Annual Report

Year ended 31st December 2007

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Registered Office
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London WC2E 9ED

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CHAIRMAN'S REPORT

I am pleased to make my first Chairman's report on the activities of Novera This has been an exciting time to join the Company Policy initiatives at both European Union (EU) and United Kingdom (UK) level are increasingly positive for renewable power and we are well-positioned to benefit from this

We have established ourselves as a leading independent renewable energy developer and generator in the UK Our strategy is to build on our established core skills of landfill gas operations and wind development We will also apply this expertise to potential energy from waste projects We aim to grow scale to compete effectively in the rapidly growing renewables industry We will consider the acquisition of operating assets or development opportunities that leverage our core skills both in the UK and in selected overseas markets

Operational performance improved following the acquisition of the remaining 50 per cent of Novera's joint venture from Macquarie International Infrastructure Fund ('Macquarie') at the start of the year Our targeted operating improvements were delivered in 2007 and have been incorporated in our future plans for the business On a pro-forma, illustrative basis revenue was up 10 per cent to £34 4 million (unaudited) driven by increased generation which was up 3 per cent to 564GWh, and higher unit revenue Statutory revenue was £32 1 million The pro forma numbers are explained fully within the Financial Review

We remain confident in our ability to achieve our target of 250MW of operational wind capacity by 2011 Our second wind farm, Lissett Airfield Wind Farm ('Lissett') is under construction A further four planning applications representing over 70MW of operational capacity are in the planning process We have 20 sites at the pre-planning stage with a total potential operational capacity of 320MW We expect planning decisions on all four sites which are in planning during the course of 2008

The 10MW East London Sustainable Energy Facility (ELSEF) is progressing well We are also engaged in a number of follow-up projects

Novera Energy Limited was listed on the London Stock Exchange's Alternative Investment Market ('AIM') in June 2005 May 2007 marked another milestone in the evolution of Novera Energy plc with the reincorporation of the Company in the UK as Novera Energy plc, the successor entity, which was admitted to trading on AIM simultaneously with the re-domicile

Employees

The Group has grown during the past year with the workforce now numbering 154 I would like to take this opportunity to thank the staff for all their efforts and I anticipate another successful year for them all In support of our expanding Scottish team and development pipeline, we have opened a Scottish office in Edinburgh This office is in addition to the established corporate headquarters in London, operations centre in Warrington and Welsh office in Cardiff

Outlook

The prospects for renewable energy in the UK will be enhanced by the commitment of the EU for renewable energy to reach 20 per cent of total energy consumption by 2020 The UK's target is currently set at 15 per cent It is widely expected that this will result in a renewable target of 40-45 per cent of total electricity generation This is a substantial increase over the current level of 5 per cent and the current target of 20 per cent

As announced 17 March 2008, the Company is continuing negotiations with 3i Infrastructure Limited concerning a possible cash offer for the entire issued share capital of Novera at a price of 90 pence per share We have also received an approach from Infinis Acquisitions Limited Further announcements will be made as and when appropriate

Whilst at the time of writing this report the future ownership of Novera is uncertain, the Board remains confident in the underlying opportunities for renewable energy in the UK and the Novera team's contribution to this exciting sector

Roy Franklin
Chairman
17 March 2008

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OPERATING REVIEW

Novera has made excellent progress durng 2007, not only in consolidation of the joint venture operational assets, but also in developing our wind portfolio

We are also encouraged by the continuing support of the renewables industry from the UK Government, as reflected in its recent Energy White Paper Particularly welcome are the decisions to improve the planning process for renewables, to maintain the level of support for onshore wind and to increase the support for emerging technologies such as gasification

Operations

Generation

The Key Performance Indicators ('KPIs') for our operations, which include power generation, revenue, costs and gross profit, and are presented on a pro-forma basis as explained fully within the Financial Review This basis, in the opinion of the directors, provides a more meaningful analysis of the trends in the underlying business

During 2007, output increased by 3 per cent from 546GWh to 564GWh (excluding discontinued operations in 2006)

Power from sites developed under the UK Government's Non Fossil Fuel Obligation ('NFFO') programme, representing 59 per cent of total generation, is sold to the Government's Non Fossil Purchase Agency The remainder of our output is eligible for Renewable Obligation Certificates ('ROCs') and is sold to energy retailers such as EON and Centrica 90 per cent of Novera's total power output is sold under long-term contracts

The main risk areas to our operations relate to performance, health, safety and environmental standards and the impact of weather and are managed by appropriate operational processes

Landfill Gas

At the time that we acquired the remaining 50 per cent of Novera's joint venture from Macquarie we targeted £0 6 million in operating improvements in the first year, with £1 3 million per annum thereafter During 2007 we made good progress and met our improvement targets The full set of operating improvements have been included in our 2008 Budget and business plans going forward These include better management of our external engine maintenance contracts, the optimisation of engine use to maximise the time between overhauls and the successful re-negotiation of lower royalty payments at two sites

Our landfill gas portfolio generated 487GWh in 2007, an increase of 4 per cent from 470GWh in 2006 The increased generation was achieved through a combination of two new developments, which commenced operation during the second half of 2006, the strategic relocation of engines, the drilling of additional wells and improved gas field management

Our operational counterparties are the waste companies with whom we work WRG, Sita, Viridor and the operations and maintenance providers, Clarke Energy, Finnings and Edina UK

Hydroelectric

The 16MW hydro portfolio across the ten sites performed in-line with 2006, generating 49GWh

Wind

Generation from Mynydd Clogau (15MW) increased by 2 per cent to 28GWh A potential extension to the existing site is currently under consideration

Industrial and Water Services

Novera is the UK's largest independent operator of sludge drying and dewatering facilities We manage the operations and maintenance of sludge drying and dewatering facilities in Cardiff, Newport and Port Talbot for Kelda Water Services a role we have fulfilled the last nine years Novera also operates and maintains a major plant in Edinburgh for Veolia Water Services

We also operate one diesel-powered generation 'standby' site This does not generate significant quantities of electricity

Pre-construction

Wind
We have an established target of 250MW of wind capacity in operation by 2011 We establish interim targets annually for each stage of the planning process appraisal, pre-planning, sites into planning and consents Progress against all of these measures is tracked by the Company on a monthly basis

For 2007, targets included obtaining planning consent and starting construction for Lissett, and submitting a further 70MW of wind capacity into planning We ended the year with four sites in the planning process with a potential output in the range of 78-91MW being Mountboy (North East Scotland), Glenkerie (Scottish Borders), A'Chruach (West Scotland), and Fleeter Wood (Cumbria) We expect planning decisions on all four sites during the course of 2008 In addition to the long-term 250MW, our targets for 2008 include submitting a further 170MW into planning

We reached financial close on Lissett in November 2007 Construction started in December 2007 Civil works are well underway with some roads and piling of wind turbine bases completed The first turbines are due on site in October, with first generation planned in December 2008 Our approach to development has secured what is probably the shortest programme for a UK wind farm, with only 2 5 years from planning application to the programmed date for first production

Our on-going site search programme is delivering good results and we have already identified 20 new sites with a combined potential capacity of 320MW With a further potential 270MW of wind capacity at the appraisal stage, we remain confident that we will deliver our target of having 250MW in production by the end of 2011

We have expanded the wind development and construction team and further growth is planned for 2008

Energy from Waste
Following the Government's announcement that they will double the support for renewable power from biomass gasification through the ROC system, we continue to progress the East London Sustainable Energy Facility We are close to finalising the key commercial contracts with our prospective Engineering, Procurement and Construction ('EPC') contractors, Shanks East London and Ford Motor Company We are developing a number of follow-up projects

Novera has been assisting Multiplex Developments and their partners in the conceptual design for a gasification/ Combined Heat Power ('CHP') facility to be integrated into this proposed Brent Cross Cricklewood Energy Centre The facility would provide in excess of 15MW of electricity and 30MW of heat to the proposed commercial and retail development in North London

In late 2007 Novera was awarded a contract for a small, wood-fuelling gasification/CHP facility for a major infrastructure owner The proposed gasification facility will generate approximately 1MW of electricity and 2MW of heat, all of which would be used in a new development being planned

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FINANCIAL REVIEW

2007 was another important and transformational year for Novera Of special note was

- acquisition of our remaining 50 per cent of Novera Macquarie Renewable Energy Limited (NMRE) for £30 0 million, our 50 50 joint venture with Macquarie,
- raising £38 0 million (before costs) in cash by issuing an additional 69 1 million shares to fund the acquisition of NMRE,
- the change in the domicile of the Parent Company from Australia to the UK,
- continuing investment in our wind development and construction programmes, and,
- securing £31 5 million of non-recourse project finance debt facilities for the Lissett wind farm development

Financial Overview

The consolidated results of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and include the following figures

	31 Dec 07 £'000	**31 Dec 06 £'000**
Revenue	32,148	2,183
Cost of sales	(17,239)	(1,881)
Gross profit before depreciation and amortisation	14,909	302
EBITDA	10,250	(3,219)
Net loss after tax	(1,958)	(3,016)
Tangible & intangible assets	159,056	76
Cash balance	10,803	3,693
Borrowings	(87,910)	-
Net assets	57,229	15,688

The 2007 consolidated statutory accounts include 100 per cent of NMRE from 22 January 2007, equity accounting Novera's 50 per cent interest in NMRE in 2006 and in 2007 up to 22 January

The Directors have produced the results of the Group on a pro-forma basis which shows the results for 2006 and 2007 as if Novera had owned 100 per cent of NMRE (excluding discontinued operations) for both of those years to provide a comparison between 2007 and 2006 which reflects the underlying performance of the business

	31 Dec 07 Pro forma £'000 (unaudited)	**31 Dec 06 Pro forma £'000 (unaudited)**
Revenue	34,440	31,410
Cost of sales	(18,449)	(17,955)
Gross profit before depreciation and amortisation	15,991	13,455
EBITDA	11,230	8,912
Tangible & intangible assets	159,056	156,315
Cash balance	10,803	18,368
Borrowings	(87,910)	(92,111)
Net assets	57,229	58,117

On a pro-forma basis the key financial highlights for the year ended 31 December 2007 include

- annual revenue record of £34 4 million up 10 per cent (excluding discontinued operations)
    - Landfill gas increased by 11 per cent to £27 0 million
    - Hydroelectric increased by 2 per cent to £3 1 million
    - Wind increased by 8 per cent to £1 9 million
    - Water Services and Industrial increased by 6 per cent to £2 4 million

The average sales price achieved across the portfolio increased to £57/MWh in 2007 (2006 £53/MWh) Higher prices were achieved due to a total of seven former NFFO sites now receiving higher revenue ROC contracts

- total cost of sales increased by 3 per cent, significantly less than revenue increases resulting in a record gross profit (before depreciation and amortisation) margin of 46 per cent, an increase of 3 per cent over 2006 This was largely due to increased unit sales revenue, implementation of improvement programme and various one-off items

- new records achieved across all key earnings measures including gross profit before depreciation and amortisation was up 19 per cent to £16 0 million and EBITDA up 26 per cent to £11 2 million

