

Trading Emissions Limited

(Registration Number: 05373481)

Report and Financial Statements

**For the year ended
30 June 2013**

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Trading Emissions Limited

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Trading Emissions Limited

Company Information

Director

Philip Peter Scales

Company Secretary

Taylor Wessing Secretaries Limited

Registered Office

5 New Street Square

London

EC4A 3TW

Independent Auditor to the Company

PricewaterhouseCoopers LLC

Chartered Accountants and Statutory Auditor

Sixty Circular Road

Douglas

Isle of Man

IM1 1SA

Trading Emissions Limited

Directors' Report

The Directors present their report together with the audited financial statements of Trading Emissions Limited for the year ended 30 June 2013

Incorporation

Trading Emissions Limited (the "Company") was incorporated in England and Wales on 23 February 2005 with number 05373481 as a limited liability company

Principal activity

The Company's principal activity was to facilitate its parent company, Trading Emissions Plc, to enter into certain emissions reduction purchase agreements in China. In 2005 the Company entered into four Emission Reduction Purchase Agreements ('ERPA') contracts with project owners in China for the delivery to the Company of carbon credits called Certified Emissions Reductions ('CERs')

During the prior year, two of these ERPAs were terminated and revised ERPAs were signed between the project owner and a related party to the Company on the date of termination. During the current year another of the ERPAs was terminated and a revised ERPA was signed between the project owner and a related party to the Company on the date of termination. The Directors are looking to terminate the remaining ERPA.

An agreement is in place between the Company and its parent company whereby the assets and liabilities of the Company relating to ERPA projects are transferred to its parent company. The parent company paid the Company an annual Facilitation Fee of £25,000 for the management of the projects. As the Company now holds only one ERPA and this is on hold while it is renegotiated the Facilitation Fee was only paid during the first half of the financial year.

Results and business review

The financial position of the Company at the end of the year is shown in the Balance Sheet on page 9.

The loss on ordinary activities after taxation for the year is £23,982 (2012 profit £10,309). The Directors do not recommend the payment of a dividend (2012 Nil).

The Company has performed in accordance with expectations during the year. The Company has in place an agreement with its parent company to sell all CERs delivered to the Company from its ERPA contracts at cost price.

As discussed above, three of the four ERPAs held by the Company have been terminated and re-assigned to a related party of the Company. The Company's one remaining ERPA is in the process of being renegotiated. Should that occur the Company will likely be liquidated.

Directors

The Director of the Company who held office during the year and to date is disclosed on the previous page.

Trading Emissions Limited

Directors' Report (continued)

Directors' interests

The Director holding office at 30 June 2013 had no interests in the shares of the Company

Secretary

The Secretary to the Company holding office throughout the year and to date was Taylor Wessing Secretaries Limited

Independent auditor

The auditor, PricewaterhouseCoopers LLC, has indicated its willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

By Order of the Board

A handwritten signature in black ink, appearing to be 'P. P. Scales', with a stylized, elongated flourish extending to the right.

P. P. Scales
Director

28 March 2014

Trading Emissions Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to

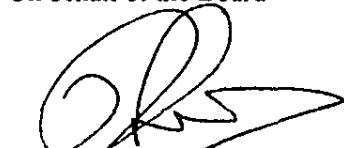
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved, and in accordance with Section 418 of the Companies Act 2006

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

On behalf of the Board



P. P. Scales
Director

28 March 2014

Trading Emissions Limited

Independent Auditor's Report to the member of Trading Emissions Limited

We have audited the financial statements of Trading Emissions Limited for the year ended 30 June 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirement of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

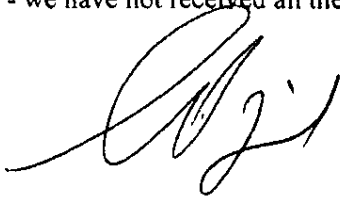
Trading Emissions Limited

Independent Auditor's Report to the member of Trading Emissions Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Michael Simpson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants and Statutory Auditors
Isle of Man
28 March 2014

Trading Emissions Limited

Profit and Loss Account for the year ended 30 June 2013

	Note	Year ended 30 June 2013 £	Year ended 30 June 2012 £
Turnover	2	538,033	1,750,612
Costs of sales		(525,533)	(1,671,812)
Other income	4	42,762	-
Gross profit		55,262	78,800
Expenses			
Custody fees		-	(93)
Project expenses		(13,220)	(53,800)
Professional fees		(10,094)	(2,141)
Audit fees		(5,970)	(8,915)
Other expenses		(49,960)	(14)
Operating expenses		(79,244)	(64,963)
(Loss)/Profit on ordinary activities before taxation	9	(23,982)	13,837
Tax on profit on ordinary activities	5(a)	-	(3,528)
(Loss)/Profit for the financial year	11	(23,982)	10,309

