for loss of office.

7.3 Save as disclosed above, there are no service contracts in existence or proposed between any Director and the Company or any company in the Group.

7.4 The aggregate remuneration and benefits in kind, paid by the Group to the Directors in respect of the period ended 31 December 2015 was £347,389[1]. It is estimated that under the arrangements currently in force at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to the Directors for the financial period ending 31 December 2016 by the Company will be no less than €456,500.

8. ADDITIONAL INFORMATION ON THE DIRECTORS

8.1 The names of all companies (excluding group companies) and partnerships of which the Directors have been a director or partner at any time in the five years preceding the date of this document and indicating whether they are current or past are set out below:

Director	*Current Directorships/Partnerships*	*Past Directorships/Partnerships*
Dr. Francesco Vallone	Golem s.r.l. Re Sipar Investments S.p.A. CELERTECH s.r.l.	Cogenpower Engineering s.r.l. (in liquidation)
Ilaria Cannata	None	CELERTECH s.r.l.
David Pickering	C3 Partners Ltd Esprit Partners Ltd Reenergise Ltd CTRL-SHIFT LTD Customer Guru Limited Future Screen Partners 2005 No.1 LLP The Third Scotts Atlantic Distributors LLP	Sword Charteris Limited (formerly Charteris plc) SIG Consulting Ltd Cedalion Ltd The Mandelbrotset (International) Ltd Eclipse Film Partners No. 37 LLP Ingenious Film Partners 2 LLP
Richard Day	RJD Corporate Limited Greka Drilling Limited	None
Martin Groak	Marker Management Services Ltd Tanfield Group Plc MoneyAction Ltd	Face Partnership Ltd Snorkel Europe Ltd Leadout LLP Obus Plc Irtysh Petroleum Limited

(1) This amount includes sums paid or to be paid to Marker Management Services Limited, Esprit Partners Limited and RJD Corporate Limited, companies owned and controlled by Martin Groak and his wife, David Pickering and Richard Day respectively, in respect of consulting services provided by them to the Group in connection with the application for Admission.

8.2 Francesco Vallone was a director of Cogenpower Engineering s.r.l., until the company was put into liquidation by its members in March 2011, at which point he was appointed liquidator of the company. Cogenpower Engineering s.r.l. remains in liquidation with approximately €45,000 of fiscal liabilities. Cogenpower Engineering s.r.l. was a wholly owned subsidiary of Cogenpower s.r.l., but was sold to Golem s.r.l., a company owned by Francesco Vallone, on 5 October 2015 as part of the reorganisation of the Group prior to Admission.

Martin Groak was a director of Obus Plc (dissolved) from June 2005 until 14 February 2013. On 21 December 2007, a creditors' voluntary liquidation process was commenced and the company was dissolved on 14 February 2013.

Martin Groak was a director of Indago Petroleum Limited (and subsidiaries) from March 2006 until August 2009. On 10 July 2009, the shareholders of Indago Petroleum Limited passed a resolution to voluntarily wind up the company on a solvent basis following a sale of substantially all of the group's assets. Approximately $32.5 million was returned to shareholders in conjunction with the voluntary liquidation, with no loss to creditors.

Martin Groak was a director of Bluehone AIM VCT Plc from January 2004 until July 2010. In July 2008, the company merged with Maven Income and Growth VCT 5 plc (formerly Bluehone AIM VCT2 Plc) and on 23 July 2008 the members of Bluehone AIM VCT Plc passed a resolution to put the company into members' voluntary liquidation. Approximately £3,000 was returned to shareholders in conjunction with the voluntary liquidation, with no loss to creditors.

Martin Groak was a director of Lazarus Metal Resources (UK) Limited from May 1999 until February 2004. In June 2000, MV Zenitas, a cargo ship carrying the company's cargo sank shortly after leaving port, losing cargo with a value of over US$1 million. Following the initial refusal of insurers to pay out on the claim, the company was put into administration in January 2001, and subsequently into creditors' voluntary liquidation in November 2005. The insurer ultimately paid compensation to the company in respect of the lost cargo. The company was dissolved in August 2008, with payments having been made to creditors in satisfaction of the company's debts save for certain unsecured creditors.

8.3 Save as disclosed in this paragraph 8, none of the Directors has:

8.3.1 any unspent convictions in relation to indictable offences;

8.3.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

8.3.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director;

8.3.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

8.3.5 been the owner of any asset or been a partner in any partnership which owned, any asset which while he owned that asset, or while he was a partner or within the 12 months after he ceased to be a partner in the partnership which owned the asset entered into receivership;

8.3.6 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or

8.3.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

8.4 Save as disclosed in this document, none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

8.5 Each of the Directors has given an undertaking not to dispose of any of their Ordinary Shares, save in certain specified circumstances, for the period of 12 months from the date of Admission.

8.6 No loans made or guarantees granted or provided by the Company or any company in the Group to or for the benefit of any Director are outstanding.

9. SIGNIFICANT SHAREHOLDERS

9.1 Save as disclosed in sub-paragraphs 6.1 above the Company is only aware of the following persons who, at the date of this document and immediately following Admission, represent an interest (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally in 3 per cent. or more of the Company's issued share capital or could exercise control over the Company:

	At the date of this document		*Following Admission*	
Name	*No. of Ordinary Shares*	*% of Issued Share Capital**	*No. of Ordinary Shares*	*% of Enlarged Share Capital*
Miton Income Trust plc	Nil	Nil	2,000,000	3.99%

9.2 None of the Directors, Senior Managers nor any persons named in sub-paragraph 9.1 above has voting rights which are different to any other holder of Ordinary Shares.

10. EMPLOYEES

10.1 The number of employees employed in the Group for each of the last 2 financial years was as follows:

Year ended 31 December 2014[+]	*Year ended 31 December 2015*
14	14

[+] of which 1 was employed on a temporary basis

11. SHARE OPTION SCHEME

The Share Option Scheme was established on 30 December 2015 and is administered by the Remuneration Committee. EMI Options or Unapproved Options may be granted under the Share Option Scheme. The main features of the Share Option Scheme are set out below.

11.1.1 **Eligibility**

All persons who at the date at which an option is granted under the Share Option Scheme are employees (or employees who are also office-holders) of a member of the Group. The Remuneration Committee decides to whom options are granted, the number of ordinary shares under an option, the exercise date(s) (subject to the below) of an option and the performance conditions (if any) which must be achieved in order for the option to be exercisable.

11.1.2 **Grants of options**

Grants of options may normally only be made within 42 days after the date on which the Share Option Scheme is adopted by the Company and 42 days after the preliminary announcement of the Company's interim or final results in each year. Options may also be granted in circumstances determined by the Remuneration Committee to be exceptional, such as following the appointment of a new eligible employee. No options may be granted more than 10 years after the date on which the Share Option Scheme is adopted by the Company.

11.1.3 **Option price**

The exercise price for options will be the closing price of the Ordinary Shares on the business day immediately prior to the grant of the relevant options.

11.1.4 **Variation of share capital**

In the event of any variation of the share capital of the Company, the option price of any options granted and/or the number of Ordinary Shares subject to any such option, may be varied in such manner as the Remuneration Committee considers to be fair and reasonable. The option price must not be reduced or adjusted in respect of any Ordinary Share to be less than the nominal value of such share.

11.1.5 **Vesting of options**

Options will become exercisable once they have vested. The vesting period will be specified on grant, but shall not exceed a period of four years from the date of grant, contingent upon the option holder's continued employment throughout this period. The Remuneration Committee may specify that vesting is contingent upon the option holder meeting performance conditions to be determined at the discretion of the Remuneration Committee.

11.1.6 **Leavers**

When an option holder ceases to be employed by the Company their option will be immediately suspended. The Remuneration Committee will then have 30 days within which to determine if the option holder is a good or bad leaver. Good leavers are those who leave by reason of illness, injury, disability, retirement, redundancy, the option holders employer ceasing to be a member of the Group or any other reason at the Remuneration Committee's discretion. All other leavers will be bad leavers.