- pre-construction expenditure incurred in cash was £3 0 million (2006 £2 4 million) of which £1 8 million (2006 £nil) was capitalised Pre-construction expenditure is capitalised when the operational and financial viability of the project has been established with reasonable certainty and the decision made to take the project forward to planning In previous years all pre-construction costs were expensed This new accounting policy recognises Novera's expertise in project development and management Wind cash expenditure increased by 118 per cent to £2 4 million (£1 8 million capitalised), reflecting the increase of activity with four planning applications submitted during the year ELSEF-related expenditure decreased by 54 per cent to £0 6 million

- Lissett Airfield Wind Farm reached financial closure in November

- we also settled the Roxwell indemnity (£0 7 million) and Samba warranty claims (£0 4 million), both accounted for as a reduction in the purchase consideration of NMRE

Change of Domicile from Australia to United Kingdom

Novera Energy plc was incorporated on 15 March 2007 and, on 29 May 2007 under a scheme of arrangement approved by shareholders and the Australian Supreme Court replaced Novera Energy Limited (incorporated in Australia) as the parent company of the Group The shareholders and their interests in the business immediately before and after this arrangement were the same These financial statements have been presented as if Novera Energy plc had been the parent throughout the reported period together with comparative information

Acquisition of Remaining 50 per cent of NMRE

The acquisition of the remaining 50 per cent of NMRE from Macquarie was completed on 22 January 2007 The purchase price was £30 0 million

The acquisition was financed through a placing of 69 1 million shares at 55 pence per share, raising a total of £38 0 million before costs Immediately following the placing the number of ordinary shares on issue was 124 1 million

The assets now being consolidated following the NMRE acquisition are the landfill gas, hydro and wind farm assets owned by NMRE As a result the balance sheet of the Group fundamentally changed from 22 January 2007 onwards, with £70 0 million of fixed assets, £83 3 million of intangible assets and £3 4 million of goodwill coming onto the balance sheet on acquisition date, representing our provisional assessment of fair values of the assets acquired The Group is not adopting a policy of revaluation

Cash Position and Finance Facilities

Novera focuses on operating cash flow to maximise shareholder value over the long-term Operating cash flow is principally used to invest in further development

As at 31 December 2007, bank loans were £89 0 million and cash on hand was £10 8 million including £6 5 million in restricted cash

In November, Novera finalised the funding for Lissett The capital cost has been funded through a combination of new debt facilities and existing cash reserves Under the debt facility, Fortis Bank has underwritten £31 5 million of limited recourse debt facilities over a 16 5 year term of the project

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The Company is currently considering options for refinancing the business and the Directors believe the Group has significant additional borrowing capacity, which can be used to fund further development projects

Power Sales and Trading

The Group has entered into various Power Purchase Agreements ('PPAs') under which a customer takes all the electricity generated from specified assets for the contractual period, typically between one and 15 years The unit price paid for electricity is specified in the PPA fixed in the shorter term and based on market prices in the longer term These arrangements are similar in nature to operating leases with no minimum committed payments Revenue from PPAs and the relevant assets used to generate the electricity are reported in the segment relevant to the type of asset used to generate the electricity Revenue is recognised as electricity is generated at the contracted rate on the date of generation, except where that rate cannot be determined with reasonable accuracy in which case it is recognised when the rate can be determined with reasonable certainty

Risk Management

The Group's activities expose it to a variety of financial risks such as market, economic, credit and interest risk

The Group's overall risk management programme focuses on the predictability of revenue and control over operating costs to maximise the financial performance of the Group Our policies require us to prepare a risk management plan that is reviewed by the Board The risks faced by Novera are discussed in further detail within the notes to these accounts

Dividend

The directors are not proposing to pay a dividend

David Fitzsimmons
Chief Executive Officer
17 March 2008

Rory Quinlan
Chief Financial Officer
17 March 2008

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DIRECTORS
Board of Directors

Roy Franklin OBE, Chairman
Roy is Chairman and a Non-executive Director of Novera Energy plc

Roy, a veteran of the energy industry, was formerly Chief Executive of independent oil company Paladin Resources plc, prior to which he was Group Managing Director of Clyde Petroleum plc Before joining Clyde in 1991, he worked at BP for 18 years, latterly heading up BP Exploration's acquisition and divestitures group

Roy currently also chairs Bateman Litwin N V, the AIM quoted oilfield services group and is a Non-executive director of StatoilHydro ASA, the Norwegian oil and gas company, and Santos Ltd, the Australian independent oil and gas exploration company He is also a Director of Keller Group plc, a FTSE 250 ground engineering specialist where he sits on the Board's Audit Committee

David Fitzsimmons, Chief Executive Officer
David spent 27 years with BP where he held senior positions in all core businesses, including CEO of BP's oil trading, President of BP Asia and Commercial Director for BP's Gas, Power and Renewable business He brings to Novera an in depth knowledge of energy markets together with proven management and strategic skills, and experience in leading growth businesses David joined Novera in October 2005

Rory Quinlan, Chief Financial Officer
Rory has extensive experience in the development, structuring, financing and management of complex energy infrastructure businesses In addition, he has substantial M&A, equity market and public company experience Prior to joining Novera, Rory held senior positions with Ergon Energy and Xstrata (MIM Holdings) Rory joined Novera in 2004

Michael Cairns, Non-executive Director
Michael is an experienced executive having held positions as Chairman, CEO, COO and non-executive director of a variety of private equity, government and listed public enterprises Michael brings to Novera experience in the management and implementation of successful growth strategies in small to medium enterprises

Michael is a member of both the Remuneration Committee and Nominations Committee

Brian Duckworth, Non-executive Director
Brian spent 30 years with Severn Trent plc, before retiring as Managing Director of Severn Trent Water in 2005 Prior to joining Severn Trent he worked for four years for East Midlands Electricity Brian is also a Director of Redrow plc, and White Young Green plc In each of these companies he sits on or Chairs the Boards' Remuneration and Audit Committees He is the Senior Independent Non-executive Director of Redrow plc and Chairs the Environmental and Corporate Responsibility Committee

Brian is Chairman of both the Remuneration Committee and the Nominations Committee, a member of the Audit and Compliance Committee and Senior Independent Director of the Board

James Grace, Non-executive Director
James is a Director in the Corporate Finance Department of Investec Investment Banking, a division of the Investec Bank (UK) Limited James began his career at Price Waterhouse and then worked for James Capel and Hoare Govett in corporate finance After a subsequent period as a corporate recovery specialist, he joined Investec Henderson Crosthwaite in 1995 James was also a director of UK Land plc from 1993 to 2003

James is Chairman of the Audit and Compliance Committee and a member of both the Remuneration Committee and Nominations Committee

CORPORATE GOVERNANCE STATEMENT

Compliance with the Combined Code
The Company's shares were admitted to the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) on 10 June 2005 AIM-listed companies are not required to comply with the disclosure requirements of the Combined Code of Corporate Governance ('the Combined Code') issued by the Financial Reporting Council in July 2003 However, the Board supports the principles contained in the Code and is committed to maintaining Corporate Governance according to industry standards

The following report summarises the current corporate governance processes that are in place

Directors

The Board
The Board meets regularly for scheduled Board Meetings and in addition undertakes a separate offsite meeting to discuss strategy The Board also meets as required to deal with urgent business including consideration and approval of transactions

The table below lists the number of Board Meetings, Board Committee Meetings, and Directors' attendance during the year ended 31 December 2007

Director	Full meetings of Directors		Meetings of committees: Audit & Compliance		Meetings of committees: Remunerations & Nominations	
	A	B	A	B	A	B
R Franklin	7	7	2	4	*	*
M Cairns	8	8	*	*	4	4
B Duckworth	5	5	2	2	2	2
D Fitzsimmons	8	8	*	*	*	*
J Grace	5	5	2	2	2	2
R Quinlan	8	8	*	*	*	*
J Brown	3	3	2	2	2	2
M Collopy	3	3	*	*	*	*
D Farrands	3	3	2	2	*	*
D Scaysbrook	1	3	*	*	*	*

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
* = Not a member of the relevant committee

The functions reserved for the Board and management are formalised The Board of Directors is responsible for the direction and oversight of the Company

The current Directors bring to the Board considerable experience and expertise in their respective fields thus enhancing the effectiveness of the decision-making process Details of the Chairman, Chief Executive Officer and Directors are set out on pages 8 of this Annual Report

The responsibilities of the Board include

- approval of goals, strategy and plans for the Company's direction and monitoring implementation,
- approval of the Company's risk management and internal control framework,
- approval of Company policies such as remuneration, health & safety and environment,
- discussion and approval of management recommendations such as capital expenditure, capital management, acquisitions and divestitures,
- review of performance and results,
- review of statutory, regulatory and reporting requirements of the Companies Act and the Stock Exchange (AIM),

- review of Stock Exchange matters,
- review of related party transactions, and
- appointment and dismissal of the Chief Executive Officer, Chief Financial Officer and Company Secretary, determining their conditions of service and monitoring their performance against established objectives

The Company Manual and its policies are updated regularly and managed by the Company Secretary Responsibility for the management of day-to-day operations and administration of the Company is delegated by the Board to the Chief Executive Officer

Chairman and Chief Executive Officer
The Chairman and Chief Executive Officer have separate clearly defined responsibilities that are not exercised by the same person Roy Franklin replaced John Brown as Chairman in May 2007 David Fitzsimmons is Chief Executive Officer

Board balance and independence
The Board comprises of four non-executive directors and two executive directors The Board considers that Non-executive Directors, Roy Franklin, Brian Duckworth and James Grace, are independent Brian Duckworth is the Senior Independent Director

The independence criteria of the Combined Code are considered in all current and future appointments of non-executive directors

The Board's size and composition is subject to the limits imposed by the Company's Constitution, which provides for a minimum of three and a maximum of ten directors

The Company has detailed and prescribed guidelines on trading shares

Appointments to the Board
The Nominations Committee leads the process for Board appointments and makes recommendations to the Board They evaluate the balance of skills, knowledge and experience of the Board and prepare a description of the roles and capabilities required for new Non-executive Directors to be appointed to the Board

The Nominations Committee meets as necessary, but at least once a year, and met three times during 2007 The current members are the Non-executive Directors, Brian Duckworth, James Grace and Michael Cairns The number of meetings held by the committee has been outlined on page 9

In the appointment of James Grace and Brian Duckworth as Non-executive Directors and to the relevant sub-committees of the Board, the Nominations Committees prepared a job specification, including an assessment of the time commitment expected Other significant commitments were disclosed to the Board before the appointment An external search consultancy was used in the appointments

Information and professional development
Prior to each scheduled Board Meeting, all Directors are presented with the Board Papers which comprise of a CEO Report and a Financial Report The CEO briefs the Board on results, key issues and strategy during the Board Meetings

All Directors have access to the advice and services of the Company Secretary The Company Secretary ensures that good information flows amongst the Board and its committees and between senior management and non-executive directors The Company Secretary also advises the Board through the Chairman on all governance matters

The Directors, where appropriate, are able to seek independent professional advice at the expense of the Company and have unrestricted access to the records and information of the Company

All Directors receive an induction on joining the Board and regularly update and refresh their skills and knowledge of the business

Performance evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors The non-executive directors are responsible for the performance evaluation of the Chairman, taking into account the views of executive directors

Key executives have performance expectations in letters of appointment and employment contracts All executives and employees undergo a formal performance review by April each year Position descriptions are updated as part of the performance review process