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical equivalents

The Directors consider all activities are attributable to continuing operations

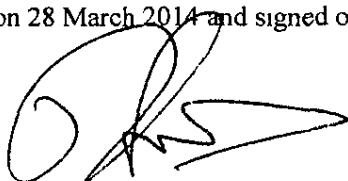
The Company has not recognised gains and losses other than those included in the (loss)/profit above, and therefore no Statement of Total Recognised Gains and Losses has been presented

The notes on pages 10 to 14 form an integral part of these financial statements

Trading Emissions Limited
Balance Sheet
As at 30 June 2013

	Note	Year ended 30 June 2013 £	Year ended 30 June 2012 £
ASSETS			
Current assets			
Cash at bank		42,779	-
Debtors	6	257	67,719
		<u>43,036</u>	<u>67,719</u>
LIABILITIES			
Current liabilities			
Creditors Amounts falling due within one year	7	14,516	(8,775)
Tax liability	5	-	(6,442)
		<u>14,516</u>	<u>(15,217)</u>
Net assets		<u>28,520</u>	<u>52,502</u>
CAPITAL AND RESERVES			
Called up share capital	8	1	1
Share premium account		1	1
Profit and loss account	10	28,518	52,500
Total shareholders' funds	11	<u>28,520</u>	<u>52,502</u>

The financial statements on pages 8 to 14 were approved and authorised for issue by the Board of Directors on 28 March 2014 and signed on their behalf by


P. P. Scales
Director

The notes on pages 10 to 14 form an integral part of these financial statements

Trading Emissions Limited

Notes to the Financial Statements for the year ended 30 June 2013

1. Operations

The Company's principal activity is to facilitate its parent company to enter into certain emissions reduction purchase agreements ("ERPAs") in China. At 1 July 2012 the Company held two ERPAs. During the financial year one ERPA was terminated and a new contract was signed with a related company. The remaining ERPA, which is not performing, is in the process of being terminated. Once this is complete the Company will perform no activities and is likely to be liquidated. The Company has no employees.

2. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. The principal accounting policies which have been consistently applied in the preparation of these financial statements are set out below.

Basis of Accounting

The financial statements have been prepared under the historical cost convention and on the going concern basis which assumes that the Company will be able to meet its liabilities as and when they fall due for the foreseeable future. The Company has obtained a letter of support from its ultimate parent company confirming that it will continue to support the Company to enable it to meet its liabilities and future obligations as they fall due.

Cash Flow Statement

As permitted by Financial Reporting Standards No. 1 (Revised 1996) a cash flow statement has not been prepared as the Company is a wholly owned subsidiary of an ultimate parent which produces publicly available financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced to the parent company during the period for the sale of CERs. Amounts are recorded exclusive of Value Added Tax. Also included within turnover is the Facilitation Fee due to the Company from Trading Emissions PLC.

Revenue from sale of CERs is recognised when the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the CERs,
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the CERs sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity,
- and - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Expenditure

Expenditure is accounted for using the accrual basis whereby all expenses are recorded in the financial statements in the period for which they are chargeable.

Trading Emissions Limited

Notes to the Financial Statements for the year ended 30 June 2013 (continued)

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. All other foreign currency transactions are recorded at the actual rate of exchange prevailing on the date of the transaction and any exchange differences are dealt with in that part of the profit and loss account in which the underlying transaction is reported.

Taxation

Tax for current and prior periods is provided at the amount expected to be paid using the tax rates and tax law that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

3. Segmental reporting

The Company's activities consist solely of the facilitation to its parent company to enter into certain emission reduction purchase agreements in China and the sale of CERs generated under these contracts to the parent company in the Isle of Man.

4. Other income

During the year the Company took on a receivable from a related Company. The Company received an incentive fee of GBP 42,762 (EURO 50,000) for purchasing the receivable.