Bad leavers lose all their options. Options of good leavers shall vest in respect of a proportion of the shares under option equivalent to the proportion of the vesting period which has passed.

11.1.7 **Rights and restrictions**

An option granted under the Share Option Scheme is not transferable. Options are exercisable (regardless of whether they have vested in full) within a limited period on the takeover or liquidation of the Company. The Company shall specify the period within which Options may be exercised in connection with a takeover or liquidation (which shall not exceed six weeks after completion of the takeover of liquidation) and the Options will lapse if not so exercised before the end of this period.

11.1.8 **Allotment of Ordinary Shares**

The shares allotted under the Share Option Scheme will rank *pari passu* with the Company's issued Ordinary Shares save that any allotment made after the earlier of the date of announcement of a proposed dividend or other distribution and the record date of a proposed dividend or other distribution will be made upon terms that the Ordinary Shares so allotted are not entitled to participate therein.

11.1.9 **Share Option Scheme limits**

The aggregate number of Ordinary Shares issued or remaining issuable under the Share Option Scheme on (and including) any date of grant together with the number of Ordinary Shares issued or remaining issuable under options or share awards granted in the previous ten years may not exceed 10 per cent. of the number of Ordinary Shares in issue immediately prior to such date of grant.

The Share Option Scheme limits the value of Ordinary Shares which can be subject to EMI Options at any time to no more than £3 million. In addition, no individual may hold EMI Options over Ordinary Shares worth more than £250,000. In each case the value of the Ordinary Shares for these purposes is their value on the date of grant of the EMI Options.

11.1.10 **Alteration**

The Remuneration Committee may alter the Share Option Scheme except that (apart from minor amendments to benefit the administration of the Share Option Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or the Group or to correct typographical or other minor errors) no alteration will be made without the previous sanction of the Company in general meeting which would be an alteration to the advantage of eligible employees and participants or altering the scheme limits noted above.

No alteration may be made which would alter to the material disadvantage of a participant any rights already accrued to him or her except with his or her prior written consent.

12. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the period of two years immediately preceding the date of this document or were entered into prior to this but contain provisions which are, or may be, material:

12.1 Placing Agreement and Sub-Agency Agreement

The Placing Agreement dated 5 February 2016 between the Company, the Directors and Allenby Capital whereby Allenby Capital was appointed as agent of the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement, the Company and its Directors have given certain warranties, and the Company has given certain indemnities, to Allenby Capital regarding, *inter alia*, the accuracy of information in this Document. The Placing is not underwritten. The Placing Agreement is conditional, *inter alia*, on Admission taking place no later than 12 February 2016 or such later date as may be agreed by the Company and Allenby Capital, being no later than 29 February 2016, and the Company and its Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay to Allenby Capital a corporate finance fee of £150,000, of which £120,000 has been reinvested by Allenby Capital in the Placing to subscribe for 600,000 Placing Shares at the Placing Price, a commission of five per cent. of the gross proceeds of Placing Shares issued to Placees procured by Allenby Capital and a commission of one per cent. of the gross proceeds of Placing Shares issued to Placees procured by EnVent Capital Markets, together with all reasonable and properly incurred costs and expenses and VAT thereon, where appropriate.

Allenby Capital is entitled, in certain limited circumstances, to terminate the Placing Agreement prior to Admission and to the payment of its outstanding costs on such termination.

In relation to the Placing, on 19 August 2015 EnVent Capital Markets entered into a sub-agency agreement with Allenby Capital, pursuant to which EnVent Capital Markets agreed to act as sub-placing agent to Allenby Capital and to use its reasonable endeavours to procure investors in Italy and, if agreed with Allenby Capital, elsewhere. Pursuant to the Sub-Agency Agreement, EnVent gave undertakings and warranties customary for this type of agreement in favour of both Allenby Capital, the Company and their respective affiliates.

12.2 Nominated Adviser and Broker Agreement

A Nominated Adviser and Broker Agreement dated 5 February 2016 between the Company, the Directors and Allenby Capital pursuant to which the Company has appointed Allenby Capital to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The Company has agreed to pay Allenby Capital an annual advisory fee of £60,000 (quarterly in advance). The agreement contains certain undertakings by the Directors and the Company and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable regulations. The agreement continues for a minimum period of 12 months from Admission and is subject to termination, *inter alia*, by either the Company or Allenby Capital on the giving of not less than three months' prior written notice.

12.3 Financial Advisory Agreements

A Financial Advisory Agreement dated 27 August 2015 between Cogenpower s.r.l. and EnVent S.p.A. pursuant to which Cogenpower s.r.l. has appointed EnVent S.p.A. to act as financial advisor to support the Company in respect of the Admission process. Cogenpower s.r.l. has agreed to pay EnVent S.p.A. a retainer fee of €15,000 in two instalments of €7,500. The retainer fee is not contingent upon the Placing. Cogenpower s.r.l. has also agreed to pay all expenses reasonably incurred by EnVent S.p.A. in respect of their services, including, without limitation, all documented out-of-pocket expenses, 5 per cent. of the retainer fee for secretarial expenses and the fees and expenses of EnVent's legal advisors. The agreement contains certain undertakings from Cogenpower s.r.l. to EnVent S.p.A. and an indemnity given by Cogenpower s.r.l. in respect of any loss which EnVent S.p.A. may suffer as a result of the agreement. The appointment shall be for an initial period of six months and is subject to termination immediately by EnVent S.p.A. on the giving of written notice or by Cogenpower s.r.l. on the giving of seven days' written notice. The Financial Advisory Agreement is governed by Italian law.

On 19 October 2015, Cogenpower s.r.l. and EnVent S.p.A entered into an addendum to the Financial Advisory Agreement, pursuant to which the parties agreed that, in addition to the €15,000 consideration referred to above, Cogenpower s.r.l. shall pay a success fee equal to €50,000 to EnVent S.p.A, upon the market value of the Company being equal to £8,000,000.

In addition to the services set forth under the Financial Advisory Agreement entered into on 27 August 2015, EnVent S.p.A. has been engaged to provide assistance and consultancy services in order to identify potential investors in the Company. As consideration for these services Cogenpower s.r.l. agreed to pay to EnVent S.p.A. a fee of €45,000 plus VAT in two installments of €22,500 on 30 October 2015 and 30 November 2015. EnVent S.p.A subsequently agreed to enter into a Debt to Equity Swap Agreement in respect of such fees. The other provisions of the Financial Advisory Agreement entered into on 27 August 2015 apply *mutatis mutandis*.

On 9 December 2015, Cogenpower s.r.l. and EnVent S.p.A. entered into a Financial Advisory Agreement, pursuant to which EnVent S.p.A. has been engaged to provide various assistance and consultancy services in relation to, *inter alia*, the Group's business plans; business operations between Cogenpower s.r.l. and third parties; Cogenpower s.r.l.'s financial organisation and collection of financial resources. As consideration for the services Cogenpower s.r.l. shall pay to EnVent S.p.A. €280,000 plus VAT as follows: (a) €120,000, plus VAT, as a down payment, on signing of the Financial Advisory Agreement and within 3 (three) days from the date of issuance of the related invoice, EnVent S.p.A subsequently agreed to enter into a Debt to Equity Swap Agreement in respect of such fees; and (b) €160,000, plus VAT, as a success fee subject to completion by EnVent S.p.A. of certain deliverables. Cogenpower s.r.l. will also reimburse EnVent S.p.A for all expenses incurred and documented relating to the Financial Advisory Agreement.

Pursuant to the Financial Advisory Agreement dated 9 December 2015, Cogenpower s.r.l. undertook to indemnify and hold harmless EnVent S.p.A from any liability, cost or damage incurred as a result or arising out of that Financial Advisory Agreement. Further, EnVent S.p.A. agreed to keep confidential all information and documentation provided by Cogenpower s.r.l., and shall use such information and documentation solely for the fulfilment of its obligations arising out of the Financial Advisory Agreement. The Financial Advisory Agreement has a term of 18 months and can be renewed upon the prior request of Cogenpower s.r.l. The parties may terminate the Financial Advisory Agreement, at any time, after 60 days from Admission, by the giving of one month's prior notice in writing. The Financial Advisory Agreement shall be governed by Italian law and the Court of Rome will be the exclusive jurisdiction to settle any dispute which may arise in connection with the Agreement and its validity, effect or interpretation.