Re-election

All directors are subject to election at the first annual general meeting (AGM) after appointment, and to re-election thereafter at intervals of no more than three years Biographies of all Directors are provided in the Directors' Report, and those Directors subject to re-election are notified in the Notice of the AGM

Remuneration

Remuneration

Disclosure of directors' remuneration is set out on pages 17 to 21 of the Remuneration Report The Board believes that levels of remuneration shall be sufficient to attract, retain and motivate directors of the quality required to run the Company successfully A significant proportion of executive directors' remuneration shall be structured as to link rewards to corporate and individual performance

Remuneration & Nominations Committee

The responsibilities of the Remuneration Committee include

- setting the remuneration policy,
- ensuring that the remuneration and terms of service of the directors are appropriate,
- reviewing the structure of the Board,
- material changes to the rules of the Company pension or employee share scheme, and
- considering candidates for Board nomination and executive management

The Committee meets as necessary, but at least once a year, and met four times during 2007 The current members are the three Non-executive Directors, Brian Duckworth (Chairman), Michael Cairns and James Grace The number of meetings held by the committee has been outlined on page 9

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Accountability and Audit

Financial Reporting

The Board is committed to ensuring that all communications with shareholders present a balanced, understandable assessment of the Company's position and prospects

The responsibilities of the Directors and Auditors are set out in the Directors' Report and Auditors' Report on pages 16 and 22 respectively

Internal Control

The Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets The Board, at least annually, conducts a review of the effectiveness of the Group's system of internal controls and reports to shareholders that they have done so The review covers all material controls, including financial, operational and compliance controls and risk management systems

The Company's Audit and Compliance Committee ('ACC') serves the function of reviewing management practices in relation to the identification and management of significant risk areas and regulatory compliance At least one member has recent and relevant financial experience

The Company has in place clearly defined lines of responsibility and limits of delegated authority Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure

The Company maintains a comprehensive annual budgeting and management reporting system A detailed annual budget is prepared in advance of each year and is supplemented by revised forecasts during the course of the year Actual financial results are reported monthly and compared to budget, revised forecasts and prior year results

Audit and Compliance Committee

The members of the ACC are Non-executive Directors James Grace (Chairman), Roy Franklin and Brian Duckworth

The ACC's primary objectives are to assist the Board in fulfilling its responsibilities in relation to financial reporting and internal controls, and also maintaining the relationship with the external auditors The responsibilities of the ACC include

- making recommendations to the Board on the appointment of external auditors,
- reviewing the quality and independence of the external auditors and the rotation of external audit engagement partners,
- providing an independent, objective review of the adequacy and the integrity of the financial information provided by management to shareholders and regulatory authorities, and
- reviewing the changes to treasury policies

The external auditors have a direct line of reporting to the ACC and have clear and open access to the members of the Committee The ACC's policy is to appoint external auditors who clearly demonstrate quality and independence The performance of the external auditors is reviewed annually

The number of meetings held by the Committee has been outlined page 9 The formal terms of reference for the Audit and Compliance Committee are set out in the Company Manual

Relations with Shareholders

The Company has a communications strategy to promote effective communication with all shareholders and encourage effective participation Communication initiatives undertaken by the Company include media announcements and the Company web site Other than during a closed period the Chief Executive and Chief Financial Officer also maintain regular dialogue with institutional shareholders throughout the year

All information disclosed to the London Stock Exchange (LSE) is posted on the Company's web site within three days of being disclosed to the LSE Access to price sensitive information is rigorously controlled but procedures have been established to ensure that any such information is immediately released to the market, should it become inadvertently disclosed

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The Chief Executive Officer has overall responsibility for management of the Company's continuous disclosure obligations as well as communication with analysts, brokers, shareholders, the media and the public, so as to ensure that the announcements are timely, factual, clear and precise and omit no material information

Board members and the external auditors attend the annual general meeting and are available to answer questions Resolutions are proposed on each substantially separate issue, including in relation to the Report and Accounts and the Directors' Remuneration Report

Notice of the AGM and related papers are sent to all shareholders at least 21 days before the meeting

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DIRECTORS' REPORT

The Directors present their report on the consolidated Group consisting of Novera Energy plc and the entities it controlled at the end of or during the year ended 31 December 2007

Novera Energy plc was incorporated on 15 March 2007, and on 29 May 2007 under a scheme of arrangement approved by shareholders and the Australian Supreme Court New South Wales, replaced Novera Energy Limited (incorporated in Australia) as the parent company of the Group The shareholders and their interests in the business immediately before and after the scheme of arrangement have been preserved

These financial statements have been presented as if Novera Energy plc had been the parent throughout the reported period together with comparative information Novera Energy plc is domiciled and incorporated in the UK

Directors
The following persons were Directors of Novera Energy plc during the financial year and up to the date of this report, their date of appointment are shown in the paragraph below

Mr Roy Franklin
Mr Michael Cairns
Mr Brian Duckworth
Mr David Fitzsimmons
Mr James Grace
Mr Rory Quinlan

Retirement, election and continuation in office of Directors
Mr David Fitzsimmons, previously a director of Novera Energy Limited and Mr Rory Quinlan were appointed as Executive Directors on incorporation of Novera Energy plc on 15 March 2007

Mr Brian Duckworth, Mr James Grace and Mr Michael Cairns were appointed as Non-executive Directors on 25 May 2007

Mr Roy Franklin was appointed Non-executive Director of Novera Energy Limited on 20 February 2007 and of Novera Energy plc on 15 March 2007 and Chairman on 25 May 2007

Mr John Brown and Mr David Scaysbrook resigned as Non-executive Directors of Novera Energy Limited on 25 May 2007 Mr Donald Farrands resigned as Non-executive Director of Novera Energy Limited in September 2007 Ms Michelene Collopy remains a Non-executive Director of Novera Energy Limited

Company Secretary
Ms Liz Oldroyd (appointed 12 March 2007)
Mr Rory Quinlan (resigned 12 March 2007)

The qualifications and experience of the Directors are set out on page 8 of this Annual Report

Meetings of Directors
The numbers of meetings of the Company's Board of Directors, of each Board Committee held during the year ended 31 December 2007 and of the number attended by each Director, are disclosed in the Report on Corporate Governance on page 9

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Principal activities

During the year the principal continuing activities of the Group consisted of

- the operation of a renewable energy portfolio consisting of landfill gas, wind farms and hydro,
- the operation of a water services business in the UK, providing operation and maintenance services to the wastewater industry,
- the development of wind farm sites across the UK, and
- the development of the East London energy from waste project

Results

The consolidated loss for the year ended 31 December 2007 after income tax was £1,958,000 (2006 £3,016,000)

Dividends

No dividend was declared or paid during the year ended 31 December 2007 (2006 £nil)

Review of operations

A review of operations including KPIs is set out in the Operations Review and Financial Review included on pages 3 to 7

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group included

- on 22 January 2007, the Group acquired the remaining 50 per cent of NMRE, its 50 50 joint venture with Macquarie, raising £38 0 million by issuing 69 1 million additional shares to fund the transaction, and

- on 29 May 2007 under a scheme of arrangement approved by shareholders and the Australian Supreme Court New South Wales, Novera Energy plc replaced Novera Energy Limited (incorporated in Australia) as the parent company of the Group The shareholders' interests in the business immediately before and after this arrangement were the same

Matters subsequent to the end of the financial year

Further to the Company's announcement on 15 February 2008 the Company is continuing negotiations with 3i Infrastructure concerning a possible cash offer for the entire issued and to be issued share capital of Novera at a price of 90 pence per share

In seeking to address one of the pre-conditions noted in the announcement by the Company on 15 February 2008, Novera approached Waste Recycling Group Limited ("WRG") requesting consent to a potential change of control in certain leases and licenses Court proceedings have now been commenced for a determination of this issue Novera were informed on 22 February 2008 that WRG had appointed Infinis Limited as its agent in respect of the matter before the court The hearing on this matter is to take place on 7 and 8 April 2008

On 17 March 2006 the Board of Novera also announced that on 18 February 2008 it received an approach from Infinis Acquisitions Limited

Likely developments and expected results of operations

The Group will continue to pursue new opportunities in the UK

Further information on likely developments in the operations of the Group and the expected results of those operations have not been included in this Report as the Directors believe it would be likely to result in unreasonable prejudice to the Group

Insurance of Directors and Officers

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 The premium payable for 2007 was £24,366 (2006 £33,141)

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Directors Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period

In preparing those 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 that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by International Accounting Standards Board (IASB), and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company's web site Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions

Disclosure to Auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware The directors have taken all the steps, such as making enquiries of other directors and 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

Environmental Regulation

The Company is subject to environmental regulation in relation to its operations The Company monitors compliance with environmental regulations and has procedures to be followed should an incident occur which adversely impacts the environment No material breaches of environmental regulations occurred during the financial year and up to the date of this report

This Report has been made in accordance with a resolution of Directors

David Fitzsimmons
Chief Executive Officer

Rory Quinlan
Chief Financial Officer
London, 17 March 2008

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Remuneration Report

This Report outlines the remuneration arrangements in place for Directors of Novera Energy plc

This Report has been prepared to comply with the Combined Code on Corporate Governance issued by the Financial Reporting Council It has been approved by the Remuneration Committee and the Board Shareholders will be invited to approve it at the Company's AGM

Remuneration Policy

The Company has designed a remuneration framework to support both a performance culture and team focus by adhering to agreed business objectives The framework seeks to

- attract, retain and motivate the high calibre professional, managerial and technological expertise necessary to realise the Company's business objectives,
- ensure that the remuneration policy is competitive and fairly reflects the appropriate returns for achieving the Company's business goals and achieving success in the markets within which the Company operates, and
- maintain the correct balance and linkage between individual, team and business performance so as to effectively align the interests of the employee with those of colleagues and shareholders

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered and conforms with market best practice for delivery by satisfying criteria for alignment to shareholders' interests and alignment to participants' interests

The framework provides a mix of fixed and variable pay, and a blend of short- and long-term incentives

Remuneration Committee

The Remuneration Committee reviews the compensation strategy and the compensation arrangements for all key management personnel on an annual basis and makes recommendations to the Board They have access to independent external advisors as required

The members of the Remuneration Committee during the year were the Non-executive Directors, Brian Duckworth (Chairman) May 2007, Michael Cairns and James Grace Brian Duckworth replaced John Brown on the Committee and Michael Cairns as Chairman

Non-executive Director Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market

Executive Director Remuneration

The executive pay and reward framework has four components

- base pay and benefits,
- short-term performance incentives (cash bonuses),
- long-term incentives through participation in the Novera Energy Long Term Incentive Plan, and
- other compensation such as superannuation or pension scheme

The combination of these comprises the executive's total compensation

Base pay and benefits
Base pay and benefits are structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits These are determined by a number of factors including competence and performance criteria

Where applicable, executives receive benefits including car allowances

The Company does not offer a defined benefit pension scheme to executive directors Instead, it makes contributions to the approved defined contributions pension scheme of the Company Pension contributions range from 0 per cent to 7 per cent of base salary The amount of pension contributions made in respect of each executive director are set out below

