

## **Costessey Energy Limited**

Directors' report and financial statements

Registered number 03448770

Year ended 31 March 2013

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## Directors' report

The directors (the "Directors") present their Directors' report and audited financial statements for Costessey Energy Limited (the "Company") for the year ended 31 March 2013

### Principal activities

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

### Review of business

The key performance indicators of the Company are the turnover and operating profit of its site which are £630,000 (2012 £845,000) and £137,000 (2012 £35,000) respectively, 25.4% lower and 291% higher compared to the prior year

The non-financial key performance indicator is the level of electricity generation which was 6,756 MWh for the year (2012 8,322 MWh), representing a 18.8% decrease on the prior year

The principal operational risks and uncertainties faced by the Company are in relation to availability of landfill gas at the UK site resulting in less electricity generation, and relationships with the site owners. Financial risks are detailed in the section on financial risk management

### Results and dividend

The profit for the financial year of £52,000 (2012 £22,000 loss) will be taken to reserves. The Directors do not recommend the payment of a dividend (2012 £nil)

### Future developments

No change in activities is anticipated in the future. The leases on the site expire, at the earliest, during 2023

### Financial risk management

The group of companies of which the Company forms part has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs

#### *(a) Market risk*

The electricity generated is supplied under short-term contractual arrangements at prices agreed with the offtaker

#### *(b) Economic risk*

The renewable energy sector is supported through the UK Government's renewable energy targets legislation. Any amendments to Government support for renewable energy sources may be detrimental to or benefit the Company's profitability. It is not possible for the Company to directly mitigate this risk, however it is felt that due to the continuing commitment of the EU to increase energy generation from renewable sources, any detrimental amendments are unlikely

#### *(c) Credit risk*

Although the Company has only one customer the credit risk is deemed to be low as the customer is a UK utility with a strong credit rating

#### *(d) Liquidity, including cash flow and interest rate risk*

The Company is not exposed to significant liquidity risk

## Directors' report (*continued*)

### Charitable and political donations

The Company made no political donations or incurred any political expenditure during the financial year (2012 £nil)  
There were no charitable donations made during the year (2012 £nil)

### Directors

The Directors of the Company during the year and up to the date of signing the accounts were as follows

E M P Machiels  
S N Hardman  
S C Gibbins  
P J Gregson  
G A Boyd

### Directors' indemnity and insurance

An associated company has granted an indemnity to certain current Directors under which the associated company will indemnify them, subject to the terms of the deed of indemnity, against any liability or losses or expenses incurred by them in the performance of their duties. These are qualifying third party indemnity provisions for the purposes of the Companies Act 2006

The Company has also arranged directors' and officers' liability insurance

### Statement of disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### Auditor

In accordance with section 487 of the Companies Act 2006 KPMG LLP (a) was deemed to be reappointed as auditor of the Company for the financial year ended 31 March 2013 at the end of the last period for appointing the auditor and (b) is expected to be deemed to be reappointed as auditor of the Company for the financial year ended 31 March 2014 at the end of the next period for appointing the auditor

### On behalf of the board



G A Boyd  
Director

21/10/13

First Floor, 500 Pavilion Drive Northampton Business Park,  
Northampton, NN4 7YJ

## **Statement of Directors' responsibilities in respect of the Directors' report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 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.

## **Independent auditor's report to the members of Costessey Energy Limited**

We have audited the financial statements of Costessey Energy Limited for the year ended 31 March 2013 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006


### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.