12.4 **Relationship Agreement**

The Company has entered into a Relationship Agreement with Dr. Francesco Vallone (the "**Founder Shareholder**") and Allenby Capital dated 5 February 2016 to regulate aspects of the continuing relationship between the Company and the Founder Shareholder so as to ensure that the Company is capable at all times of carrying on its business independently of the Founder Shareholder and that future transactions between the Company and the Founder Shareholder are on arm's length terms and on a normal commercial basis. The Relationship Agreement will terminate at any time when the voting rights attaching to the Founder Shareholder's shareholding represent less than 20 per cent. of all voting rights attributable to the issued share capital of the Company.

12.5 **Lock-in and orderly market Agreement**

Each of the Locked-in Parties has undertaken to the Company and Allenby Capital that, save in specified circumstances, they will not, and they shall use their reasonable endeavours to procure that their associates, by reference to the definition of "related party" in the AIM Rules ("**Associates**") will not, dispose of any interest in Ordinary Shares held by them for a period of twelve months from Admission ("**Lock-in Period**").

The specified circumstances are:

12.5.1 a disposal to the personal representative of any relevant shareholder who dies during the Lock-in Period or Soft Lock-in Period (as defined below); or

12.5.2 any disposal pursuant to acceptance of a general, partial or tender offer made by an offeror (the "Offeror") to all shareholders of the Company for the whole or a part of the issued share

capital of the Company (other than any shares already held by the Offeror or persons acting in concert with the Offeror); or

12.5.3 the execution of an irrevocable commitment to accept a general, partial or tender offer made to all shareholders of the Company for the whole or a part of the issued capital of the Company (other than any shares already held by the Offeror or persons acting in concert with the Offeror); or

12.5.4. a sale to an offeror or potential offeror who has been named in an announcement made pursuant to the City Code on Takeovers and Mergers; or

12.5.5 any disposal pursuant to an intervening court order; or

12.5.6 a disposal:

12.5.6.1 made by way of gift to their spouse, civil partner (such term shall be interpreted in accordance with the UK Civil Partnership Act 2004) parent, child or grandchild (including a step child or a child or grandchild by adoption) (each "a Family Member"); or

12.5.6.2 made by way of gift to any trustee or trustees of a trust created by a relevant shareholder or a Family Member provided that there are no persons beneficially interested under the trust other than the relevant shareholder and/or their Family Members; or

12.5.6.3 by way of a distribution by a trustee or trustees of a trust to a Family Member or a relevant shareholder; or

12.5.7 a disposal made with the prior written consent of Allenby Capital.

Furthermore, each of the Locked-in Parties has also undertaken to the Company and Allenby Capital for a further 12 month period following the expiry of the Lock-in Period ("**Soft Lock-in Period**") to only dispose, and that they shall use their reasonable endeavours to procure that their Associates will only dispose, of their Ordinary Shares through Allenby Capital or as Allenby Capital may reasonably require, in accordance with orderly market principles.

12.6 **Debt to Equity Swap Agreements**

Between 13 November 2015 and the date of this document Cogenpower and Cogenpower s.r.l. entered into Debt to Equity Swap Agreements with each of the New Subscribers being EnVent S.p.A., Golem s.r.l., Cardew Group Limited, Guiseppe Vallone, Maria Traina, RJD Corporate Limited, Esprit Partners Ltd, Marker Management Services Ltd, Charles Russell Speechlys LLP, ETR Gas s.r.l., Elettrogas s.r.l. and Logico s.r.l.. Pursuant to the Debt to Equity Swap Agreements the New Subscribers have agreed to subscribe for the Conversion Shares, the subscription price for which is to be satisfied by the release of debts owed by Cogenpower or Cogenpower s.r.l., as applicable, to the respective New Subscribers. Each of ETR Gas s.r.l., Elletrogas s.r.l. and Logico s.r.l. has agreed pursuant to their relevant Debt to Equity Swap Agreement not to dispose or agree to dispose of any interest in the Creditor Conversion Shares acquired by them pursuant to their Debt to Equity Swap Agreements during the period of 12 months from the date of Admission other than through Allenby Capital in its capacity as broker to the Company or its successor in that capacity in accordance with the AIM Rules for Companies, or as Allenby Capital may reasonably require, in accordance with orderly market principles. In addition, Cardew Group Limited has agreed to similar orderly market agreements in respect of Adviser Fee Shares for a period of 12 months from Admission. These restrictions will apply in respect of 125,000 new Ordinary Shares representing 0.25 per cent. of the Enlarged Share Capital as at Admission.

12.7 **Share Exchange Agreement**

On 28 August 2015 the Company entered into a Share Exchange Agreement with each of the shareholders of Cogenpower s.r.l. as at that date. Pursuant to the Share Exchange Agreement, the Company acquired the entire interest in Cogenpower s.r.l. in exchange for which the Company agreed to allot and issue shares in the Company, on a one-to-one basis (save in respect of Golem s.r.l, a company connected to Francesco Vallone, which was issued twenty less shares due to Francesco Vallone already holding such number of Ordinary Shares in the Company prior to the Share Exchange). The Share Exchange Agreement provided for the shares in Cogenpower s.r.l. to be transferred with

full title guarantee and free from all encumbrances, subject to the Share Pledge in favour of UniCredit S.p.A.

12.8 **Esseti Acquisition Agreements**

On 29 June 2015, Cogenpower s.r.l. entered into an acquisition agreement with Cavanna Legno s.r.l. and Cavanna Giansandro Domenico, pursuant to which Cogenpower s.r.l. agreed to acquire, subject to Admission occurring prior to 15 August 2015, the entire capital of Esseti. The condition in this agreement was not satisfied and therefore the agreement lapsed in accordance with its terms.

On 11 September 2015, Cogenpower s.r.l. entered into a new, preliminary acquisition agreement (the "Esseti Acquisition Agreement") with Cavanna Legno s.r.l. and Cavanna Giansandro Domenico, by which Cogenpower s.r.l. agreed to (i) acquire the entire capital of Esseti; and (ii) assign to Cogenpower s.r.l. a credit owed by Cavanna Legno s.r.l. to Esseti (the "Cavanna Legno Credit"), together with a credit owed by Esseti to Mr Cavanna (the "Cavanna Credit") pursuant to a definitive agreement which was to be signed no later than 19 October 2015 (or such later date as the parties may agree, being no more than 9 working days after 19 October 2015). Due to unforeseen circumstances, the parties were not able to enter into a definitive agreement within the deadline specified in the Esseti Acquisition Agreement, and therefore, the parties entered into the Put & Call Option Agreement and Side Letter (further details of which are set out below). Under the Esseti Acquisition Agreement, Cogenpower s.r.l. was required to pay an overall amount of €250,000 to Cavanna Legno s.r.l. and Mr Cavanna as consideration for the acquisition of Esseti (for €30,000) and of Cavanna Legno Credit (for the total amount of €220,000). Cavanna Legno s.r.l. and Mr Cavanna were to provide warranties and representations to Cogenpower s.r.l. customary for this type of agreement. If the definitive agreement was not signed by 19 October 2015 (or such later date as is agreed between the parties, as referred to above) Cogenpower s.r.l. would be required to pay to the sellers a penalty, in the amount of €200,000. This penalty was subsequently expressly waived in the Put & Call Option Agreement. Cogenpower s.r.l. was to assume within 30 days of execution of the definitive agreement the principal guarantees relating to Esseti, as set out in the agreement (including the guarantee of the finance lease with Banca Carige, referred to at paragraph 12.22 below). Pursuant to the definitive agreement, the Esseti vendors would also grant to Cogenpower s.r.l. an irrevocable put option under which Cogenpower s.r.l. may require the Esseti vendors to buy back the Esseti Plant for the amount of €1, upon request in writing, exercisable between 1 January 2027 and 30 June 2027. The put option will be subject to the functioning of the Plant at the date of exercise. The Esseti Acquisition Agreement is governed by Italian law.