Short-term Performance Incentives ('STPI')
Executive directors, management and staff have the opportunity to earn annual bonus payments These bonuses are linked to the overall corporate performance and are dependent on meeting both personal and/or corporate goals The proportion that is set in relation to individual performance ranges from 0–100 per cent, depending on seniority and the scope of the job The Company expects a high level of achievement when it sets its base and 'stretch' bonus targets The stretch targets require an achievement well beyond that which was planned and involves making significant contribution to the Company's performance The senior positions are more exposed to corporate goals which include financial performance as a parameter

Long-term Incentive Plan ('LTIP')
Long-term incentives are a mechanism to link a significant portion of the executive's compensation to the attainment of substantial growth in shareholder value by attracting and retaining employees who strive for excellence, and to motivate those employees to achieve above-average financial objectives for the Company

In July 2006 the Company established an LTIP, which is a scheme based on a three-year rolling plan LTIP awards are conditional grants of shares that will vest and are released upon the Company meeting the required criteria Such a plan should ensure that key management personnel do not derive compensation benefits without providing a direct contribution to the long-term superior performance of the Company

The 2006 and 2007 LTIP awards vest shares to the award holders in 2009 and 2010 respectively and are both dependent on the Company's performance against a total shareholder return measure relative to the Financial Times Stock Exchange ('FTSE') Small Cap Index for the UK The 2006 LTIP is also dependent on the Company's performance against operating cash flow targets to end of 2008

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Details of compensation

Director compensation

For the year ended 31 December 2007, details of all the benefits paid are set out in the table below

Name	2007 Cash salary/ fees £	2007 Cash bonus £	2007 Pension £	2007 Total £	2006 Total £
R Franklin (a)	51,250	-	-	51,250	-
M Cairns	22,981	-	-	22,981	20,000
B Duckworth (b)	18,077	-	-	18,077	-
D Fitzsimmons	198,500	112,500	-	311,000	272,000
J Grace (c)	18,077	-	-	18,077	-
R Quinlan (d)	131,779	56,250	8,178	196,207	-
J Brown (e)	10,417	-	-	10,417	50,000
M Collopy (f)	8,124	-	-	8,124	72,971
D Farrands (g)	8,124	-	-	8,124	20,452
D Scaysbrook (h)	7,500	-	-	7,500	89,181
Total	474,829	168,750	8,178	651,757	524,604

The total compensation above is analysed as follows

	2007 £'000	2006 £'000
Novera Energy Limited to May 2007	264,253	524,604
Novera Energy plc from June 2007	387,504	-
	651,757	524,604

(a) Appointed as Director of Novera Energy Limited in February 2007 and as Chairman of Novera Energy plc in May 2007

(b) Appointed to the Board of Novera Energy plc as a Non-executive Director in May 2007

(c) Appointed to the Board of Novera Energy plc as a Non-executive Director in May 2007

(d) Appointed as Director of Novera Energy plc in March 2007, payments disclosed above relate to payments made from 1 January 2007 to include both Executive and Director Remuneration

(e) Resigned as Director and Chairman of Novera Energy Limited in May 2007

(f) Non-executive Director of Novera Energy Limited, remuneration relates to fees paid up to re-incorporation In addition M Collopy received £6,803 of fees in 2007 as a Director of Novera Energy Limited and Novera Renewable Energy Limited post re-incorporation and £7,733 for financial accounting and company secretarial services in Australia on an 'as required' basis at an agreed hourly rate of £50 M Collopy was an Executive Director until 30 June 2006 which included a role as Company Secretary and Financial Controller of Novera Energy Limited in Australia, and the amounts above in 2006 include payments made to her as Company Secretary and Financial Controller

(g) Resigned as Director in September 2007 The remuneration disclosed above relates to fees paid by Novera Energy Limited up to re-incorporation In addition D Farrands received £1,669 of fees in 2007 as a Director of Novera Energy Limited post re-incorporation

(h) Resigned as Director of Novera Energy Limited in May 2007 D Scaysbrook was an Executive Director until 30 June 2006 and then a Non-executive Director thereafter, the amounts above include payments both as Executive and Non-executive Director

No Director has the authority to determine their own remuneration

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Service agreements

Compensation and other terms of employment for the Chief Executive Officer and specified employees are formalised in service agreements Each of these agreements provides for the provision of performance-related benefits Other major provisions of the agreements are set out as follows

Director	Date of Commencement of Employment/Updated contract	Term of Agreement	Fixed Compensation - Base salary & Pension	Short Term Incentives	Resignation/ Termination Period in Months	Compensation payable on Termination Value
R Franklin	20-Feb-07	(a)	Y	N/A	3	(c)
M Cairns	10-May-07	(a)	Y	N/A	3	(c)
B Duckworth	10-May-07	(a)	Y	N/A	3	(c)
D Fitzsimmons	01-Jan-08	Permanent	Y (b)	Y	6	(c)
J Grace	10-May-07	(a)	Y	N/A	3	(c)
R Quinlan	01-Jan-08	Permanent	Y	Y	3/6	(d)

Notes

(a) Non-executive directors are typically expected to serve two three-year terms

(b) D Fitzsimmons fixed compensation includes a car allowance

(c) Compensation payable on termination is equal to the notice period

(d) R Quinlan's compensation on termination is equivalent to 50 per cent base salary

Equity instrument disclosures relating to directors

Share-based compensation LTIP

LTIP awards are conditional grants of shares that will be released upon the Company meeting the required criteria

Shares are awarded under the plan for no consideration and carry no dividend or voting rights Further information on the LTIP is set out in note 24 of the Financial Report

The following shares awarded as part of the LTIP were held, directly or beneficially, by each director, including their personally related entities, during the reporting period

Name	LTIP	Interests at 1 Jan-07 at target perfor-mance*	Shares awarded during the year which may vest at target performance*	Interests at 31 Dec-07 at target performance*	Market Price at Award Date (p)	Performance Period	Vesting dates if target performance reached
D Fitzsimmons	2006	500,000	-	500,000	54 0	01/01/2006-31/12/2008	30 May 2009
	2007	-	500,000	500,000	69 5	01/01/2007-31/12/2009	30 May 2010
R Quinlan	2006	200,000	-	200,000	54 0	01/01/2006-31/12/2008	30 May 2009
	2007	-	200,000	200,000	69 5	01/01/2007-31/12/2009	30 May 2010

**Number of shares which may vest at maximum performance = 157 per cent of shares which may vest at target performance*

Share-based compensation options
Options previously granted under the Novera Energy Australian Incentive Option Plan (NEAIOP) have all now lapsed The number of options at 31 December 2006 was 50,000, held by D Scaysbrook

Shareholdings

The numbers of shares in the Company held during the reporting period and at the date of this Report by each director of Novera Energy plc, including their personally related entities, are set out below

	Balance at 1 January 2007	Changes in Year	Balance at 31 December 2007
Director			
R Franklin	-	50,000	50,000
M Cairns	-	-	-
B Duckworth	-	25,000	25,000
D Fitzsimmons	219,587	363,600	583,187
J Grace	-	-	-
R Quinlan	11,596	-	11,596

J Brown resigned in May 2007 his shareholding at this time was 50,000 shares
D Farrands resigned in September 2007 his shareholding at this time was 1,010,107 shares
D Scaysbrook resigned in May 2007 his shareholding at this time was 1,997,105 shares
M Collopy is a Director of Novera Energy Limited, at the date of re-incorporation her shareholding was 27,000

Loans to key management personnel

Key management do not maintain any loans from or to the Company

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVERA ENERGY PLC

We have audited the group financial statements of Novera Energy plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes These group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of Novera Energy plc for the period ended 31 December 2007

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the group 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 group financial statements give a true and fair view and whether the group financial statements have been 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 group financial statements The information given in the Directors' Report includes that specific information presented in the Operating Review and the Financial Review that is cross referred from the Review of operations section of the Directors' Report

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements The other information comprises only the Chairman's Report, the Operating Review, the Financial Review, the Directors, the Corporate Governance Statement, the Directors Report, and the Remuneration Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements Our responsibilities do not extend to any other information

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 group financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group 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 group financial statements

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended,

- the group 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 group financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
17 March 2008

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Novera Energy plc
Consolidated Income Statement
For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revenue	4	32,148	2,183
Cost of sales before amortisation and depreciation		(17,239)	(1,881)
Gross profit before depreciation and amortisation		**14,909**	**302**
Depreciation	6	(5,275)	(33)
Amortisation	6	(4,072)	-
Total cost of sales		(26,586)	(1,914)
Gross Profit after depreciation and amortisation		**5,562**	**269**
Other income	5	25	1,133
Pre-construction costs	11	(1,179)	(2,405)
Administration expenses		(3,505)	(2,249)
Operating profit/(loss)		**903**	**(3,252)**
Interest payable and similar charges	8	(5,644)	(2)
Interest receivable	8	946	202
Shares of net profit of a joint venture	13	259	36
Loss before income tax		**(3,536)**	**(3,016)**
Taxation	9	1,578	-
Loss for the year		**(1,958)**	**(3,016)**

Loss per share attributable to the equity holders

	Note	2007 Pence	2006 Pence
Basic	10	(1 6)	(5 5)
Diluted	10	(1 6)	(5 5)

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 28 to 57

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Novera Energy plc
Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Intangible assets	11	82,634	-
Property, plant & equipment	12	76,422	76
Investments accounted for using the equity method	13	-	14,608
Receivables	14	700	785
Deferred tax assets	21	881	-
Total non-current assets		160,637	15,469
Current assets			
Trade and other receivables	15	7,752	1,267
Derivative financial instruments	16	642	-
Cash and cash equivalents	17	10,803	3,693
Total current assets		19,197	4,960
LIABILITIES			
Current liabilities			
Trade and other payables	18	(10,075)	(1,982)
Deferred revenue	20	-	(154)
Borrowings	19	(4,634)	-
Total current liabilities		(14,709)	(2,136)
Net current assets		**4,488**	**2,824**
Non-current liabilities			
Deferred revenue	20	-	(2,605)
Retirement benefit obligation	29	(156)	-
Borrowings	19	(83,276)	-
Deferred tax	21	(24,464)	-
Total non-current liabilities		(107,896)	(2,605)
Net assets		**57,229**	**15,688**
EQUITY			
Ordinary shares	22	6,203	32,243
Merger reserve	22	61,979	-
Other reserves	26	7,399	533
Accumulated losses	25	(18,352)	(17,088)
Total equity		**57,229**	**15,688**

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 28 to 57

The financial statements on pages 24 to 57 were approved by the Board of Directors on 17 March 2008 and were signed on its behalf by

David Fitzsimmons
Chief Executive Officer

Rory Quinlan
Chief Financial Officer

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Novera Energy plc

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revaluation on acquisition of subsidiary	26	8,394	-
Hedging reserve movement	26	(1,557)	-
Share of movement in JV reserves	26	453	1,720
Net income recognised directly in equity		7,290	1,720
Loss for the year		(1,958)	(3,016)
Total recognised income and expense for the year is attributable to			
Members of Novera Energy plc		5,332	(1,296)

The above consolidated statements of recognised income and expense should be read in conjunction with the accompanying notes on pages 28 to 57

