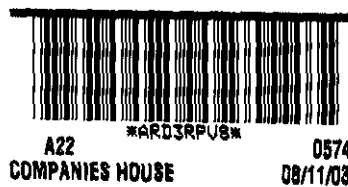


Registered Number 3448770

Costessey Energy Limited

Directors' report and financial statements

31 March 2003



Costessey Energy Limited
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31 March 2003

Directors' report and financial statements

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities

The principal activity of the company is the generation of electricity from landfill gas.

Business review

The company continued to generate electricity from its site in Norwich.

At the end of the year, the company was in the process adding two new generators to the site. The engines were commissioned in May 2003.

On 1 October 2002, following group restructuring, the company's ultimate UK parent changed from Landgas Energy Limited to CLP Projects Limited, which is also the immediate parent company.

On 30 December 2002, CLP Projects Limited changed its name to Arbutus Projects (UK) Limited.

Results and dividend

The profit for the year was £86,093 (2002: £96,769).

The directors do not recommend the payment of a dividend (2002: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

HHP Wyndham
DH FitzHerbert (resigned 9 May 2003)
A T West (appointed 7 February 2003)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



HHP Wyndham
Director

20 - 22 Queen Street
Mayfair
London W1J 5PR

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of Costessey Energy Limited

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

James Up

KPMG LLP
Chartered Accountants
Registered Auditor
Manchester

5 November 2003

Costessey Energy Limited
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Profit and loss account

for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	1	249,867	252,307
Cost of Sales		<u>(113,656)</u>	<u>(109,010)</u>
Gross profit		136,211	143,297
Administrative expenses		<u>(13,221)</u>	<u>(13,163)</u>
Profit on ordinary activities before taxation	2-4	122,990	130,134
Taxation on profit on ordinary activities	5	<u>(36,897)</u>	<u>(33,365)</u>
Profit on ordinary activities after taxation		86,093	96,769
Profit brought forward		<u>205,179</u>	<u>108,410</u>
Profit carried forward		<u>291,272</u>	<u>205,179</u>

The company had no recognised gains or losses in the current or prior year other than those included in the profit shown above.

All revenues and expenditure relate to continuing operations.


Costessey Energy Limited
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Balance sheet

at 31 March 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	6	1,104,861	330,618
Current assets			
Debtors	7	248,164	383,857
Creditors: amounts falling due within one year	8	<u>(135,805)</u>	<u>(61,404)</u>
Net current assets		<u>112,359</u>	<u>322,453</u>
Total assets less current liabilities		1,217,220	653,071
Creditors: amounts falling due after more than one year	9	(468,254)	-
Provision for liabilities and charges	10	<u>(39,247)</u>	<u>(29,445)</u>
Net assets		<u>709,719</u>	<u>623,626</u>
Capital and reserves			
Called up share capital	11	418,447	418,447
Profit and loss account		<u>291,272</u>	<u>205,179</u>
Equity shareholders' funds	12	<u>709,719</u>	<u>623,626</u>

The financial statements were approved by the board of directors on 14th October 2003 and were signed on its behalf by:


HHP Wyndham
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, which includes finance costs incurred during the production or purchase of assets.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery - 15 years

Plant and machinery under construction is not depreciated.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from and recognised when electricity generated is exported to third party customers. All turnover arises solely within the United Kingdom.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company.

Notes (continued)

2 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	2,500	1,950
Depreciation and other amounts written off tangible fixed assets:		
Owned	<u>27,995</u>	<u>27,552</u>

3 Remuneration of directors

No directors received any emoluments from the company during the year (2002: £nil).

4 Staff numbers and costs

The company does not employ any staff (2002: none).

5 Taxation

(a) Analysis of tax charge in year

	2003 £	2002 £
<i>Current tax</i>		
Group relief payable at 30% (2002:30%)	27,095	24,059
Adjustments in respect of prior years	<u>-</u>	<u>(5,675)</u>
	27,095	18,384
<i>Deferred tax (see note 10)</i>		
Origination and reversal of timing differences	<u>9,802</u>	<u>14,981</u>
Tax on profits from ordinary activities	<u><u>36,897</u></u>	<u><u>33,365</u></u>

(b) Factors affecting tax charge for the year

The current tax charge for the year is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>122,990</u>	<u>130,134</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002:30%)	36,897	39,040
<i>Effects of:</i>		
Capital allowances for the year in excess of depreciation	(9,802)	(14,981)
Adjustments to tax charge in respect of previous years	<u>-</u>	<u>(5,675)</u>
Current tax charge for the year	<u><u>27,095</u></u>	<u><u>18,384</u></u>

Notes (continued)