On 5 November 2015, Cogenpower s.r.l. entered into a Put & Call Option Agreement with Cavanna Legno s.r.l. and Mr Cavanna, pursuant to which Cogenpower s.r.l. was granted a call option in respect of the entire capital of Esseti ("Call Option") and Cavanna Legno s.r.l. and Mr Cavanna were granted a put option in respect of the entire capital of Esseti ("Put Option"). Pursuant to the Put & Call Option Agreement, it was agreed that the entire capital of Esseti shall be acquired by Cogenpower s.r.l. for €30,000. The exercise period for the Put Option was 25 November 2015 to 8 December 2015.

On 1 December 2015, after Mr. Cavanna and Cavanna Legno s.r.l. had exercised the Put Option, Cogenpower s.r.l. acquired Esseti by a Notary Deed.

Pursuant to the Put & Call Option Agreement, on the date of transfer of Esseti, (i) Cavanna Legno s.r.l. and Mr Cavanna transferred the entire capital of Esseti to Cogenpower s.r.l. and waived the pre-emption rights in Esseti's articles of association; (ii) Mr Cavanna tendered his irrevocable resignation from his role of sole director of the Esseti; and (iii) the parties entered into various ancillary contracts. Furthermore, pursuant to the Put & Call Option Agreement, Cavanna Legno s.r.l. and Mr Cavanna expressly waived the penalty clause referred to in the Esseti Acquisition Agreement above. All the clauses of the Esseti Acquisition Agreement apply *mutatis mutandis*, without prejudice to the provisions of the Put & Call Option Agreement, specifically, the clauses of the Esseti Acquisition Agreement concerning the representations and warranties and indemnification obligations. The Put & Call Option Agreement is governed by Italian law and any dispute between the parties shall be subject to an attempt at conciliation in front of the Service of the Chamber of Arbitration of Milan and, failing resolution, arbitration at the Regulation of the Chamber of Arbitration of Milan.

Under the Put & Call Option Agreement, Cogenpower was obliged to pay to Mr Cavanna and Cavanna Legno s.r.l. an amount of €30,000 in consideration of the acquisition of the capital of Esseti,

which was paid on 29 December 2015, and €220,000 for the assignment to Cogenpower s.r.l. of the credit owed to Cavanna Legno s.r.l. by Esseti within 3 days from the date of Admission and, in any case, not later than 23 December 2015. The Company is in discussions with the Esseti vendors on the timing and quantum of the payment in respect of the Cavanna Legno Credit.

On 5 November 2015, Cogenpower s.r.l. entered into a Side Letter with Cavanna Legno s.r.l. and Mr Cavanna. Pursuant to the Side Letter, the parties agreed that, on the execution date Cavanna Legno and Mr Cavanna shall sign various ancillary agreements (further details of which are provided in paragraphs 12.25 and 12.26 of this document) and Mr Cavanna shall tender his irrevocable resignation from his role of sole director of Esseti. In addition, Cogenpower s.r.l. entered into an indemnity letter, according to which Cogenpower s.r.l. undertook to indemnify Mr Cavanna for any liability, claim, damage, loss or any other expense arising out of the signing of the ancillary agreements. Furthermore, the Side Letter confirmed that a credit owed to Cavanna Legno s.r.l. by Esseti shall be assigned to Cogenpower s.r.l. for the consideration of €220,000, which will occur not later than, completion of the transfer of Esseti. Simultaneously, Mr Cavanna shall waive a credit in the sum of €110,000 owed to him by Esseti. The parties agreed that the economic result of the 2015 financial year shall be deemed as against or in favour of Cavanna Legno s.r.l. and Mr Cavanna until the date of 20 September 2015, while it will be deemed as against or in favour of Cogenpower s.r.l. from 1 October 2015 until to 31 December 2015. The Side Letter is governed by Italian Law.

Pursuant to the Side Letter, on the date of execution of the Esseti transfer price, Esseti Energia s.r.l. agreed to enter into a Biomass Supply Agreement with Cavanna Legno s.r.l.. Pursuant to the Biomass Supply Agreement, Esseti Energia s.r.l. shall acquire 20,000 tons of lignocellulosic biomass from Cavanna Legno s.r.l. annually, in exchange for which Esseti Energia s.r.l. shall pay an annual amount of €668,400, and in case of extra-supply the price will be determined in good faith on the basis of the market price of the biomass at the order date. The Biomass Supply Agreement will be for an initial term of 36 months, renewable for 12 months thereafter, unless prior notice has been communicated by a party to the other at least 3 months before the expiry date. The Biomass Supply Agreement shall be subject to early termination in the following circumstances: (i) failure to comply with the obligations arising out of the Agreement for over 15 days from the other party's request to comply; (ii) liquidation or any other insolvency proceeding of a party. Esseti Energia s.r.l. will also be entitled to withdraw from the Biomass Supply Agreement by sending to Cavanna Legno s.r.l. prior notice at least 180 days before the expiry date. Furthermore, in case of interruption of the supply for causes attributable to the Cavanna Legno s.r.l., Esseti Energia s.r.l. will be entitled to terminate the Agreement.

12.9 **UniCredit Loan Agreement (1) December 2007**

On 13 December 2007, Cogenpower s.r.l. entered into a loan agreement with UniCredit, pursuant to which UniCredit granted Cogenpower s.r.l. a credit line for a total amount of €4,400,000. On the date of this Document, the amount outstanding pursuant to this loan is approximately €2,465,783. Subsequently, on 23 June 2014, the Company and UniCredit entered into an amendment agreement which extended the duration of this loan agreement until 31 December 2022.

This loan agreement is secured by the following:

12.9.1 a first level mortgage for the amount of €8,800,000 on building/land of which the overall cadastral area is 5.5 square kilometres;

12.9.2 a special lien on movable property, not recorded in the public records, used by the Company for its activities, pursuant to article 46 of Italian Legislative Decree n. 385/1993 (the Consolidated Law on Banking) for the amount of €8,800,000;

12.9.3 a specific guarantee jointly issued by Messrs Giuseppe Vallone, Francesco Vallone and Sergio Vallone up to a maximum amount of €4,000,000 (plus interest, if applicable);

12.9.4 a guarantee issued by Eurofidi S.c.ar. hedging an ascertained loss up to a maximum amount of €1,200,000;

12.9.5 a specific guarantee jointly issued by Roberta Di Francesco and Maria Traina up to a maximum amount of €4,000,000 plus interest (if applicable); and

12.9.6 a pledge over 1,151,773 shares of Cogenpower s.r.l. at the terms described in paragraphs 12.13 and 12.15 of Part VII of this document (the "Share Pledge").

This loan agreement and each of the security agreements referred to above are governed by Italian law.

12.10 **UniCredit Loan Agreement (2) December 2007**

On 5 December 2008, Cogenpower s.r.l. entered into a loan agreement with UniCredit, pursuant to which UniCredit granted Cogenpower s.r.l. a credit line for a total amount of €1,500,000. On the date of this document, the amount outstanding pursuant to this loan is approximately €867,642. Subsequently, on 28 April 2014, the Company and UniCredit entered into an amendment agreement which extended the duration of this loan agreement until 31 December 2023.

This loan agreement is secured by the following liens and warranties:

12.10.1 a second level mortgage for the value of €3,000,000 on building land of which the overall cadastral area is 5.5 square kilometres;

12.10.2 a special lien on movable property not recorded in the public records used by the Company for its activities, pursuant to article 46 of Italian Legislative Decree n. 385/1993 (the Consolidated Law on Banking) for the amount of €2,000,000;

12.10.3 a specific guarantee jointly issued by Messrs Giuseppe Vallone, Francesco Vallone and Sergio Vallone up to a maximum amount of €1,500,000;

12.10.4 a guarantee issued by Unionfidi Piemonte Torino SCARL hedging a loss ascertained up to a maximum amount of €650,000;

12.10.5 specific guarantee jointly issued by Roberta Di Francesco and Maria Traina up to a maximum amount of €1,500,000; and

12.10.6 the Share Pledge (as referred to above).