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Novera Energy plc

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	**2007 £'000**	2006 £'000
Cash flows from operating activities			
Cash generated from operations	27	10,933	(2,607)
Interest received		849	98
Interest paid		(5,920)	-
Distribution received from joint venture		-	1,600
Net cash inflow/(outflow) from operating activities		**5,862**	**(909)**
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	28	(20,377)	-
Proceeds from sale of property, plant & equipment		448	-
Payments for property, plant & equipment		(11,677)	(22)
Receipts to decrease the investment in joint venture		-	870
Proceeds from/(payments) to vending of business		181	(119)
Refund of purchase consideration	28	1,097	-
(Repayment of related party borrowings)		-	(24)
Net cash (outflow)/inflow from investing activities		**(30,328)**	**705**
Cash flows from financing activities			
Net proceeds from issue of share capital		35,882	32
Repayment of borrowings		(4,306)	-
Net cash inflow from financing activities		**31,576**	**32**
Net increase/(decrease) in cash and cash equivalents		**7,110**	**(172)**
Cash at the beginning of the financial year		3,693	3,865
Cash at end of year		**10,803**	**3,693**
Reconciliation of cash balances			
Cash at bank	17	10,803	3,693

The above consolidated cash flow should be read in conjunction with the accompanying notes on pages 28 to 57

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below These policies have been consistently applied to all the years presented, unless otherwise stated The financial report includes separate financial statements for Novera Energy plc ("the Company") as an individual entity and the Group consisting of Novera Energy plc and its subsidiaries ("the Group")

(a) Basis of preparation

The financial statements have been prepared under the historical costs convention, modified where necessary by the revaluation of financial assets and liabilities (including derivative instruments) as discussed in note 1 (p)

Compliance with IFRS
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union IFRIC interpretations and the Company's Act 1985 applicable to companies reporting under IFRS

Basis of Consolidation
Novera Energy plc was incorporated on 15 March 2007, and on 29 May 2007 under a scheme of arrangement approved by shareholders and the Australian Supreme Court New South Wales replaced Novera Energy Limited (incorporated in Australia) as the parent company of the Group The shareholders and their interests in the business immediately before and after this arrangement where the same These financial statements have been presented as if Novera Energy plc had been the parent throughout the reported period together with comparative information

The difference between the nominal share capital of Novera Energy plc and the contributed capital of Novera Energy Limited is shown as merger reserve as permitted by section 131 of the Companies Act 1985 The consolidated financial statements comprise the financial statements of Novera Energy plc and its subsidiary undertakings drawn up to 31 December The accounting years of the subsidiary undertakings are conterminous with that of the parent company The results and cash flows of subsidiary undertakings acquired or sold during the year are included from the effective date of acquisition to disposal and accounted for under the acquisition method of accounting Intra group sales and profits are fully eliminated on consolidation

Critical accounting estimates
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group accounting policies Any areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed by way of note 3

New accounting standards and Interpretations
The following new accounting standards and interpretations became effective for periods beginning on or after 1 January 2007

- IFRS 7 – Financial Instruments Disclosure
- IFRIC 8 – Scope of IFRS 2
- IFRIC 10 – Interim financial reporting and impairment

The implementation of these new standards and interpretations did not have any significant impact on the Group's accounting policies or treatments

The following new accounting standard has an effective date after the dates of these financial statements, but have been adopted early by the Group

- IFRS 8 – Operating Segments

The implementation of this new standard, other than making additional disclosure impacts, did not have any significant impact on the Group's accounting policies or treatments

The following standards and amendments to existing international standards have been published but are not yet mandatory for the Group and have not been early adopted

- IAS 1 (Revised) – Presentation of financial statements
- IAS 23 (Revised) – Borrowing costs
- IFRIC 14, IAS 19 – Defined benefit assets

The Group has made an initial assessment of the impact of these new standards IAS 1 (Revised) will only impact disclosures in future financial statements IAS 23 (Revised) will require companies to capitalise borrowing costs relating to the acquisition, construction or production of a qualifying asset No impact is expected from IFRIC 14

Not relevant to the Group
- IFRIC 13 – Customer loyalty programmes
- IFRIC 12 – Service concession arrangements

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Novera Energy plc ('Company') as at 31 December 2007 and the results of all subsidiaries for the year then ended Novera Energy plc and its subsidiaries together are referred to in this report as the "Group"

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity

Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date control ceases Piece meal acquisitions are accounted for using step acquisition principals and changes to fair value relating to the previously owned investments (including joint ventures) are accounted for as revaluations Each year a part of the revaluation reflecting the usage of the underlying assets is transferred to the profit and loss reserves

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(j)) Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

(ii) Joint venture entities
The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method Under the equity method, the share of the profit or loss of the entity is recognised in the income statement and the share of movements in reserves is recognised as a movement in reserves The cumulative post-acquisition movements are adjusted against the carrying amount of the investment

Distributions
Distributions received from joint ventures that are distributed out of post-acquisition reserves are recognised in the parent entity's income statement, while distributions received out of pre-acquisition reserves are offset against the carrying value of the investment In the consolidated financial statements they reduce the carrying amount of the investment Details relating to the Joint Venture are set out in note 13

Profits or losses on transactions
Profits or losses on transactions establishing the Joint Venture entity and transactions with the Joint Venture entity are eliminated to the extent of the Group's ownership interest until such time as they are realised by the Joint Venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred

(c) Segment reporting
The Group is organised into operating segments which form the basis of internal reporting for management and the Board for strategic decision making, such divisions are referred to as operating segments A geographical segment is engaged in providing products or services within a particular economic environment The Group only operates within the United Kingdom

(d) Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The consolidated financial

statements are presented in GBP which is Novera Energy plc's functional and presentational currency The Directors of the Company have adopted GBP as its presentational currency as they believe it is the most relevant currency which reflects the risk and returns associated with the operations of the Group as the significant operations of the Group are either UK based or controlled from the UK

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges

(e) Revenue recognition

Revenue for the Group is measured at the fair value of the consideration received or receivable Amounts disclosed as revenue are net of trade allowances and duties and taxes paid Revenue is recognised for the major business activities as follows

Renewable energy generation

Revenue generated from Land Fill Gas, Hydro and Wind operations is recognised where there is a signed unconditional contract of sale and as electricity is generated at the contracted rate on the date of generation, except where that rate cannot be determined with reasonable accuracy in which case it is recognised when the rate can be determined with reasonable certainty

Water Services

Revenue is recognised when there is a signed contract for the provision of operations and services for sludge drying plants owned by third party utilities once the service has been performed

(f) Other income

Other income is measured at the fair value of the consideration received or receivable Amounts disclosed as other income are net of returns, trade allowances and duties and taxes paid

(i) Advisory fees

Advisory fees are recognised based on work performed and in line with conditions precedent once there is reasonable assurance that the amounts are receivable

Certain advisory fees are receivable in instalments which become payable when specified milestones on the underlying project are completed Revenue in respect of these advisory fees is recognised on an accruals basis as the services are provided

(ii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method

(iii) Dividends

Dividends are recognised as other income when the right to receive payment is established

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income, based on the national income tax for each jurisdiction adjusted by changes in deferred tax assets and liabilities, attributable to temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements, and to the unused tax losses

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those taxes which are enacted or substantively enacted for each jurisdiction The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability An exception is made for certain temporary differences arising from the initial recognition of an asset or liability No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax base of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not be reversed in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity

(h) Power purchased agreements (PPAs)

The group has entered into PPAs under which, a customer takes all the electricity generated from specified assets for the contractual period typically between one and fifteen years and fifteen to twenty years under NFFO contracts The unit price paid for electricity is specified in the PPA fixed in the shorter term and based on market prices in the longer term These arrangements are similar in nature to operating leases with no minimum committed payments Revenue from PPAs and the relevant assets used to generate the electricity are reported in the segment relevant to the type of asset used to generate the electricity Revenue is recognised as electricity is generated at the contracted rate on the date of generation, except where that rate cannot be determined with reasonable accuracy in which case it is recognised when the rate can be determined with reasonable certainty

(i) Operating leases

Rental costs under other operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases

(j) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date Transaction costs arising on the issue of equity instruments are recognised directly in equity

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised

Previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the Group achieves control of the acquiree The movement in fair value is taken to the asset revaluation surplus

(k) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units) Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

(l) Property, plant & equipment

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows

Plant & Equipment	8 to 20 years
Wind Assets	20 years
Hydro Assets	40 years
Furniture & Fittings	3 to 5 years
Leasehold Improvements	Shorter of useful expected life or remaining life of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (k))

Gains and losses on disposals are determined by comparing proceeds with the carrying amount These are included in the income statement

Project costs related to assets in pre-construction and construction are capitalised where, in the opinion of the Directors, the related project is likely to be successfully developed and the economic benefits arising from future operations will at least equal the amount of capitalised expenditure incurred to date Other projects costs are written off as incurred and are included within pre-construction costs Costs capitalised to assets in pre-construction relate to costs incurred in bringing a project to the consented stage Costs associated with reaching the consented stage include planning application costs and environmental impact studies Construction costs relate to costs incurred in bringing the asset from the consented stage to completed construction Depreciation commences when the asset is substantially complete and ready for its intended use Full provision is made for any impairment in the value of the asset

Interest costs incurred on assets constructed by the business are capitalised The amount of interest cost capitalised is limited to the interest cost incurred during the construction period During the accounting period, the amount of interest to be capitalised for each qualifying asset shall be based on the interest rate as determined by the facility agreement as confirmed by quarterly statements

(m) Intangible assets

Intangible assets acquired on a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition Intangible assets so acquired are carried at cost less accumulated amortisation and any impairment losses Amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life The Directors expect the useful life of the Group's intangible assets to be up to a maximum of 40 years

Intangible assets are allocated to cash-generating units for the purpose of impairment testing Each of those cash-generating units represents the Group's investment in each location of operation by each primary reporting segment

(n) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts Bank overdrafts are shown with borrowings in current liabilities on the balance sheet

(o) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts Trade debtors are generally receivable within 30 days

Collectability of trade receivables is reviewed on an ongoing basis Debts which are known to be uncollectible are written off A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying value amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial

(p) Financial liabilities and assets including investments

The Group classifies its investments in the following categories financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets The classification depends on the purpose for which the investments were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets Loans and receivables are included in receivables in the balance sheet

The Group did not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets during the period

Financial liabilities are recognised initially at fair value, net of transaction costs incurred Fixed rate borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method Floating rate borrowings are subsequently stated at the contractual outstanding repayable principal amount at each balance sheet date

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as a deduction from debt and amortised on a straight-line basis over the term of the facility

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values The fair value of the Group's interest rate swaps and other non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments The fair value of the Group's current other financial liabilities are assumed to approximate to their book values

(q) Finance costs

Finance costs include interest on bank overdrafts and short term borrowings, amortisation of discounts or premiums to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of and commitment to, finance facilities and finance lease charges

(r) Accounting for derivative financial instruments and hedging activities

The Group only enters into derivative financial instruments in order to minimise the Group's underlying exposures to interest rate risk Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value

In order to qualify for hedge accounting, the group is required to document in advance the relationship between the item being hedged and the hedging instrument The Group is also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an on-going basis This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective The Group has only entered into cash flow hedges during the period

