

Registered number 3448770

Costessey Energy Limited
Annual report and financial statements
for the year ended 31 December 2007

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Costessey Energy Limited

Annual report for the year ended 31 December 2007

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Costessey Energy Limited

Directors and advisors

Directors

R Quinlan
D Fitzsimmons

Company Secretary

E Oldroyd

Registered office

30 Bedford Street
London
WC2E 9ED

Registered Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Bankers

Barclays Bank PLC
Level 25
One Churchill Place
London
E14 5HP

Costessey Energy Limited

Directors' report

Directors' Report for the year ended 31 December 2007

The directors present their report and audited financial statements of the company for the year ended 31 December 2007

Principal activities

The principal activity of the company is the generation of electricity from gas extracted from a landfill site

Review of business

The company has had a profitable year and the generation of electricity from gas extracted from the landfill site was above prior year

The key performance indicators of the company are the revenue and operating profit of the site which are £1.6m and £1.4m respectively, increases of 13.8% and 17.8% compared to prior year. The non financial key performance indicator is the level of electricity generation, which is 0.9% higher than prior year.

The principal risks and uncertainties faced by the company are in relation to availability of landfill gas at the site, government legislation regarding renewables and the relationship with the site owners.

Future developments

No change in activities is anticipated in the future.

Going concern

At 31 December 2007 the company's current liabilities exceeded its current assets by £594,000 (2006: £nil). The directors have prepared the financial statements on a going concern basis, taking into account the current market position and prospects of the company, and an undertaking from the company's ultimate parent company, Novera Energy Plc, to continue to provide financial support to the company.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

(a) Market risk

The majority of electricity generated is supplied under contractual arrangements which are either fixed price or fully or partially RPI index inflated. The remainder of electricity generated is sold at market related prices which are subject to market fluctuations.

(b) Economic risk

The renewable energy businesses are supported through the UK Government renewable energy targets legislation. The Company actively promotes initiatives with Government in relation to developing sustainable energy projects. Successful involvement in such initiatives aids in presenting to Government bodies the concept that renewable energy can be a viable alternative to other methods of generating energy and aids in maintaining their future support. Future amendment of such legislation may either benefit or detract from the Company's profitability.

(c) Credit risk

The Company has no significant concentrations of credit risk and no credit limits were exceeded during the financial year.

(d) Liquidity: including cash flow and interest risk

The Company is not exposed to significant liquidity risk.

Results and dividends

The operating profit amounted to £908,000 (2006: £793,000). The profit for the financial year of £891,000 (2006: £733,000) will be transferred to reserves. The directors have paid a dividend of £2,916,000 to shareholders (2006: £nil).

Costessey Energy Limited

Director's report for the year ended 31 December 2007 (continued)

Directors

The directors of the company during the year and up to the date of signing the accounts were as follows

R Quinlan (appointed 6 February 2007)

D Fitzsimmons (appointed 22 January 2007)

M Edwards (resigned 6 February 2007)

M Miller (resigned 22 January 2007)

Qualifying third party indemnity insurance

The Company has in place a global Directors' and Officers' insurance, insuring past, present and future Directors and Officers of the Company and its subsidiary Companies (as defined in the contract of insurance) against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by this contract of insurance is prohibited by the contract of insurance.

Statement of director's responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

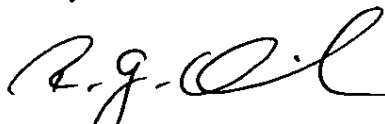
Statement of disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps, such as making enquiries of the auditors, and any other steps required by the director's duty to exercise due care, skill and diligence, that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment was passed at the Annual General Meeting.

By order of the Board



R Quinlan

Director

22nd July 2008

Costessey Energy Limited

Independent auditors' report to the members of Costessey Energy Limited

We have audited the financial statements of Costessey Energy Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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 prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
22nd July 2008

Costessey Energy Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	1	1,571	1,381
Operating expenses	2	(663)	(588)
Operating profit	3	908	793
Interest payable and similar charges	5	(62)	(62)
Profit on ordinary activities before taxation		846	731
Taxation credit	6	45	2
Profit for the financial year	13	891	733

The company has no recognised gains and losses other than as shown above and therefore no separate statement of total recognised gains and losses has been presented

In the current and prior year the results relate to continuing activities

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical costs equivalents

Costessey Energy Limited

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	1,216	1,285
Current assets			
Debtors	9	715	2,620
Creditors - amounts falling due within one year	10	(1,309)	(1,213)
Net current (liabilities) / assets		(594)	1,407
Total assets less current liabilities		622	2,692
Provisions for liabilities and charges	11	(140)	(185)
Net assets		482	2,507
Capital and reserves			
Called up share capital	12	418	418
Profit and loss account	13	64	2,089
Equity shareholders' funds	14	482	2,507

The financial statements on pages 5 to 14 were approved by the board of directors on 22 July 2008 and were signed on its behalf by



R Quinlan
Director

Costessey Energy Limited

Statement of accounting policies

Principal accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently are set out below.

Turnover

Turnover, which is wholly derived in the UK, is recognised on generation of electricity at invoiced prices (exclusive of VAT).

The directors are not able to make a reliable estimate of triad income until notified of the company's entitlement. Accordingly, triad income is recognised in the year in which the company is notified of its entitlement.