This loan agreement and each of the security agreements referred to above are governed by Italian law.

12.11 **UniCredit Loan Agreement (3) March 2011**

On 29 March 2011, Cogenpower s.r.l. entered into a loan agreement with UniCredit, pursuant to which UniCredit granted Cogenpower s.r.l. a credit line for a total amount of €2,000,000. On the date of this document, the amount outstanding pursuant to this loan is approximately €1,611,408.

On 9 September 2011, as part of a securitisation transaction, UniCredit assigned to IMPRESA ONE s.r.l. the credits and the rights related to this loan agreement, including the Share Pledge.

Subsequently, on 28 April 2014 the Company and IMPRESA ONE s.r.l. entered into an amendment agreement which extended the duration of this loan agreement until 31 December 2025.

This loan agreement is secured by the following liens and warranties:

12.11.1 a special lien on movable property not recorded in the public records used by the Company for its activities, pursuant to article 46 of Italian Legislative Decree n. 385/1993 (the Consolidated Law on Banking) for the amount of €2,000,000; and

12.11.2 a jointly specific guarantee issued by Messrs Giuseppe Vallone, Francesco Vallone and Sergio Vallone, Roberta Di Francesco and Maria Traina up to a maximum amount of €2,000,000.

12.11.3 the Share Pledge as referred to above.

This loan agreement and each of the security agreements referred to above are governed by Italian law.

12.12 **UniCredit Current Account Credit Facility September 2015**

On 1 September 2015, Cogenpower s.r.l. entered into an agreement with UniCredit, pursuant to which UniCredit granted Cogenpower s.r.l. a current account credit facility for a total amount of €600,000. On the date of this document, the amount outstanding pursuant to this credit facility is €600,000. The credit facility has a duration of 45 days, to 15 October 2015, and is governed by Italian

law. This was extended by agreement with UniCredit until 15 December 2015, and this is now due for repayment. If not paid by 15 February 2016 then it will be recorded by UniCredit as a late payment. The Company intends to repay this credit facility in full immediately following Admission.

12.13 **Share Pledge Agreement**

As security for the loans from UniCredit to Cogenpower s.r.l. pursuant to the above loan agreements, a share pledge agreement was also entered into on 29 March 2011 by UniCredit and Francesco Vallone, on his own account and for and on behalf of Golem s.r.l. and Re Sipar Investments S.p.A., Giuseppe Vallone and Maria Traina, pursuant to which the Share Pledge was granted to UniCredit over shares in Cogenpower s.r.l.

The Share Pledge is currently in favour of IMPRESA ONE s.r.l. with respect of the €2,000,000 loan (see paragraph 12.10 above) and for all the other loans above in favour of UniCredit and will remain outstanding, following Admission, until repayment of the above loan agreements (as subsequently modified), save as varied by the Letter of Waiver (see paragraph 12.15 below).

The Share Pledge guarantees the credit of the bank for a maximum amount of €14,650,000, of which €7,325,000 relates to capital and €7,325,000 to interest.

The Share Pledge has been waived by the bank in connection with the Share Exchange and Admission on the terms and conditions set forth under a Letter of Waiver dated 22 May 2015 (see paragraph 12.15 of Part VII of this Admission Document).

12.14 **Guarantee**

As security for any obligations outstanding from Cogenpower s.r.l. to UniCredit pursuant to the above loan agreements or otherwise, on 18 March 2011, Francesco Vallone, Giuseppe Vallone, Sergio Vallone, Roberta Di Francesco and Maria Traina entered into a guarantee, as guarantors of Cogenpower s.r.l., in favour of UniCredit up to the amount of €3,150,000. This guarantee is governed by Italian law.

12.15 **Letter of Waiver**

On 22 May 2015, as further amended on 25 August 2015, 15 September 2015, 30 December 2015 and 29 January 2016 a waiver agreement was entered into by UniCredit S.p.A. and Cogenpower s.r.l., pursuant to which UniCredit has, *inter alia*, (i) consented to any action required to be taken in order to transfer the entire shares capital of Cogenpower s.r.l. to the Company; and (ii) waived the voting rights provided for by the share pledge agreement dated 29 March 2011 in connection with the Share Exchange and Admission; and (iii) agreed, on payment by Cogenpower s.r.l. of €600,000 being the outstanding amount under its current account credit facility with UniCredit, to consent to the termination of the Pledge Agreement and of any related rights, unconditionally and irrevocably waiving such rights and undertaking to enter into any document or deed in order to effect such termination.

Following Admission, should Cogenpower s.r.l. not repay the amount of €600,000 referred to above, UniCredit will continue to be entitled to exercise its voting rights pursuant to the Pledge Agreement.

In the event that Admission has not occurred by 15 February 2016, on that date Cogenpower s.r.l. will proceed, as soon as possible (and no later than three days from any request) to return to UniCredit the Cogenpower s.r.l. shares. In that case, the parties will enter into a new pledge agreement in favour of UniCredit, without prejudice, otherwise, to the right of the Bank to consider as terminated the Loan Agreements and to demand the full and immediate refund of the payments due under the Loan Agreements. This letter of waiver is governed by Italian law.

12.16 **BCCBV Loan Agreement**

On 12 July 2007, Cogenpower s.r.l. entered into a loan agreement with Banca di Credito Cooperativo di Bene Vagienna (BCCBV), pursuant to which BCCBV granted Cogenpower s.r.l. a credit line for a total amount of €400,000. On the date of this document, the amount outstanding pursuant to this loan is approximately €131,959.

This loan agreement is secured by a specific guarantee jointly issued by Messrs Giuseppe Vallone, Francesco Vallone and Sergio Vallone hedging a loss ascertained up to a maximum amount of €600,000.

This loan agreement and the security agreement referred to above are governed by Italian law.

12.17 **Land Sale Agreement 2007**

On 27 July 2007, Cogenpower s.r.l. entered into a Land Sale Agreement with Mr. Garino, pursuant to which Cogenpower s.r.l. acquired 5.5 square kilometres of land located in Borgaro Torinese, Italy and the land upon the access road thereto is located for €115,500. The Land Sale Agreement contains warranties from Mr. Garino in favour of Cogenpower s.r.l., customary for this type of agreement. The Arable Land Sale Agreement is governed by Italian law.

12.18 **Land Sale Agreement 2015**

On 24 January 2014, Cogenpower s.r.l. entered into a preliminary sale agreement with Mr. Giuseppe Garino pursuant to which Mr. Garino promised to sell and Cogenpower s.r.l. promised to acquire 4.9 square kilometres of land located in Borgaro Torinese, Italy.

Subsequently, Cogenpower s.r.l. entered into a Land Sale Agreement with Mr. Garino on 13 March 2015, partially executing the preliminary sale agreement, pursuant to which Cogenpower s.r.l. acquired 2.4 square kilometres of land located in Borgaro Torinese, Italy for €119,793. The Land Sale Agreement contains warranties from Mr. Garino in favour of Cogenpower s.r.l. customary for this type of agreement. With regards to the part of land provided for by the preliminary sale agreement but not acquired with this Land Sale Agreement, the parties agreed that the preliminary sale agreement shall be deemed terminated and to enter into a new preliminary sale agreement.

The preliminary sale agreement and Land Sale Agreement are governed by Italian law.

12.19 **Preventive Maintenance Agreement**

On 1 November 2008 Cogenpower s.r.l. entered into a Preventive Maintenance Agreement with Jenbacher s.r.l., which governs the terms and conditions of the maintenance of powerhouse equipment owned by Cogenpower s.r.l. Pursuant to the Preventive Maintenance Agreement, Jenbacher s.r.l., shall perform the routine and extraordinary maintenance for Cogenpower s.r.l., in exchange for which Cogenpower s.r.l. shall pay Jenbacher s.r.l. an hourly fee plus VAT and certain safety costs, such fee to be reviewed annually. The agreement is for the provision of 59,999 working hours, with a maximum duration of 14 years, subject to earlier termination in the event of breach.