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity Where the forecast transaction results in a financial asset or liability gains or losses previously recognised in equity are reclassified to profit or loss in the same period as the asset or liability affects profit or loss Where the forecasted transaction or commitment results in a non financial asset or a liability, then any gains or losses previously deferred in equity are included in the carrying amount of the related asset or liability If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure The ineffective portions of the gain or loss on the hedging instrument are not recognised in equity, rather they are recognised immediately in profit or loss

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IAS 39, any change in assets or liabilities is recognised immediately in the income statement Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement

(s) Research and development projects

Research and development expenditure is recognised as an expense when incurred, except as discussed in note 1 (l)

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid These amounts are unsecured and are usually paid within 30 days of recognition

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled

(ii) Share-based payments
Share-based compensation benefits are provided to employees via the Novera Energy plc 2006 & 2007 Long Term Incentive Plan ('LTIP') and in prior years under Novera Energy Australian Incentive Option Plan ('NEAIOP') which is no longer operational at 31 December 2007

Share options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity The fair value is measured at grant date and recognised over the period during which the employee become unconditionally entitled to the option

The fair value at grant date is independently determined using a Monte-Carlo pricing model for the 2006 & 2007 LTIP The model takes into account the exercise price (where applicable), the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets) Non market-vesting conditions are included in the assumptions about the number of options that are expected to become exercisable At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable The employee benefit expense recognised each period takes into account the most recent estimate

Under the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares

(iii) Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's Shareholders after certain adjustments The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation

(v) Retirement benefits

The Group participates on behalf of certain employees in the Industry Wide Coal Staff Superannuation pension scheme, a final salary defined benefit pension scheme providing benefits based on final pensionable salary The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary This scheme has now been closed to new members The last triennial valuation was carried out during 2006 by the Government Actuary's Department and has been updated to 31 December 2007 by a qualified independent actuary to take account of IAS19 requirements Under

IAS19, the defined benefit surplus or deficit is included on the Group's balance sheet Liabilities are calculated based on the current yields on high quality corporate bonds and on market conditions Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme

The current service cost and any past service costs are included in the Income Statement within staff costs The expected return on the scheme assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within staff costs

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited, each period to reserves

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditioned on the employees remaining in service for a specified period of time (the vesting period) In this case, the past service costs are amortised on a straight line basis over the vesting period

The Group also provides pension arrangements for employees and certain Directors who are members of the Friends Provident Stakeholder defined contribution scheme Contributions for this scheme is charged to the income statement in the period in which they are payable

(w) Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders

(x) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year

(ii) Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of all dilutive potential ordinary shares The Group has only LTIPs which may lead to a contingently dilutive potential of ordinary shares No adjustment has been made to dilution for LTIPS due to contingent nature

2 Financial risk management

The Group's activities expose it to a variety of financial risks such as market, economic, credit and liquidity (including cash flow and interest rate risk)

The Group's overall risk management program focuses on the predictability of revenue and control over operating costs to maximise the financial performance of the Group The unpredictability of financial markets is minimised by the use of financial instruments to hedge certain risk exposures Our policies require us to prepare a risk management plan that is reviewed by the Board

(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 Group 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 Group's profitability

(c) Credit risk
The Group 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 debt facility held by the Group is on a non-recourse project finance basis The Group manages its cash flow interest-rate risk by using floating to fixed interest rates swaps Such interest rate swaps have the economic benefit of converting 99 per cent of the Group's borrowings from floating rates to fixed rates Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (bi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts

The Group has used swaps rather than raising fixed rate borrowings as using the existing floating rate borrowing facilities and entering into a fixed interest rate swap was a more efficient method of raising the debt necessary to fund the group's capital intensive operations The difference between the floating interest rate and the agreed fixed interest rate amounts on the notional principal of £88,990,000 is settled on a half yearly basis

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

The Group has made critical accounting estimates and judgements in relation to the capitalisation of pre-construction costs and in the fair value of the intangible asset acquired

Pre-construction costs, associated with reaching the consented planning stage, are capitalised where, in the opinion of the Directors, the related project is likely to be successfully developed and the economic benefits arising from future operations will at least equal the amount of capitalised expenditure incurred to date

On acquisition of NMRE fair value adjustments have been identified relating to Energy Usage Rights, within the intangible assets acquired The fair value has been derived using a discounted cash flow method over the expected useful life of the assets To comply with IFRS 3 the valuation has been adjusted for tax The fair value adjustment has been recognised in a revaluation reserve

The Group is not exposed to any other material adjustments for accounting estimates, judgements or assumptions except through whether its intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1 (q) The recoverable amounts of cash generating units have been determined on a value in use calculation

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4 Segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and IFRS accounting standards IFRS 8 Operating Segments

Segment revenues, expenses, assets and liabilities are those directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis Segment liabilities consist primarily of trade and other creditors, employee benefits and deferred revenue

(a) Description of segments

Operating segments

The Group is organised into the following segments all of which operate in the UK and form the basis of reporting for management and the Board

Landfill Gas

The Landfill gas segment operates and maintains reciprocating engine electricity generators, fuelled by the methane gas extracted from landfill sites across the UK

Hydro

The Hydroelectric segment operates and maintains hydroelectric generators at sites across the UK

Wind

The wind farms generate electricity through the use of a turbine wind farm in Wales

Industrial and Water Services

The Industrial and Water Services segment includes the Water Services business, which manages the thermal processing of sewage sludge for several UK water utilities, on a contract basis Industrial division operates one diesel-powered generation 'stand-by' site

(b) Primary reporting format – operating segments

	Landfill gas	**Hydro**	**Wind**	**Industrial & Water Services**	**Consolidated**
2007	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Sales to external customers	25,403	2,758	1,579	2,408	32,148
Operating expenses	(14,238)	(533)	(367)	(2,101)	(17,239)
Adjusted EBITDA	11,165	2,225	1,212	307	14,909
Depreciation and amortisation expense	(7,267)	(1,205)	(873)	(2)	(9,347)
Share of net profit of joint venture entity	259	-	-	-	259
Segment assets	119,125	31,389	29,017	303	179,834
Segment liabilities	94,175	20,741	7,607	82	122,605
Fixed asset additions	2,643	55	9,527	-	12,225

A reconciliation of adjusted EBITDA to loss before tax is provided as follows

	2007
	£'000
Adjusted EBITDA	14,909
Other income	25
Central administration costs	(3,505)
Pre-construction costs	(1,179)
Depreciation and amortisation costs	(9,347)
Net interest (payable)	(4,698)
Share of net profit of joint ventures	259
Loss before tax	(3,536)

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Novera's main customers are the UK Government's Non Fossil Purchase Agency (NFPA) (revenue £12 2 million), and energy retailers EON (revenue £6 1 million), Centrica (revenue £5 6 million) and N Power Through our Water Services, Novera delivers and operations and maintenance services for Kelda Water Services and sludge drying and dewatering facilities in Cardiff, Newport and Port Talbot, as well as to Seafield Sewage Treatment Works for Veolia Water

	Landfill gas	Hydro	Wind	Industrial & Water Services	Consolidated
2006	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Sales to external customers	-	-	-	2,183	2,183
Operating expenses	-	-	-	(1,881)	(1,881)
Adjusted EBITDA	-	-	-	302	302
Share of net profit of joint venture entity	36	-	-	-	36

Segmental analysis of assets £20 4 million and liabilities £4 7 million is not available and in the opinion of the Directors the cost to obtain it would be excessive Total additions in the year were £22,000

A reconciliation of adjusted EBITDA to loss before tax is provided as follows

	2006
	£'000
Adjusted EBITDA	302
Other income	1,133
Central administration costs	(2,249)
Pre-construction costs	(2,405)
Depreciation and amortisation costs	(33)
Net interest receivable	200
Share of net profit of joint ventures	36
Loss before tax	(3,016)

5 Other income

	2007	2006
	£'000	**£'000**
Advisory fees	25	980
Release of deferred revenue	-	153
	25	1,133

6 Loss before income taxation

	2007	2006
	£'000	**£'000**
Loss before income tax includes the following specific expenses		
Employee benefits expense (note 7)	5,788	2,462
Restructuring costs	652	130
Amortisation (note 11)	4,072	-
Depreciation (note 12)	5,259	33
Profit on disposal of fixed assets	16	180
Other operating lease rentals payable		
Plant and machinery	221	16
Property	180	170
Net foreign exchange losses recognised in loss before income tax for the year	(3)	(9)

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6 Loss before income taxation (Continued)

During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditor and its associates

	2007 £'000	2006 £'000
Audit services		
Statutory audit	112	68
Other assurance services	-	161
Tax services		
Compliance services	30	9
	142	238

It is the Groups' policy to employ PricewaterhouseCoopers LLP ("PwC") on assignments additional to their statutory audit duties where PwC expertise and experience with the Group are important

The fees earned by PwC in respect of other assurance services were £nil in 2007 In 2006 other Assurance services represented the provision of services associated with the acquisition of the remaining 50 per cent of NMRE PwC provided both taxation and accounting advice in relation to the acquisition

PwC is awarded assignments on a competitive basis It is the Group policy to seek competitive tenders for all major consulting projects The ACC of the Groups' board has determined that PwC is and acts independently of the Group in its role as statutory auditors

7 Employee information

	2007 £'000	2006 £'000
The average monthly number of persons (including executive directors) employed by the group during the period was		
Production	124	72
Administration	34	6
Directors	2	1
	160	79
Staff costs (for the above persons)		
Wages and salaries	5,023	2,110
Social security costs	538	261
Pension costs (note 29)	227	91
	5,788	2,462

8 Finance costs

	2007 £'000	2006 £'000
Interest payable and similar charges		
Interest payable on bank borrowings	5,548	2
Amortisation of issue costs of bank borrowings	96	-
	5,644	2
Interest receivable	946	202
Net finance costs	4,698	200

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9 Income Tax Expense

	2007 £'000	2006 £'000
(a) Analysis of charge in the period		
Current tax	-	-
Deferred tax	(1,578)	-
	(1,578)	-

(b) Tax reconciliation

The difference between the income tax expense shown above and the amount calculated by applying the standard rate of UK Corporation Tax is as follows

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(3,536)	(3,016)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of (30%) (2006 30%)	(1,061)	(905)
Effects of		
Adjustments to tax in respect of prior period	132	-
Recognition of previously unrecognised losses	(976)	
Effect of change of corporate tax rate of deferred tax balances	141	10
Non-deductible share-based payment expense	-	26
Effect of tax on joint venture	78	(11)
Taxable distribution	-	480
Expenses not deductible for tax purposes	108	5
	(1,578)	(395)
Future income tax expense not brought to account	-	395
	(1,578)	-

Tax losses previously unrecognised in the Group have now been brought onto the balance sheet as deferred tax assets There is now sufficient evidence of taxable profits arising in the Group to allow the utilisation of these losses in this and subsequent account periods

Deferred tax has not been recognised on tax losses incurred in Australia which may only be recoverable against Australian sourced income should there be sufficient taxable profits arising from appropriate trades (2007 £1 3 million, 2006 £1 3 million)

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10 Earnings per share

As explained in note 1 (x) basic earnings per share have been calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding own shares held in the employee share trusts which have been treated as cancelled