Cash flow statement

In accordance with paragraph 5 (a) of FRS 1 (revised 1996), the company is not required to publish a cash flow statement.

Related party transactions

As the company is a subsidiary undertaking, where 90% or more of its voting rights are controlled within the Novera Energy plc group, it has taken advantage of the exemption permitted by FRS 8 not to disclose any transactions or balances with entities that are part of the Novera Energy plc group.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on tangible fixed assets so as to write off the cost, less estimated residual value, of those assets on a straight line basis over their estimated useful economic lives.

Plant and machinery is written off over years between 12 - 20 years. Assets in the course of construction are not depreciated until commissioned.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Going concern

At 31 December 2007 the company's current liabilities exceeded its current assets by £594,000 (2006: £nil). The directors have prepared the financial statements on a going concern basis, taking into account the current market position and prospects of the company, and an undertaking from the company's ultimate parent company, Novera Energy Plc, to continue to provide financial support to the company.

Costessey Energy Limited

Notes to the financial statements for the year ended 31 December 2007

1 Turnover

Turnover consists entirely of sales made within the United Kingdom

2 Operating expenses

	2007 £'000	2006 £'000
Depreciation	140	114
Management fee	158	192
Other operating charges	365	282
	663	588

3 Operating profit

The operating profit is stated after charging the following

	2007 £'000	2006 £'000
Auditors remuneration		
Audit of the company's financial statements	4	4
Depreciation	140	114

The auditor's remuneration is included within the management fee charged from another group company

4 Directors' emoluments

The emoluments of Mr Fitzsimmons and Mr Quinlan are paid by the parent company, Novera Energy plc which makes no recharge to the company. Mr Fitzsimmons and Mr Quinlan are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, these accounts include no emoluments in respect of Mr Fitzsimmons or Mr Quinlan. Their total emoluments are included in the Directors' Remuneration Report disclosed in the consolidated financial statements of the group, Novera Energy plc.

Costessey Energy Limited

5 Interest payable and similar charges

	2007 £'000	2006 £'000
Interest payable to group undertakings	62	62
	62	62

6 Taxation

	2007 £'000	2006 £'000
United Kingdom corporation tax at 30% (2006 30%)		
- Current year	-	-
- Prior year	-	(29)
Total current taxation	-	(29)
Deferred taxation (credit) / charge		
- Current year	(39)	27
- Prior year	(6)	
Total deferred tax	(45)	(2)

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%) (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	846	731
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	254	219
Effects of		
Expenses not deductible for taxation	3	-
Accelerated capital allowances and other timing differences	39	(23)
Group relief claimed – surrendered free of charge	(296)	(196)
Adjustments in relation to prior years	-	(29)
Current tax	-	(29)

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6 Taxation (continued)

Future tax changes

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes to be enacted in the Finance Act 2007 will be to reduce the deferred tax balances recognised within these accounts during 2007 due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008. The other changes to be enacted would have no further effects on the deferred tax provided at 31 December 2007.

7 Dividends

	2007 £'000	2006 £'000
Equity – Ordinary		
Interim paid 697 6p per £1 share	2,916	-

8 Tangible fixed assets

	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost			
As at 1 January 2007	1,685	98	1,783
Additions	-	71	71
Transfers	104	(104)	-
As at 31 December 2007	1,789	65	1,854
Accumulated depreciation			
As at 1 January 2007	498	-	498
Charge for the year	140	-	140
As at 31 December 2007	638	-	638
Net book value			
As at 31 December 2007	1,151	65	1,216
As at 31 December 2006	1,187	98	1,285

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9 Debtors

	2007 £'000	2006 £'000
Trade debtors	8	143
Prepayments and accrued income	285	263
Amounts due from group undertakings	422	2,214
	715	2,620

10 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	29	18
Accruals and deferred income	133	118
Amounts owed to group undertakings	1,048	909
Corporation tax payable	-	95
Other creditors	99	73
	1,309	1,213

11 Provision for liabilities and charges

	2007 £'000
Deferred tax provision at the beginning of the year	185
Credit for the year	(45)
Deferred tax provision at the end of the year	140

Analysis of deferred tax balance:

	2007 £'000	2006 £'000
Accelerated capital allowances	140	185

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12 Called up share capital

	2007 £'000	2006 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
430,000 preferred ordinary shares of £1 each	430	430
	431	431
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-
418,446 preferred ordinary shares of £1 each	418	418
	418	418

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 once declared and approved by the members

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

13 Reserves

	Profit and loss account £'000
As at 1 January 2007	2,089
Dividends paid	(2,916)
Profit for the financial year	891
As at 31 December 2007	64

Costessey Energy Limited

14 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	891	733
Dividends paid	(2,916)	-
Opening shareholders' funds	2,507	1,774
Closing shareholders' funds	482	2,507

15 Ultimate parent undertaking

Novera Energy plc registered in the UK is regarded by the directors as the company's ultimate parent company

The largest group in which the results of the company are consolidated is that of which Novera Energy plc is the parent company. The consolidated accounts of Novera Energy plc may be obtained from 30 Bedford Street, London, WC2E 9ED

The smallest group is that of which Novera Energy (Holdings 1) Limited is the parent company, whose consolidated accounts may be obtained from 30 Bedford Street, London, WC2E 9ED