The Preventive Maintenance Agreement is governed by Italian law.

12.20 **Contract for the Sale of Electricity**

On 4 August 2015, Cogenpower s.r.l. entered into a Contract for the Sale of Electricity on the Free Market with Illumia S.p.A., pursuant to which Cogenpower s.r.l. agreed to sell electricity to Illumia S.p.A. in exchange for which Illumia S.p.A shall pay Cogenpower s.r.l. an annual amount equal to the national single price, published by GME, plus €0.4 per MWh, except for specific energy sale agreements entered into by the parties, which can provide specific terms and conditions. The contract is for an initial term of 12 months (from 1 October 2015 to 30 September 2016) subject to early termination in the following circumstances: (i) the liquidation or other insolvency proceedings of one of the parties; (ii) the persistence of *force majeure* or a decision of a public authority, not attributable to a party, which prejudices the proper execution of the agreement for over 15 days; (iii) delayed payment of invoices; or (iv) failure to exercise the facility for a period of 30 days for any reason. The Contract for the Sale of Electricity on the Free Market is governed by Italian law.

12.21 **Contract for the Purchase of Natural Gas**

On 4 August 2015, Cogenpower s.r.l. entered into a Contract for the Purchase of Natural Gas with Illumia S.p.A., pursuant to which Cogenpower s.r.l. agreed to acquire natural gas from Illumia S.p.A. in exchange for which Cogenpower s.r.l. shall pay Illumia S.p.A. the price determined on the basis of certain criteria set-out in the agreement, which includes a fixed price element, expenses and a variable price element regarding gas supply. The contract is for an initial term of 12 months (from 1 October 2015 to 30 September 2016), subject to early termination in the following circumstances: (i) delayed payment of invoices 20 days after their expiration date; or (ii) failed or invalid issuance of the guarantee. Pursuant to the agreement, Cogenpower s.r.l. undertook to, upon request from Illumia S.p.A., provide a bank guarantee for an amount equal to three months supply of natural gas. The Contract for the Purchase of Natural Gas is governed by Italian law.

12.22 **Esseti – Finance Lease with Banca Carige**

On 6 May 2010, Esseti Energia s.r.l. entered into a finance lease with Banca Carige S.p.A., with minimum duration of 120 months', in respect of certain assets supplied by three different companies: Pelucchi Caldaie s.r.l., Turboden s.r.l. and Uniconfort s.r.l. The finance lease provides an overall amount for the supply equal to €4,255,000 (up from an initial amount of €3,627,700). Esseti Energia s.r.l. agreed to pay a monthly rent of €27,560.03 plus VAT. The last payment is expected to be in November 2022.

This finance lease is guaranteed by an ordinary guarantee dated 6 May 2010 given by M. Cavanna Giansandro, Frafil s.r.l. and Cavanna Legno s.r.l. Pursuant to the Esseti Acquisition Agreement this guarantee will be assumed by Cogenpower s.r.l. within 30 days of execution of the definitive agreement to acquire Esseti.

This finance lease and guarantee are governed by Italian law.

12.23 **Esseti – Arable Land Sale Agreement**

On 5 April 2011, Esseti entered into an Arable Land Sale Agreement with Mr. P Lanzavecchia, pursuant to which Esseti acquired arable land located in Predosa, Italy for €10,000. The Arable Land Sale Agreement contained representations from Mr. P Lanzavecchia in favour of Esseti with regards to full ownership of the land and the disposal of such land free from liens, encumbrances and privileges. Such arable land is currently used by Esseti for the grid connection of its power plant. The Arable Land Sale Agreement is governed by Italian law.

12.24 **Esseti – Maintenance Agreement**

On 24 March 2014, Esseti entered into a Maintenance Agreement with Turboden s.r.l., pursuant to which Turboden s.r.l. agreed to provide maintenance services to Esseti in respect of its power plant, in exchange for which Esseti shall pay an annual amount in advance of €8,700. The Maintenance Agreement is for an initial term of two years from 1 December 2013 to 30 November 2015, subject to earlier termination in the event of breach. The Maintenance Agreement is governed by Italian law.

On 10 December 2015, Esseti entered into a Maintenance Agreement with Turboden s.r.l. in relation to Esseti's power plant T12-HRS in Pedrosa. Pursuant to the Maintenance Agreement, Turboden s.r.l. agreed to provide maintenance services to Esseti and particularly: (i) standard maintenance; (ii) predictive maintenance; (iii) maintenance service "Turboden 16.7" and (iv) maintenance of the turbine. As consideration, Esseti shall pay an annual amount of €43,920 (including VAT). The Maintenance Agreement has a term from 1 December 2015 to 30 November 2020.

12.25 **Esseti – Supply Agreement for Lignocellulosic Biomass**

On 1 December 2015, Esseti entered into a Supply Agreement with Cavanna Legno s.r.l., pursuant to which Cavanna Legno s.r.l. agreed to supply lignocellulosic biomass to Esseti. The initial term of the Supply Agreement is 36 months and thereafter it shall automatically be deemed extended in 12 month periods, unless terminated by either party in writing provided that notice of termination is served at least 3 months before the expiry of the then current period. Either party may also terminate the Supply Agreement, pursuant to Article 1456 of the Italian Civil Code, in the event the other party is insolvent, has bankruptcy proceedings brought against them or enters into any other winding-up proceedings. The Supply Agreement is governed by Italian Law and the Courts of Turin will be the exclusive venue to settle any dispute which may arise in connection with the Supply Agreement and its, validity, effect or interpretation.

12.26 **Esseti – Supply Agreement for Heat**

On 2 December 2015, Esseti entered into a Supply Agreement with Cavanna Legno s.r.l., pursuant to which Esseti agreed to supply heat to Cavanna Legno s.r.l. The term of the Supply Agreement expires on 31 December 2026. The Supply Agreement is governed by Italian Law and the Courts of Turin will be the exclusive venue to settle any dispute which may arise in connection with the Supply Agreement and its, validity, effect or interpretation.

13. RELATED PARTY TRANSACTIONS

13.1 On 5 February 2016, the Company entered into a Relationship Agreement with Francesco Vallone and Allenby Capital to regulate aspects of the continuing relationship between the Company and its Founder Shareholder, further details of which are described at paragraph 12.4 above.

13.2 Between 13 November 2015 and the date of this document, the Company entered into Debt to Equity Swap Agreements with each of Marker Management Services Limited, Esprit Partners Limited and RJD Corporate Limited (companies owned by Martin Groak and his wife, David Pickering and Richard Day respectively), pursuant to which they agreed to subscribe for Conversion Shares at the Placing Price, the consideration for which was the release of sums outstanding to them from the Company in respect of accrued consultancy fees for services provided to the Company in connection with the Admission. Cogenpower s.r.l. also agreed to pay Golem s.r.l. €90,000 on account of liquidation fees, which will be settled by the issue of Conversion Shares pursuant to a Debt to Equity Swap Agreement.

13.3 On 5 October 2015, Cogenpower Engineering s.r.l. (in liquidation) was transferred to Golem s.r.l., a company owned by Francesco Vallone for consideration of €1.

13.4 On 28 August 2015, the Company and Cogenpower s.r.l. entered into the Share Exchange Agreement with, amongst others, Golem s.r.l., Re Sipar Investments S.p.A., companies connected with Francesco Vallone, Ilaria Cannata and Stefano Chanoine, a person connected with Ilaria Cannata, as part of the acquisition by the Company of Cogenpower s.r.l., further details of which are described at paragraph 12.7 above.