Earnings per share attributable to the equity holders

	2007			2006		
	Loss	Weighted average number of shares	Loss per share	Loss	Weighted average number of shares	Loss per share
	£'000	'000	Pence	£'000	'000	Pence
Basic loss per share	(1,958)	119,822	(1 6)	(3,016)	54,846	(5 5)
Diluted loss per share	(1,958)	119,822	(1 6)	(3,016)	54,996	(5 5)

The impact of the LTIP has not been shown as it is anti-dilutive Share capital of Novera Energy plc and Novera Energy Limited have been treated as the same in order to calculate the weighted average number of shares

11 Intangible Assets

	Energy Usage Rights			Goodwill	Total
	Land Fill Gas	Hydro	Wind		
Cost	£'000	£'000	£'000	£'000	£'000
At 1 January 2007	-	-	-	-	-
Acquisition of Subsidiaries (note 28)	58,377	15,488	9,407	-	83,272
Goodwill on acquisition (note 28)	-	-	-	3,434	3,434
At 31 December 2007	58,377	15,488	9,407	3,434	86,706
Amortisation					
At 1 January 2007	-	-	-	-	-
Charge for the year	(3,233)	(379)	(460)	-	(4,072)
At 31 December 2007	(3,233)	(379)	(460)	-	(4,072)
Net Book Value at 31 December 2006	-	-	-	-	-
Net Book Value at 31 December 2007	55,144	15,109	8,947	3,434	82,634

The intangible assets associated with energy usage rights have been determined from the different fuel sources of generation on a site by site basis The gas field rights and wind rights are being amortised on a straight-line basis over up to 20 years, with hydro rights over 40 years These periods are the average lifetime over which the rights exist

The fair value of the intangible has been derived using a discounted cash flow method over the expected useful life of the assets The fair value adjustment has been recognised in a revaluation reserve refer to note 28

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12 Property, plant & equipment

Cost	Fixtures and Fittings £'000	Plant and machinery £'000	Wind farm assets £'000	Assets under construction £'000	Pre-construction Assets £'000	Total £'000
At 1 January 2007	70	56	-	-	-	126
Acquisition of subsidiaries (note 28)	40	55,941	12,345	1,625	-	69,951
Additions	237	97	-	10,102	1,789	12,225
Transfers	-	2,484	-	(2,484)	-	-
Disposals	-	(571)	-	-	-	(571)
At 31 December 2007	347	58,007	12,345	9,243	1,789	81,731
Accumulated Depreciation						
At 1 January 2007	35	15	-	-	-	50
Charge for the year	71	4,575	613	-	-	5,259
Disposals	-	-	-	-	-	-
At 31 December 2007	106	4,590	613	-	-	5,309
Net Book Value at 31 December 2006	35	41	-	-	-	76
Net Book Value at 31 December 2007	241	53,417	11,732	9,243	1,789	76,422

Cost	Fixtures and Fittings £'000	Plant and machinery £'000	Wind farm assets £'000	Assets under construction £'000	Pre-construction Assets £'000	Total £'000
At 1 January 2006	46	56	-	-	-	102
Additions	24	-	-	-	-	24
At 31 December 2006	70	56	-	-	-	126
Accumulated Depreciation						
At 1 January 2006	13	4	-	-	-	17
Charge for the year	22	11	-	-	-	33
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	-
At 31 December 2006	35	15	-	-	-	50

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13 Investments in Joint Ventures

On 22 January 2007 the remaining 50 per cent of NMRE was acquired by Novera, refer to Note 28 for further information Up to 22 January 2007 the interest in NMRE was accounted for in the consolidated financial statements using the equity method of accounting The principal activity of NMRE was to operate renewable energy assets

	2007	2006
	£'000	£'000
At 1 January 2007		
Net assets	14,608	15,320
Movement JV reserves (note 26)	453	1,720
Other equity movements	-	(2,468)
Share of profits retained	259	36
	15,320	14,608
Transfer to investment in subsidiary upon acquisition of remaining 50% of NMRE	(15,320)	-
At 31 December 2007 (Net assets)	-	14,608

In relation to the group's interests in joint ventures, the assets, liabilities, income and expenses are shown below

	2007	2006
	£'000	£'000
Current assets	-	56,804
Long-term assets	-	11,606
Current liabilities	-	(8,810)
Long-term liabilities	-	(44,992)
	-	**14,608**
Income	-	15,176
Expenses	-	(15,971)
	-	(795)
Tax	-	831
Share of post tax results from joint ventures	-	36

14 Non-current assets – Receivables

	2007	2006
Long term receivable	700	785
	700	785

Long term receivable at 31 December 2007 and 2006 relates to the deferred consideration on the sale of the Arpley Facility

15 Trade and other receivables

	2007	2006
Trade receivables and accrued income	6,784	327
Other debtors	514	185
Prepayments	454	755
	7,752	1,267

Included in other debtors above is £336,000 due from a related party (refer to note 31)

i) Currency and Doubtful Debt Allowance
All of the Group's trade and other receivables are denominated in sterling At 31 December all debts were considered recoverable and therefore there is no allowance for doubtful debts (2006 nil)

ii) Aged Analysis of Trade Receivables
Trade receivables that are past due but not impaired are aged as follows

	2007	2006
	£'000	£'000
Up to 3 months	58	1
3 to 6 months	22	2
	80	3

16 Derivative financial instruments

Fair values of derivative financial instruments

	2007 Assets £'000	2006 Assets £'000
Interest rate swaps – current portion	642	-
Interest rate swaps - non current portion	-	-
Total	642	-

Interest rate swaps

The Group utilises derivative financial instruments in the normal course of business in order to hedge its exposure to fluctuations in interest rates On 22 January 2007 on acquisition of NMRE the Group acquired interest swaps on the £92 1 million syndicated loan facility

Bank loans of the Group currently bear an average variable interest rate of LIBOR plus margin It is policy to protect at least 90 per cent of the loans from exposure to increasing interest rates Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates

At 31 December 2007, swaps in place cover approximately 99 per cent of the loan principle outstanding and are timed to expire as each loan repayment falls due The fixed interest rates varied between 4 9 per cent and 5 3 per cent and the variable rates are based on LIBOR

The contracts require settlement of net interest receivable or payable every six months The settlement dates coincide with the dates on which interest is payable on the underlying debt The contracts are settled on a net basis

The gain or loss from re-measuring the hedge instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised The ineffective portion is recognised in the income statement immediately

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2007 was £88,990,427

17 Cash and cash equivalents

	2007 £'000	2006 £'000
Cash at bank and in hand	356	1,060
Short term bank deposits	3,954	2,633
Restricted cash	6,493	-
	10,803	3,693

The Group has restricted cash for the NMRE facility loan of £5 0 million, which relates to the principal and interest payments payable on 30 June 2008 and £1 5 million relating to the Lissett loan facility

The effective interest rate on short-term deposits was 4 75 per cent (2006 3 85 per cent)

18 Trade and other payables – current

	2007 £'000	2006 £'000
Trade payables	2,970	542
Other tax and social security payable	267	266
Other creditors	676	-
Accruals	6,162	1,174
	10,075	1,982

19 Borrowings

	2007 £'000	2006 £'000
Current		
Bank loans and overdrafts due within one year or on demand	(4,634)	-
	(4,634)	-

	2007 £'000	2006 £'000
Non-current		
Bank loans	(83,276)	-
	(83,276)	-

On 22 January 2007 on acquisition of NMRE the Group acquired a syndicated loan facility of £92,115,000 The syndicated loan facility is secured by a floating rate charge over the assets of the Novera Energy (Holdings 2) Limited Group, a subsidiary of the Group, which comprises of substantially all the tangible and intangible assets of the acquired Group

The Lissett loan facility has yet to be drawn down

Bank loans are stated net of unamortised issue costs of £1,081,000 These costs are allocated to the profit and loss account over the 20 year term of the life of the asset at a constant rate on the carrying amount

The effective interest rates of the above borrowings as at the balance sheet date was 6 3 per cent

Fair value of non-current borrowings	2007		2006	
	Book value £'000	**Fair value £'000**	**Book value £'000**	**Fair value £'000**
Long term borrowings	(83,276)	(82,557)	-	-

The fair value of other financial assets and financial liabilities equals their carrying value

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Maturity of financial liabilities

The maturity profile of the carrying amount of the group's non-current liabilities, at 31 December 2007 was as follows

	2007 Debt £'000	2006 Debt £'000
In more than one year but not more than two years	(4,634)	-
In more than two years but not more than five years	(19,492)	-
In more than five years	(63,784)	-
	(87,910)	-

Undrawn Facilities

The Group has an undrawn revolving credit facility within the syndicated loan facilities of £5 million This expires December 2009 The Group also has an undrawn facility of £31 5 million ringfenced for the construction of Lissett

20 Deferred revenue

	2007 £'000	2006 £'000
Deferred revenue - current	-	154
Deferred revenue – non-current	-	2,605
	-	2,759

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent (2006 30 per cent)

	2007 £'000	2006 £'000
At 1 January 2007	-	-
Acquisition (note 28)	(25,161)	-
Profit and loss credit	1,578	-
At 31 December 2007	(23,583)	-

Deferred tax liabilities	Accelerated tax depreciation £'000	Energy Usage Rights £'000	Total £'000
At 1 January 2007	-	-	-
Acquisition of subsidiary	(1,845)	(23,316)	(25,161)
Charged/(credited) to profit and loss account	(384)	1,081	697
At 31 December 2007	(2,229)	(22,235)	(24,464)

Deferred tax assets	Share Based payments £'000	Tax losses £'000	Total £'000
At 1 January 2007	-	-	-
Charged to profit and loss account	86	795	881
At 31 December 2007	86	795	881
			-
Net deferred tax liability At 31 December 2007	(2,143)	(21,440)	(23,583)
Net deferred tax liability At 31 December 2006	-	-	-

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22 Called up share capital

	Number of Shares '000	Ordinary Shares £'000	Merger Reserve £'000	Total £'000
At 1 January 2006	54,801	32,211	-	32,211
Exercise of Options	66	32	-	32
At 31 December 2006	54,867	32,243	-	32,243
At 1 January 2007	54,867	32,243	-	32,243
Issue of shares (net of transaction costs)	69,091	35,883	-	35,883
Closing position Novera Energy Limited	123,958	68,126		68,126
Opening position Novera Energy plc	123,958	6,198	61,928	68,126
Exercise of Options	100	5	51	56
At 31 December 2007	124,058	6,203	61,979	68,182

Novera Energy plc was incorporated on 15 March 2007 and on 29 May 2007 under a scheme of arrangement approved by shareholders and the Australian Supreme Court New South Wales replaced Novera Energy Limited (incorporated in Australia) as the parent company of the group The shareholders and their interests in the business immediately before and after this arrangement were the same

The total number of authorised ordinary shares is 200 0 million (2006 54 9 million shares) and issued is 124 1 million shares (2006 54 9 million shares) with a par value of £0 05 per share All issued shares are fully paid

The Company issued 69 1 million shares on the acquisition of 50% of NMRE raising £38 0 million £2 1 million of costs were incurred associated with this share issue

The Employee's Share Option Plan is discussed further under note 24 100,000 of options were exercised on 18 September 2007 at £0 56

