

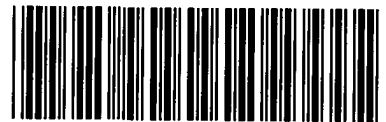
Costessey Energy Limited

Annual report and financial statements

Registered number 03448770

Year ended 31 March 2014

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Strategic report

The directors (the "Directors") present their annual report and audited financial statements for Costessey Energy Limited (the "Company") for the year ended 31 March 2014.

Principal activities

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

Review of business

The key performance indicators of the Company are the turnover and operating results of its sites which are £479,000 (2013: £630,000) and an operating profit of £32,000 (2013: £137,000 profit) respectively. The non-financial key performance indicator is the level of electricity generation which was 5,183 MWh in the year (2013: year 6,756 MWh).

Future developments

No change in activities is anticipated in the future.

Results

The loss for the year of £29,000 (2013: profit for the year £52,000) will be taken to reserves.

Operational risks

The Directors consider that the main risks to the operations of the Company relate to asset performance, in particular engine reliability, the weather, and health, safety and environmental standards. We manage all of these risks appropriately in the business. Other risks include:

1. Reduction or abandonment of regulatory and financial support for renewable energy sources in general, or landfill gas ("LFG") energy in particular, may adversely affect our operations.

The development of renewable energy sources relies, in part, on the national and international regulatory and financial support of such development. For several years the European Union ("EU") and the United Kingdom ("UK") have adopted policies and subsidies actively supporting renewable energy but such support is not guaranteed.

2. Governmental LFG regulation may restrict our operations or increase our costs of operations.

Landfill operations are subject to a demanding level of governmental regulation, principally directed at environmental, health, safety and land use issues and related matters, which can result in significant costs and/or restrictions on our operations.

3. Fluctuations in market prices of electricity, oil, natural gas, carbon and other traditional fuel products may adversely affect demand for electricity generated from LFG and consequently may adversely affect our operations and results.

Profitability and potential growth is, to a large extent, determined by the prices received for electricity produced. As the LFG output contract portfolio shifts from fixed-price contracts under the NFFO regime, to contracts with a variable pricing component under the RO regime, revenues are increasingly dependent on wholesale electricity prices and subject to greater volatility. Volatility in the prices for oil, natural gas and carbon, and, in particular, a drop in the prices for such traditional energy fuels, may cause electricity generated from LFG to achieve a lower than anticipated market price and adversely affect our business.

Strategic report (continued)

4. The LFG capacity of the landfill sites from which we extract LFG will naturally decline over time. Unless we can optimise our LFG yield our business and operating results may be adversely affected.

The LFG in the landfill sites is naturally declining and will continue to naturally decline over time. If we are unable to take adequate measures to optimise our LFG yield, our business operations, financial position and operational results may be adversely affected.

On behalf of the board



G A Boyd
Director

22 September 2014

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

Directors' report

Directors

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

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

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.

An associated company has also arranged directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend (2013: £nil).

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 2014 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 2015 at the end of the next period for appointing the auditor.

On behalf of the board



G A Boyd
Director

22 September 2014

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, 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 2014 set out on pages 7 to 18. 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 5, 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.

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 2014 and of its loss 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.

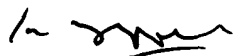
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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.

 30 September 2014

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 2014

	Note	2014 £'000	2013 £'000
Turnover	2	479	630
Cost of sales		(412)	(442)
Gross profit		67	188
Administrative expenses		(35)	(51)
Operating profit	3	32	137
Interest payable and similar charges	6	(61)	(62)
(Loss)/profit on ordinary activities before taxation		(29)	75
Tax on (loss)/profit on ordinary activities	7	-	(23)
(Loss)/profit for the year	12	(29)	52

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 year and prior year the results relate to continuing activities.

The notes on pages 9 to 18 form part of these financial statements.

Balance sheet
at 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	375	586
		<u>375</u>	<u>586</u>
Current assets			
Debtors	9	3,655	3,177
		<u>3,655</u>	<u>3,177</u>
Creditors: amounts falling due within one year	10	(1,351)	(1,055)
Net current assets		<u>2,304</u>	<u>2,122</u>
Total assets less current liabilities		<u>2,679</u>	<u>2,708</u>
Net assets		<u>2,679</u>	<u>2,708</u>
Capital and reserves			
Called up share capital	11	418	418
Profit and loss account	12	2,261	2,290
Equity shareholder's funds	13	<u>2,679</u>	<u>2,708</u>

The notes on pages 9 to 18 form part of these financial statements.

The financial statements were approved by the board of Directors on 22 September 2014 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 Energy plc (the "Infinis Energy Group") and is included in the consolidated financial statements of Infinis Energy plc. 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 Energy 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 Energy Group. The consolidated financial statements of Infinis Energy plc can be obtained from the address given in note 16.

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 charge for taxation 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

Assets under construction are not depreciated until they are commissioned. 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 as follows:

Plant and machinery

3 - 15 years

Notes *(forming part of the financial statements)*

1 Accounting policies (continued)

Impairment

The value of fixed assets is reviewed for impairment where there is an indication that an impairment has occurred. An impairment is recorded where the carrying value exceeds the value in use of the underlying assets.