13.5 On 9 June 2015, the Company entered into a management services agreement with Cogenpower s.r.l., pursuant to which Cogenpower s.r.l. appointed the Company, on a non-exclusive basis, to provide certain services to Cogenpower s.r.l. Such services include *inter alia* assisting with corporate strategy and corporate finance matters, advising on financial matters and providing information on competitive analyses, customer surveys, market trends and new products and services with respect to the economic activities of Cogenpower s.r.l. In consideration of the provision of the services, Cogenpower s.r.l. shall pay a monthly fee to the Company, such fee being an amount equal to 105 per cent. of the total costs of the Company incurred in providing the services to Cogenpower s.r.l. with respect to the month to which the monthly fee relates. In addition, Cogenpower s.r.l. shall reimburse the Company in respect of all costs, disbursements and expenses reasonably incurred by the Company in the performance of the services. In the agreement, the parties acknowledge that Cogenpower s.r.l. has incurred certain costs, disbursements and expenses in relation to Admission. Conditional upon Admission taking place, the Company shall reimburse to Cogenpower s.r.l. such costs within a reasonable time following the date of Admission. The agreement contains provisions with regards to intellectual property, confidentiality and data protection customary for this type of agreement. The agreement is of no fixed term and can be terminated at any time by one party giving three months' prior written notice to the other. In addition, the agreement can be terminated immediately by Cogenpower s.r.l. on written notice to the Company if the performance of the services or the operation of the agreement breaches any applicable laws, licences or regulatory controls.

13.6 On 15 October 2012, Cogenpower Gas & Power s.r.l. entered into a lease with Golem s.r.l., legally represented by Dr. Francesco Vallone, pursuant to which Cogenpower Gas & Power s.r.l. was granted exclusive use of real estate located in Borgaro Torinese, Italy for office purposes. Pursuant to the terms of the lease, Cogenpower Gas & Power s.r.l. pays rent of approximately €12,000 plus VAT per annum. The lease is governed by Italian law.

13.7 In respect of the finance agreements entered into between Cogenpower s.r.l. and its debt finance providers, Dr. Francesco Vallone and certain members of his family have entered into personal guarantees. Further details of such guarantees are described at paragraphs 12.9,12.10,12.11,12.13, 12.14 and 12.15 above. In addition, the Share Pledge was entered into by Dr. Francesco Vallone, on his own account and for and on behalf of Golem s.r.l. and Re Sipar Investments S.p.A.

13.8 Further information in respect of related party transactions during the period of the historical financial information is set out in note 25 to the consolidated historical financial information of Cogenpower s.r.l. at Part III, Section B of this document.

14. LITIGATION

14.1 The Group is currently party to or has in the previous 12 months been party to the following litigation:

14.1.1 **Cogenpower s.r.l./Agenzia delle Entrate, Ufficio Provinciale di Torino (the Italian Revenue Agency, Provincial Office of Turin)** – On 21 May 2013, the Italian Revenue Agency notified Cogenpower s.r.l. of a new determination of its property classification and assessed income of Cogenpower s.r.l.'s immovable property located in Borgaro Torinese, Italy. As a result of such new determination, the Italian Revenue Agency sought to recover an additional €46,700 in assessed income from Cogenpower s.r.l. Cogenpower s.r.l. has challenged the new determination and a hearing was scheduled for 11 November 2014. Subsequent to this hearing, the Italian Government has announced a new decree on this specific issue ("Decreto Imbullonati") following which the Directors expect that the claim should be resolved without expenses.

14.1.2 **Cogenpower Gas & Power s.r.l./ETR GAS s.r.l.** – ETR GAS s.r.l. requested the issuance of a payment order against Cogenpower Gas & Power s.r.l. relating to an asserted breach of a contract for the supply of natural gas. On 13 February 2014 the Court of Pisa ordered Cogenpower Gas & Power s.r.l. to pay a fixed amount (plus interest for late payment) with reference to the credits indicated by ETR GAS s.r.l., plus an amount in relation to costs and fees of the procedure. Cogenpower Gas & Power s.r.l. opposed the above-mentioned payment order by contesting the statement of facts made by ETR GAS s.r.l. and, accordingly, by denying any liability. On 11 September 2015, the parties entered into a settlement agreement, pursuant to which Cogenpower Gas & Power s.r.l. agreed to pay to ETR GAS s.r.l. a fixed sum in full and final settlement of the claim.

14.1.3 **Cogenpower Gas & Power s.r.l./Roma Gas & Power S.p.A.** – Cogenpower Gas & Power s.r.l. is currently in discussions with Roma Gas & Power S.p.A. in respect of an unpaid sum owed by Cogenpower Gas & Power to Roma Gas & Power s.r.l. for natural gas supplied by Roma Gas & Power S.p.A. The Directors expect to reach an amicable resolution with Roma Gas & Power S.p.A.

14.2 Save as provided above, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Company is aware, which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position or profitability of the Company or the Group.

15. TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident in the United Kingdom or Italy for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current UK and Italian legislation and practice. Any person who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK or Italy, should consult his own professional adviser immediately.

UK taxation

15.1 **Taxation of dividends**

Changes to the taxation of UK dividends were announced in the Summer Budget and are expected to take effect from 6 April 2016.

Under current UK legislation, no tax is withheld from dividend payments by the Company. The Company assumes no obligation to withhold UK tax at source from dividend payments.

A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "Gross Dividend"). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the Gross Dividend). The Gross Dividend will be treated as the top slice of the individual's income.

In the case of a UK resident individual who is liable to income tax at the basic rate only, there will be no further tax to pay on the dividend received. A UK resident individual who is liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 per cent., but will be able

to set the tax credit off against part of this liability. As a result, such a Shareholder will suffer income tax at an effective rate of 25 per cent. of the dividend received. A UK resident individual who is liable to income tax at the additional rate will be subject to income tax on the Gross Dividend at 37.5 per cent., but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder will suffer income tax at an effective rate of 30.55 per cent. of the dividend received. A UK resident Shareholder who is not liable to income tax on the dividend (or part of it) is not able to claim payment of the tax credit in cash from HM Revenue & Customs.

With effect from 6 April 2016, the UK Government intends to change the taxation of UK dividends so that the following rules will apply to UK resident individuals from the 2016/17 tax year.

No tax will be withheld on the payment of a dividend and the entitlement to a tax credit will cease. Investors will be taxed on the amount of dividends actually received – dividends will no longer be "grossed up". The first £5,000 of dividend income received by an individual in any tax year will be entirely exempt from UK income tax. The rates of tax payable over and above this will be 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment) and pension funds will not normally be liable to UK taxation on any dividend received and are not entitled to payment in cash of the related tax credit.

Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom.

15.2 **Capital Gains**

Shareholders who are resident for tax purposes in the United Kingdom may be liable to UK taxation on chargeable gains on a disposal of Ordinary Shares, depending upon their individual circumstances and subject to any available exemption or relief.

A Shareholder who is not resident for tax purposes in the United Kingdom will not be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the Ordinary Shares disposed of are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency. Such Shareholders may also be subject to tax under any law to which they are subject outside the United Kingdom.

United Kingdom resident individual Shareholders, depending upon their individual circumstances and any available reliefs, may be subject to capital gains tax at the prevailing rate on any disposals Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£31,865 for 2014-15), the rate of capital gains tax will be 18 per cent. For gains (and any parts of gains) above that limit, the rate will be 28 per cent. For trustees and personal representatives, the rate will be 28 per cent. for gains above the applicable capital gains tax annual exempt amount.

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax, but may not create or increase a loss.

15.3 **Inheritance Tax**

The Ordinary Shares are assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom.

15.4 **Stamp Duty and Stamp Duty Reserve Tax**

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax ("SDRT") position and do not apply to persons such as market makers, brokers, dealers or intermediaries. In relation to stamp duty and SDRT:

(i) The allocation and issue of the Placing Shares will not give rise to a liability to stamp duty or SDRT.

(ii) Following Admission, the Ordinary Shares will be eligible securities traded on a recognised growth market (and not on any other recognised stock exchange) and accordingly no stamp duty or SDRT will be charged on the conveyance, transfer or sale of Ordinary Shares (nor will any stamp duty or SDRT be chargeable on any transfer of Ordinary Shares effected on a paperless basis through CREST) in accordance with the Finance Act 2014.