 21 June 2013

**Ian Griffiths**

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

United Kingdom

## Profit and loss account

*for the year ended 31 March 2013*

	Note	2013 £'000	2012 £'000
Turnover	2	630	845
Operating expenses		(493)	(810)
<b>Operating profit</b>	3	<b>137</b>	<b>35</b>
Interest payable and similar charges	6	(62)	(62)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>75</b>	<b>(27)</b>
Taxation (charge)/credit on profit/(loss) on ordinary activities	7	(23)	5
<b>Profit/(loss) for the financial year</b>	13	<b>52</b>	<b>(22)</b>

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 all of the results relate to continuing activities

The notes on pages 7 to 12 form part of these financial statements

## Balance sheet

at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	8	586	744
<b>Current assets</b>			
Debtors	9	3,154	6,379
Deferred tax asset	11	23	4
		3,177	6,383
<b>Creditors amounts falling due within one year</b>	10	(1,055)	(4,471)
<b>Net current assets</b>		2,122	1,912
<b>Total assets less current liabilities</b>		2,708	2,656
<b>Net assets</b>		2,708	2,656
<b>Capital and reserves</b>			
Called up share capital	12	418	418
Profit and loss account	13	2,290	2,238
<b>Equity shareholder's funds</b>	14	2,708	2,656

The financial statements were approved by the board of Directors on 21/10/13 and were signed on its behalf by



**G A Boyd**  
**Director**  
**Company registration no 03448770**



## **Notes (forming part of the financial statements)**

### **1 Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently throughout the year, is set out below.

#### **Cash flow statement**

The Company is a wholly-owned subsidiary of the group headed by Infinis Holdings (the 'Infinis Holdings Group') and is included in the consolidated financial statements of Infinis Holdings. Consequently, in accordance with paragraph 5 (a) of FRS 1 (revised 1996) the Company is not required to publish a cash flow statement.

#### **Related party exemption**

As the Company is a wholly-owned subsidiary of the Infinis Holdings Group, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Infinis Holdings Group. The consolidated financial statements of Infinis Holdings can be obtained from the address given in note 17.

#### **Turnover**

Turnover is the amount derived from the sale of electricity and associated renewable certificates and embedded benefits in the normal course of business, measured at the fair value of consideration received or receivable, net of value added tax and trade discounts.

#### **Taxation**

The taxation charge is based on the profit for the year and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

#### **Fixed assets**

Depreciation is provided 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: 3 - 15 years

Assets in the course of construction are not depreciated until commissioned. On completion these assets will be transferred to the main fixed assets category.

## Notes (continued)

### 2 Turnover

Turnover consists entirely of sales made within the United Kingdom

### 3 Operating profit

	2013 £'000	2012 £'000
Operating profit is stated after charging		
Depreciation of fixed assets	237	398
Payments to landlords	69	193
	<u>237</u>	<u>398</u>

### 4 Auditor's remuneration

	2013 £'000	2012 £'000
Auditor's remuneration	3	3
	<u>3</u>	<u>3</u>

Audit fees for the year ended 31 March 2013 and 31 March 2012 were borne by another group company

### 5 Directors' emoluments and employees

None of the Directors received any remuneration or benefits from the Company during the current or prior year nor are they employees of the Company. The Company had no employees in the current or prior year.

### 6 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable to group companies	(62)	(62)
	<u>(62)</u>	<u>(62)</u>

## Notes (continued)

### 7 Taxation

	2013 £'000	2012 £'000
United Kingdom corporation taxation		
Current tax charge on the profit	42	48
Adjustment in respect of prior years	-	(9)
Total current tax charge	42	39
Analysis of deferred tax credit		
Origination/reversal of timing differences	(17)	(53)
Adjustment in respect of prior years	(3)	9
Adjustment in respect of rate change	1	-
Total deferred taxation credit	(19)	(44)
Total taxation charge/(credit)	23	(5)

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 24% (2012 26%)

The differences are explained below

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before taxation	75	(27)
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 24% (2012 26%)	18	(7)
Effects of		
Expenses not deductible for tax purposes	7	2
Fixed asset timing differences	17	53
Adjustment to tax charge in respect of prior years	-	(9)
Current tax	42	39

The 2011 Budget on 23 March 2011 announced a reduction in the main rate of Corporation Tax rate of 28% over a period of 4 years from 1 April 2011. The rate was expected to reduce from 28% to 23% over this period. The first reduction from 28% to 26% was substantively enacted on 29 March 2011 and was reflected in the deferred tax figures used in the Company's 2011 financial statements.

A reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012 and was reflected in the deferred tax figures used in the Company's 2012 financial statements.

A further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 and this rate change has therefore been reflected in the deferred tax figures of these financial statements.

The March 2013 Budget announced that the main rate of Corporation Tax of 23% will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future current tax rate and reduce the Company's deferred tax balances accordingly.

## Notes (continued)

### 8 Tangible assets

	Plant and machinery £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2012	2,276	31	2,307
Transfers	61	(61)	-
Additions	-	79	79
<b>At 31 March 2013</b>	<b>2,337</b>	<b>49</b>	<b>2,386</b>
<b>Accumulated depreciation</b>			
At 1 April 2012	1,563	-	1,563
Charge for the year	237	-	237
<b>At 31 March 2013</b>	<b>1,800</b>	<b>-</b>	<b>1,800</b>
<b>Net book value as at 31 March 2013</b>	<b>537</b>	<b>49</b>	<b>586</b>
Net book value as at 31 March 2012	713	31	744

### 9 Debtors

	2013 £'000	2012 £'000
Amounts owed by group undertakings	3,032	6,185
Prepayments and accrued income	115	187
Other debtors	7	7
	<b>3,154</b>	<b>6,379</b>

### 10 Creditors - amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to group undertakings	781	4,189
Accruals and deferred income	91	141
Corporation tax creditor	183	141
	<b>1,055</b>	<b>4,471</b>

The corporation tax creditor in the current and prior year relates to group relief payable

## Notes (continued)

### 11 Deferred tax asset

	Deferred taxation £'000
As at 1 April 2012	4
Credit to the profit and loss for the year	19
As at 31 March 2013	<u>23</u>

The elements of the deferred taxation are as follows

	2013 £'000
Accelerated capital allowances	<u>23</u>

### 12 Called up share capital

	2013 Number	2012 Number	2013 £'000	2012 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	418,447	1	418	-
Preferred ordinary shares of £1 each	-	418,446	-	418
	<u>418,447</u>	<u>418 447</u>	<u>418</u>	<u>418</u>

On 14 September 2012 each of the preferred ordinary shares of the Company was converted into and re-designated as ordinary shares of £1 each and rank pari passu in all respects with the existing ordinary shares in the Company

### 13 Reserves

	Profit and loss account £'000
At 1 April 2012	2,238
Profit for the financial year	52
At 31 March 2013	<u>2,290</u>

## Notes (continued)

### 14 Reconciliation of movements in equity shareholder's funds

	2013	2012
	£'000	£'000
Opening equity shareholder's funds	2,656	2,678
Profit/(loss) for the financial year	52	(22)
Closing equity shareholder's funds	<u>2,708</u>	<u>2,656</u>

### 15 Contingent liabilities

The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the group

### 16 Related parties

Terra Firma Investments (GP) 2 Limited acting as a general partner of the six limited partnerships which constitute the Terra Firma Capital Partners II Fund, Terra Firma Capital Partners II L P – H and TFCP II Co-Investment 1 L P ('Terra Firma'), has the ability to exercise a controlling influence through the holding of shares in a parent company. The Directors therefore consider Terra Firma to be a related party.

Infinis Holdings has the ability to exercise a controlling influence over the Company and other subsidiary undertakings. Consequently the Directors also consider these subsidiary undertakings to be related parties.

### 17 Ultimate controlling and immediate parent undertaking

The Directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate controlling entity. The ultimate controlling party is Guy Hands.

There were no transactions between the Company and Terra Firma Holdings Limited during the year.

Novera Energy Generation No. 3 Limited is the immediate parent company and it does not produce consolidated accounts.

The head of the largest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Holdings. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The head of the smallest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Plc. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.