5. Tax on profit on ordinary activities and deferred tax

(a) Analysis of charge for the year

	2013 £	2012 £
Current tax:		
UK Corporation tax on profits for the year	-	3,528
Adjustment in respect of previous years	-	-
Total current tax	-	3,528
Tax on profit on ordinary activities	-	3,528

(b) Factors affecting tax charge for the year

	2013 £	2012 £
Loss/Profit on ordinary activities before tax	(23,982)	13,837
Loss/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 23.75% (2012 25.5%)	(5,695)	3,528
Losses for which no deferred tax asset recognised	5,695	-
Current tax charge for the year	-	3,528

With effect from 1 April 2013, the standard rate of corporation tax in the UK reduced from 24% to 23%.

Trading Emissions Limited

Notes to the Financial Statements for the year ended 30 June 2013 (continued)

(c) Factors that may affect future tax charges

The Company does not have tax losses available to carry forward

The UK corporation tax rate will reduce from 23% to 21% with effect from 1 April 2014

6. Debtors

	2013	2012
	£	£
Amounts due from Trading Emissions plc	-	67,719
VAT receivable	257	-
	<u>257</u>	<u>67,719</u>

Amounts due from Trading Emissions PLC are unsecured, interest free and have no fixed date of repayment

7. Creditors. Amounts falling due within one year

	2013	2012
	£	£
Amounts due to Trading Emissions plc	5,916	-
Creditors	8,600	8,775
	<u>14,516</u>	<u>8,775</u>

Amounts due to Trading Emissions PLC are unsecured, interest free and have no fixed date of repayment

8 Share capital

The total number of authorised and issued ordinary shares of the Company is as follows

	2013	2012
	£	£
<i>Authorised</i>		
1,000 ordinary shares of £1 par value	<u>1,000</u>	<u>1,000</u>
	2013	2012
	£	£
<i>Issued, called up and fully paid</i>		
1 ordinary share of £1 par value	<u>1</u>	<u>1</u>

Trading Emissions Limited

Notes to the Financial Statements for the year ended 30 June 2013 (continued)

9 (Loss)/Profit on ordinary activities before taxation

(Loss)/Profit on ordinary activities before taxation is stated after charging

	2013	2012
	£	£
Auditor's remuneration for audit services	5,970	8,915
	<u>5,970</u>	<u>8,915</u>

10. Profit and loss account

	2013	2012
	£	£
Balance brought forward	52,500	42,191
(Loss)/Profit for the financial year	(23,982)	10,309
Balance carried forward	<u>28,518</u>	<u>52,500</u>

11. Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
(Loss)/Profit for the financial year	(23,982)	10,309
Net (decrease)/increase in shareholders' funds	(23,982)	10,309
Opening shareholders' funds	52,502	42,193
Closing shareholders' funds	<u>28,520</u>	<u>52,502</u>

12. Contractual commitments

The Company entered into Emission Reduction Purchase Agreements (ERPAs) to purchase CERs produced from various projects

As at 30 June 2013 the Company held one ERPA. This has been risk-adjusted to nil as it has not performed in line with expectations and no issuances have been made. As at 30 June 2012, the maximum quantity contracted for by the Company amounted to 0.1 million CERs. Details of the Company's CERs risk adjusted commitments, which were payable in EUR at 30 June 2013 and 2012 are as follows:

	2013	2012
	£	£
Within one year	-	536,931
Two to five years	-	-
	<u>-</u>	<u>536,931</u>

The Company entered into a new agreement with its parent company, Trading Emissions PLC, with effect from 1 July 2010 to sell all the CERs to be delivered to the Company from its ERPA contracts to Trading Emissions PLC at cost price. This supersedes the original agreement entered into on 11 December 2008, in which all CERs were sold to Trading Emissions PLC at a fixed price.

The Company terminated two of its ERPA contracts during the prior year and one ERPA during the current year. Revised ERPAs have been signed between the project owner and a related party to the Company on the date of termination. The Company is looking to terminate the one remaining non-performing ERPA.

Trading Emissions Limited

Notes to the Financial Statements for the year ended 30 June 2013 (continued)

13. Related-party transactions

The Company has taken advantage of the exemption from Financial Reporting Standard 8 'Related Party Disclosures' (FRS 8) not to disclose transactions with Trading Emissions PLC and its group undertakings. The amount due to Trading Emissions PLC at the year end is shown in note 7.

No contract of significance existed at any time during the year in which a Director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 8.

The Director did not receive any fees during the year (2012: £nil).

14. Ultimate parent

The ultimate parent company is Trading Emissions PLC, a company incorporated and domiciled in the Isle of Man. Copies of the group financial statements of Trading Emissions PLC are available from 3rd Floor Exchange House, 54-62 Athol Street, Douglas, Isle of Man, IM1 1JD or on the parent company's website www.tradingemissionsplc.com.