Trade and other receivables

Trade and other receivables, excluding derivative assets, are carried at cost less impairment losses. Trade receivables which generally have 30-90 day terms are recognised and carried at original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Notes (forming part of the financial statements)

2 Turnover

Turnover consists entirely of sales made within the United Kingdom.

3 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging:		
Depreciation of fixed assets		
- owned	280	237
Payments to landlords	21	69
	<u> </u>	<u> </u>

4 Auditor's Remuneration

	2014 £'000	2013 £'000
Audit of these financial statements	3	3
	<u> </u>	<u> </u>

Audit fees for the year ended 31 March 2014 and for the year ended 31 March 2013 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 year or prior year, nor are they employees of the Company. The Company had no employees during the current year or prior year.

Notes (forming part of the financial statements)

6 Interest payable and similar charges

	2014	2013
	£'000	£'000
Payable to group undertakings	61	62
	<hr/>	<hr/>
	61	62
	<hr/>	<hr/>

Notes (forming part of the financial statements)

7 Tax

	2014 £'000	2013 £'000
United Kingdom corporation tax at 23% (2013: 24%)		
Current tax charge on (loss)/profit in the year	28	42
Adjustment in respect of prior years	(2)	-
Total current tax charge	26	42
Deferred taxation		
Reversal of timing differences	(32)	(17)
Adjustment in respect of prior years	-	(3)
Adjustment in respect of rate change	6	1
Total deferred tax credit	(26)	(19)
Total tax (credit)/charge	-	23

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 23% (2013: 24%).
The differences are explained below:

	2014 £'000	2013 £'000
(Loss)/profit on ordinary activities before tax	(29)	75
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	(7)	18
Effects of:		
Expenses not deductible for tax purposes	3	7
Fixed asset timing differences	32	17
Adjustment in respect of prior years	(2)	-
Current tax charge	26	42

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax rate accordingly. The full effects of these reductions have been reflected in the deferred tax figures of these financial statements.

Notes (forming part of the financial statements)

8 Tangible fixed assets

	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2013	2,337	49	2,386
Additions	-	69	69
Transfers	118	(118)	-
At 31 March 2014	2,455	-	2,455
Accumulated depreciation			
At 1 April 2013	1,800	-	1,800
Charge for the year	280	-	280
At 31 March 2014	2,080	-	2,080
Net book value			
At 31 March 2014	375	-	375
At 31 March 2013	537	49	586

Notes (forming part of the financial statements)

9 Debtors

	2014	2013
	£'000	£'000
Amounts owed by group undertakings	3,516	3,032
Other debtors	-	7
Deferred tax assets	49	23
Prepayments and accrued income	90	115
	3,655	3,177

Deferred taxation

	Deferred taxation £'000
At 1 April 2013	23
Credit to the profit and loss account for the year	26
At 31 March 2014	49

A deferred tax asset has been recognised in relation to tax losses as it is expected that the Company will be able to generate sufficient taxable profits with which to utilise these losses in the future.

Elements of deferred taxation

	2014	2013
	£'000	£'000
Accelerated capital allowances	49	23
	49	23

Notes (forming part of the financial statements)

10 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Amounts owed to group undertakings	1,138	781
Taxation and social security	119	183
Accruals and deferred income	94	91
	<u>1,351</u>	<u>1,055</u>

11 Called up share capital

	2014	2013	2014	2013
	Number	Number	£'000	£'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>418,447</u>	<u>418,447</u>	<u>418</u>	<u>418</u>

12 Reserves

	Profit and loss account £'000
At 1 April 2013	2,290
Loss for the year	(29)
At 31 March 2014	<u>2,261</u>

Notes (forming part of the financial statements)

13 Reconciliation of movements in shareholder's funds

	2014	2013
	£'000	£'000
Opening equity shareholder's funds	2,708	2,656
(Loss)/profit for the year	(29)	52
Closing equity shareholder's funds	2,679	2,708

14 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 VAT group.

15 Related parties

The Company is a member of the Infinis Energy Group. Infinis Energy plc was listed, through an IPO, on the London Stock Exchange on 20 November 2013. Infinis Energy plc has the ability to exercise a controlling influence over the Company and other subsidiary undertakings within the Infinis Energy Group, consequently the Directors also consider these subsidiary undertakings to be related parties.

Terra Firma Investments (GP) 2 Limited, acting as the 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 Monterey Capital II S.à.r.l.. Monterey Capital II S.à.r.l. was, prior to the IPO, the immediate parent company of Infinis Energy plc and remains the principal shareholder post IPO. The relationship between Infinis Energy plc and Monterey Capital II S.à.r.l. is governed by a relationship agreement which ensures that Infinis Energy plc is capable of carrying on its business independently of the principal shareholder for so long as the principal shareholder holds a controlling interest. The Directors therefore consider Terra Firma to be a related party.

There were no transactions between the Company and Terra Firma during the year (2013: £nil), there were no balances outstanding between the Company and Terra Firma at the end of the year (2013: £nil).

Notes (forming part of the financial statements)

16 Ultimate parent company and ultimate controlling entity

The Company is a member of the Infinis Energy Group.

Monterey Capital II S.à.r.l., a company registered in Luxembourg, is the majority shareholder of Infinis Energy plc. The ultimate controlling entity is Terra Firma Holdings Limited, a company registered in Guernsey. The ultimate controlling party is Guy Hands.

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

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.

The head of the largest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy 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.