Italian taxation

15.8 **Taxation of Dividends**

Following reforms to the Italian tax regulations, the taxation of dividends is determined according to the residence of the shareholders and whether the class of share held by that shareholder is "qualified" or not. A shareholding is "qualified" if it represents 2 per cent. or more of the voting rights of the Company or 5 per cent. or more of the Company's share capital.

15.8.1 Italian resident individual shareholder

An individual shareholder who is resident in Italy for tax purposes and who receives a dividend from the Company will be taxed in Italy.

If the individual Italian resident shareholder holds a "qualified shareholding", 49.72 per cent. of any dividend distributed by the Company will be taxed in Italy. Under current rules, 49.72 per cent. of the dividend will be taxed at rates varying between 23 per cent. and 43 per cent. depending on the individual's gross annual income. The shareholder is obliged to file a tax return, while no withholding tax is applied on the dividends distributed.

If the individual Italian resident shareholder does not hold a "qualified shareholding", any dividend paid to that shareholder shall be subject to withholding tax equal to 26 per cent. of the dividend. No tax return has to be filed.

If the individual Italian resident shareholder is engaged in a partnership, 49.72 per cent. of any dividend distributed by the Company shall be subject to tax at the individual's applicable rate of income tax (regardless of whether the shareholder's shareholding is qualified or not).

15.8.2 Italian resident corporate shareholder

A corporate shareholder resident for tax purposes in Italy and who receives a dividend from the Company will be subject to Italian tax on the dividend received. Only 5 per cent. of any dividend received is subject to taxation at a rate of 27.5 per cent. (which effectively means that the whole dividend is subject to a tax of 1.375 per cent.). This is regardless of whether the shareholding is qualified or not.

15.9 **Taxation of Capital Gains**

15.9.1 Italian resident individual shareholder

A disposal of Ordinary Shares by a shareholder who is resident in Italy for tax purposes may give rise to a charge for capital gains under the following terms.

An individual Italian shareholder who disposes of a "qualified shareholding" will be subject to tax on 49.72 per cent. of any capital gain. Under current rules, 49.72 per cent. of the capital gain will be taxed at rates of between 23 per cent. and 43 per cent. depending on the individual's total gross annual income. The shareholder is obliged to file a tax return.

If an individual Italian resident disposes of a "non-qualified shareholding" any gain made by that shareholder shall be subject to withholding tax equal to 26 per cent. of the capital gain. No tax return has to be filed.

15.9.2 Italian resident corporate shareholder

A disposal of Ordinary Shares (regardless of whether the shareholding is qualified or not) by Italian resident corporate shareholders will not be subject to capital gains tax at 95 per cent. if the "participation exemption" is applicable. The principal conditions in order to qualify for this exemption are that (i) the shares are held by the shareholder continuously for at least 12 months prior to any disposal until (ii) the shares must be recorded in the first financial statements of the shareholders after the purchase as "financial assets" (iii) the company is not resident in a very low or zero tax country and (iv) the company carries out a commercial activity. If the "participation exemption" is not applicable and the shares have been recorded in the last three financial statements as "financial assets", the capital gains can be taxed, at the taxpayers option, in fully or in equal instalments over the current and following two years. Italian resident corporate shareholders will be subject to tax on any gain at a rate of 33 per cent.

15.10 **Estate and Gift Tax**

15.10.1 Italian resident individual shareholder

The transfer of Ordinary Shares by way of gift or upon the death of an Italian resident individual is subject to any estate or gift taxation depending on the closeness of the family relationships and on the value of the whole estate (with only amounts over €1 million subject to the tax if the beneficiary is the spouse, son or parent of the donor).

15.10.2 Italian resident corporate shareholder

Italian estate and gift tax is not directly applicable to corporate shareholders.

15.11 **Transfer Tax**

Under Italian law, a transfer of shares is subject to Stock Exchange Tax at 0.001394 per cent. of the transfer price. Neither stamp duty nor registration tax is due on the transfer.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK or Italy, you should consult your professional adviser. The comments set out above are intended only as a general guide to the current tax position in the UK and Italy at the date of this document. The rates and basis of taxation can change and will be dependent on a Shareholder's personal circumstances. Neither the Company nor its advisers warrant in any way the tax position outlined above, which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

16. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing and the debt facilities available to the Group, the working capital available to the Company and the Group is sufficient for their present requirements, that is, for at least the next 12 months from the date of Admission.

17. GENERAL

17.1 The gross proceeds of the Placing receivable by the Company are expected to be £1,000,000, with net proceeds expected to be approximately £392,000. The total costs and expenses relating to Admission and the Placing payable by the Company are estimated to be £608,000.

17.2 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. All the Placing Shares have been placed firm with placees. The Placing is not being guaranteed or underwritten by any person.

17.3 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 29 February 2016, application monies will be returned to the Placees at their risk without interest.

17.4 The Placing Price represents a premium over nominal value of 19.75p per Ordinary Share.

17.5 Allenby Capital, the nominated adviser and broker to the Company, is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Allenby Capital has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

17.6 EnVent S.p.A. and EnVent Capital Markets, financial adviser to the Company and placing agent, have each given and not withdrawn their consent to their inclusion in this document of reference to their names in the form and context in which they appear.

17.7 BDO LLP, the reporting accountant to the Company, is a firm of chartered accountants regulated by the Institute of Chartered Accountants in England and Wales. BDO LLP has given and not withdrawn its written consent to the inclusion in this document of its report and accepts responsibility for the same pursuant to Schedule Two of the AIM Rules for Companies.

17.8 For the financial year ended 31 December 2012 the auditors of Cogenpower s.r.l. were Aleph Auditing s.r.l., who audited the financial statements of Cogenpower s.r.l. in respect of that financial year in accordance with generally accepted accounting principles in Italy (Italian GAAP). Aleph Auditing s.r.l. were removed as auditors in 2013 and replaced by Reconta Ernst & Young S.p.A. In respect of the financial statements for the financial years ended 31 December 2012, subsequent to their appointment, Reconta Ernst & Young S.p.A. re-audited the financial statements of Cogenpower s.r.l. and the conversion from Italian GAAP to IFRS. In addition, in respect of the financial years ended 31 December 2013 and 31 December 2014, Reconta Ernst & Young S.p.A. audited both the Italian GAAP financial statements and the conversion from Italian GAAP to IFRS.

17.9 Where information in this document has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17.10 The percentage dilution as a result of the Placing, together with the issue of the Conversion Shares, is 25 per cent.

17.11 The accounting reference date of the Company is 31 December.

17.12 It is expected that definitive share certificates will be despatched by hand or first class post by 25 February 2016. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited at 8.00 a.m. on 12 February 2016.

17.13 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

17.14 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular industrial, commercial or financial contracts which are or may be of fundamental importance to the Company's business.

17.15 Save as disclosed in this document, the Group has not made any investments since 1 January 2012 up to the date of this document, nor are there any investments by the Group in progress or anticipated which are significant.

17.16 Save as disclosed in this document, there have been no significant changes in the trading or financial position of Cogenpower s.r.l. since 30 June 2015, being the date to which the unaudited interim accounts of Cogenpower s.r.l. were made up or of Cogenpower plc since its incorporation.

17.17 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.

17.18 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

17.19 Directors' and Officers' liability insurance and Public Offering of Securities insurance has been effected by the Company in respect of each of the Directors for aggregate sums assured of respectively £10 million and £2 million.

17.20 The ISIN number for the Ordinary Shares is GB00BYT56612.

17.21 Pursuant to Chapter 5 of the DTRs a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the DTRs. Certain voting rights held by investment managers, unit trusts, open ended investment companies and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

18. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge at the offices of the Company's solicitors, Charles Russell Speechlys LLP, 5 Fleet Place, London EC4M 7RD, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission. An electronic version of this document will also be available to download from the Company's website, www.cogenpower.co.uk from Admission.

5 February 2016

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