5 Taxation (continued)

(c) Factors that may affect future tax charges

The company expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

6 Tangible fixed assets

	Plant and machinery £	Plant and machinery under construction £	Total £
Cost			
At beginning of year	413,275	-	413,275
Additions	10,207	792,031	802,238
At end of year	423,482	792,031	1,215,513
Depreciation			
At beginning of year	82,657	-	82,657
Charge for the year	27,995	-	27,995
At end of year	110,652	-	110,652
Net book value			
31 March 2003	312,830	792,031	1,104,861
31 March 2002	330,618	-	330,618

Included in the total net book value of plant and machinery is £623,236 (2002: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2002: £nil)

7 Debtors

	2003 £	2002 £
Trade debtors	25,942	19,961
Amounts due from immediate parent company	69,582	350,837
Other taxation and social security	126,382	-
Prepayments and accrued income	26,258	13,059
	248,164	383,857

All debtors are due within one year.

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	38,163	4,137
Group relief payable	45,479	18,384
Other taxation and social security	-	10,877
Accruals and deferred income	21,868	28,006
Obligations under finance leases and hire purchase contracts	30,295	-
	135,805	61,404

Notes (continued)

9 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts	<u>468,254</u>	<u>-</u>
The obligations under finance leases and hire purchase contracts can be analysed as falling due:		
in one year or less, or on demand	30,295	-
between one and two years	36,595	-
between two and five years	131,988	-
in five years or more	<u>299,671</u>	<u>-</u>
	<u>498,549</u>	<u>-</u>

The immediate holding company bank loan is secured by means of a debenture providing fixed and floating charges over the assets of this company, the company's immediate holding company and fellow subsidiaries Mayton Wood Energy Limited, Mountsorrel Energy Limited and Blackborough End Energy Limited.

10 Provision for liabilities and charges

	2003 £	2002 £
Deferred tax provision at the beginning of the year	29,445	14,464
Charge for the year	<u>9,802</u>	<u>14,981</u>
Deferred tax provision at the end of the year	<u>39,247</u>	<u>29,445</u>
The elements of deferred tax are as follows:		
	2003 £	2002 £
Difference between accumulated depreciation and capital allowances	<u>39,247</u>	<u>29,445</u>
Undiscounted provision	<u>39,247</u>	<u>29,445</u>

11 Called up share capital

	2003 £	2002 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
430,000 preferred ordinary shares of £1 each	<u>430,000</u>	<u>430,000</u>
	<u>431,000</u>	<u>431,000</u>
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1
418,446 preferred ordinary shares of £1 each	<u>418,446</u>	<u>418,446</u>
	<u>418,447</u>	<u>418,447</u>

Notes (continued)

11 Called up share capital (continued)

The principal features of each class of share are as follows:

The 'preferred ordinary shares' are entitled to receive in priority to any other class of shares any dividend paid out of the profits of the company.

In a return of capital in respect of the amount paid up on each share, the preferred ordinary shares rank above the ordinary shares. Any premium shall be distributed to the holders of the preferred ordinary shares only.

The shares have equal voting rights.

12 Reconciliation of movement in equity shareholders' funds

	2003 £	2002 £
Profit for the year	86,093	96,769
Opening equity shareholders' funds	<u>623,626</u>	<u>526,857</u>
Closing equity shareholders' funds	<u><u>709,719</u></u>	<u><u>623,626</u></u>

13 Commitments

At the year end, the company had committed to capital expenditure of £183,016 in relation to the addition of two new generators on the site (2002: £nil).

The company has guaranteed the bank loans of its immediate parent company, Arbutus Projects (UK) Limited, and its fellow subsidiaries amounting to £1,291,000 (2002: £1,551,000) by means of a debenture providing fixed and floating charges over the company's assets.

14 Related party transactions

At the end of the year, the company was owed £69,582 (2002: £350,837) by Arbutus Projects (UK) Limited (formerly CLP Projects Limited).

In 2002, the company paid £30,016 in operations and maintenance charges and £5,599 in management fees to Landgas Services Limited (formerly CLP Services Limited).

15 Ultimate parent and controlling company

Prior to 1 October 2002, the ultimate UK parent company was Landgas Energy Limited, a company incorporated in Great Britain and registered in England and Wales. After this date, following group restructuring, the ultimate UK parent became CLP Projects Limited, which subsequently changed its name to Arbutus Projects (UK) Limited. Arbutus Projects (UK) Limited is incorporated and registered in England and Wales. The ultimate parent company is Arbutus Energy Limited, a company incorporated and registered in Jersey.

Consolidated accounts have not been prepared for Landgas Energy Limited, Arbutus Projects (UK) Limited or Arbutus Energy Limited.