23 Principal Subsidiary Undertakings

The following investments were held at 31 December 2007

Name of Company	Country of incorporation	Nature of Business	% of equity ordinary shares & voting rights held
Novera Energy Ltd	Australia	Intermediate holding company	100% [1]
Novera Renewable Energy Ltd	Bermuda	Intermediate holding company	100% [2]
Novera Energy (Holdings 1) Limited (formally NM Renewable Energy (Holdings 1) Limited)	UK	Intermediate holding company	100% [2]
Novera Energy (Holdings 2) Limited (formally NM Renewable Energy (Holdings 2) Limited)	UK	Intermediate holding company	100% [2]
Novera Energy Generation No 1 Limited	UK	Generation of electricity from renewable energy sources	100% [2]
Novera Energy Generation No 2 Limited	UK	Generation of electricity from renewable energy sources	100% [2]
Novera Energy Generation No 3 Limited	UK	Generation of electricity from renewable energy sources	100% [2]
Novera Energy Services (UK) Limited	UK	Operation of water services	100% [2]
Novera Energy Ventures Limited	UK	Development of renewable energy projects	100% [2]
Lissett Airfield Wind Farm Limited	UK	Construction of wind farm and generation of electricity from wind	100% [2]

[1] Shares held by the Company

[2] Shares held by the Group

All the subsidiaries above are included in the Group consolidation

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24 Share-based payments

Employee Long Term Incentive Plan

In July 2006 Novera Energy Limited established a Long Term Incentive Plan ('LTIP') is a scheme based on a three year rolling plan LTIP awards are conditional grants of shares that will be released upon the Novera Energy Limited meeting the required criteria Such a policy should ensure that key management personnel do not derive compensation benefits without providing a direct contribution to the long-term superior performance of the Group

The 2007 LTIP award has a payout of shares in 2010 and is dependent on the Group's performance against a total shareholder return measure relative to the FTSE Small Cap Index for the UK (2006 LTIP award has a payout of shares in 2009 dependent on performance against a total shareholder return measure relative to the FTSE Small Cap Index for the UK and operating cash flow targets to end of 2008)

Set out below are summaries of shares awarded under the plan to employees and key management personnel

Award date	Expiry of Award Period	Balance of share which may vest at target performance* at 1 January 2007	Shares awarded which may vest at target performance*	Performance/ vesting Period	Balance of share which may vest at target performance* at 31 December2007
24/04/2007	30/05/2010	-	1,410,000	01/01/2007 – 31/12/2009	1,410,000
14/07/2006	30/05/2009	1,105,000	-	01/01/2006 – 31/12/2008	1,105,000

**Number of shares which may vest at maximum performance = 157 per cent of shares which may vest at target performance*

Total expenses arising from LTIP share-based payment transactions recognised during the period as part of employee benefit expenses was £308,000 (2006 £62,000)

The weighted average fair value share price of the LTIPs granted during the period was £0 55 in 2007 (2006 £0 34) The significant inputs into the model were weighted average share price of £0 695 in 2007 (2006 £0 54) at grant date, volatility of 26 7% (2006 29 6%), dividend yield 0% (2006 0%), and an annual risk free rate of 4 2% (2006 £4 2%) The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years

At 31 December 2007, awards under the LTIPs related to shares in Novera Energy plc regardless of the period to which the LTIP relates

Employee Option Plan

Under the Novera Energy Australian Incentive Option Plan, eligible employees, at the discretion of the Board, were offered share options in the Novera Energy Limited at a price determined by the Board The aggregate of shares which would be acquired, if all outstanding options were exercised, must not exceed 10 per cent of the total number of issued shares The options granted under the plan carry no dividend or voting rights When exercisable, each option is convertible into one ordinary share There are no options outstanding at 31 December 2007

Set out below are summaries of options granted under the plan to employees and key management personnel

2007

Grant date	Expiry date	Exercise price	Balance at start of year	(Exercised) / granted during the year	Expired during the year	Balance at end of year
		£	Number	Number	Number	Number
13 Dec 00	12 June 07	0 50	100,000	(100,000)	-	-
10 May 06	31 Dec 07	0 70	50,000		(50,000)	-
			150,000	(100,000)	(50,000)	-
Weighted average exercise price			£0 59	£0 50	£0 64	

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2006

Grant date	Expiry date	Exercise price	Balance at start of year	(Exercised) / granted during the year	Expired during the year	Balance at end of year
		£	Number	Number	Number	Number
13 Dec 00	12 June 07	0 53	100,000	-	-	100,000
23 Jan 01	23 Jan 06	0 50	69,886	-	(69,886)	-
14 Mar 01	14 Mar 06	0 91	79,204	-	(79,204)	-
28 Mar01	28 Mar 06	0 50	163,841	(66,000)	(97,841)	-
31 Dec 03	25 May 06	0 64	50,000	-	(50,000)	-
10 May 06	31 Dec 07	0 70	-	50,000	-	50,000
			462,931	(16,000)	(296,931)	150,000
Weighted average exercise price			£0 59	£0 50	£0 63	£0 59

There were 100,000 options exercised during the financial period at £0 50 The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2007 was £0 56(2006 £0 64)

25 Accumulated Losses

	Note	2007	2006
		£'000	£'000
At 1 January 2007		(17,088)	(14,072)
Loss attributable to members		(1,958)	(3,016)
Movement in Revaluation Reserve	26	694	-
At 31 December 2007		(18,352)	(17,088)

26 Other Reserves

Group	Note	Share Based payment reserve £'000	Joint Venture reserve £'000	Hedging reserve £'000	Revaluation reserve £'000	Total reserves £'000
At 1 January 2006		14	(1,287)	-	-	(1,273)
Option expense		86	-	-	-	86
Share of movement in reserves		-	1,720	-	-	1,720
At 31 December 2006		100	433	-	-	533
At 1 January 2007		100	433	-	-	533
Share of movement in joint venture reserve	13	-	453	-	-	453
Acquisition of subsidiary	28	-	(886)	886	8,394	8,394
Share based payment expense	24	308	-	-	-	308
Expiry of options	24	(32)	-	-	-	(32)
Exercise of options	24	(6)	-	-	-	(6)
Transfer to retained profits	25				(694)	(694)
Movement in hedging reserve		-	-	(1,557)		(1,557)
31 December 2007		370	-	(671)	7,700	7,399

Nature and purpose of reserves

(i) Share-based payment reserve The share-based payment reserve is used to recognise the fair value of options issued but not exercised

(ii) Joint venture reserve The joint venture reserve is used to recognise the Groups' share of reserves (mainly hedging) in joint ventures

(iii) Hedging reserve The hedging reserve is used to recognise the fair value of financial instruments in place within the entity

(iv) Revaluation reserve The revaluation reserve has arisen on the fair value review of the intangible

27 Cash flow from operating activities

	2007 £'000	2006 £'000
Loss from ordinary activities before income tax	(3,536)	(3,016)
Depreciation	5,275	33
Amortisation	4,072	-
Foreign exchange differences	(6)	-
Release of discounted deferred revenue	(2)	(153)
Interest income	(946)	(202)
Interest expense	5,644	2
Completion payment	-	25
Share of profits of associates and JV partnerships not received as dividends or distributions	(259)	(36)
Decrease /(increase) in receivables	969	(256)
(Decrease)/increase in trade payables	(554)	910
Decrease in share based payments reserve	276	86
Net cash inflow/(outflow) from operating activities	10,933	(2,607)

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28 Acquisitions

On 22 January 2007 Novera acquired the remaining 50 per cent of the share capital of Novera Macquarie Renewable Energy Limited (NMRE) from Macquarie Renewable Limited (MRL), a 100 per cent owned subsidiary of Macquarie International Infrastructure Fund NMRE was established as a 50 50 Joint Venture between Novera Energy Ltd and MRL in December 2004 From 22 January 2007 the results have been 100 per cent consolidated

The acquired business contributed revenues of £29 8 million and net profit of £1 3 million to the Group for the period 22 January 2007 to 31 December 2007 If the acquisition had occurred on 1 January 2007, Group revenue would have been £34 4 million and net loss after tax of £2 1 million

The acquisition has been accounted for using the step acquisition method with the deferred revenue relating to the original 50% being reclassified as goodwill and changes to fair value relating to the previously owned 50 per cent accounted for as revaluations The purchase price adjustments relate to the settlement of outstanding disputes in respect of the consideration paid in 2004 and 2005, received in cash during the year

Details of net assets acquired and goodwill are as follows

Prior investments in NMRE

	£'000
Cost	18,542
Fair Value of net assets acquired	(18,542)
Reclassification of deferred revenue	(2,756)
Purchase price adjustments arising in 2007	(1,097)
	(3,853)

Acquisition of additional 50% January 2007

Cash Paid	30,000
Direct costs relating to acquisition	1,002
Cost of investment	31,002
Fair Value of net assets acquired	(23,715)
	7,287
Goodwill on acquisition	3,434

The acquisition was funded through the issue of 69 1 million shares raising £38 0 million £2 1 million of costs were incurred associated with this share issue

The directors reviewed the book values of the assets and liabilities acquired and have made the following adjustments

	Fair value £'000	Acquiree's Carrying amount £'000	Fair value Adjustment £'000
Cash and cash equivalents	10,625	10,625	-
Property, plant and equipment (Note 12)	69,951	69,951	-
Energy Usage Rights (included in intangibles) (Note 11)	83,272	42,753	40,519
Investment in Joint Ventures (Note 13)	-	414	(414)
Trade and other receivables	7,396	7,396	-
Financial Assets	2,178	2,178	-
Trade and other payables	(8,541)	(8,541)	-
Retirement benefit obligation	(175)	(175)	-
Borrowings	(92,115)	(92,115)	-
Deferred tax liabilities (Note 21)	(25,161)	(1,845)	(23,316)
Net assets	47,430	30,641	16,789
Previously held	(23,715)		
Net assets acquired (50%)	23,715		
Purchase consideration settled in cash		31,002	
Cash and cash equivalents in subsidiary acquired		(10,625)	
		20,377	

The fair value adjustment is £16,789,000 on acquisition 50 per cent (£8,394,000) has been recognised in the revaluation reserve

There were no acquisitions in the year ended 31 December 2006

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29 Pensions
The Group operates a defined benefit pension scheme with assets held in a separately administered fund In addition, the majority of employees are members of the Friends Provident Stakeholder defined contributions pension scheme Defined contributions for the year ended 31 December 2007 were £227,000 (2006 £91,000)

Defined benefit pension scheme
The defined benefit scheme relating to NMRE accounted for as an acquisition from 22 January 2007

An actuarial valuation of the Industry Wide Coal Staff Superannuation pension scheme using the projected unit basis was carried out during 2006 by the Government Actuary's Department, consulting actuaries An Actuarial report updated for the year ended 31 December 2007 in accordance with IAS 19 has been prepared for the Annual Report

The amounts recognised in the balance sheet are determined as follows

	2007 £'000
Present value of funded obligations	(904)
Fair value of plan assets	748
Liability in the balance sheet	**(156)**

	2007 £'000
Beginning of year	-
Acquisition of subsidiaries	863
Current service cost	35
Interest cost	45
Actuarial losses	(39)
End of year	**904**

The movement in the fair value of plan assets of the year is as follows

	2007 £'000
Beginning of year	-
Acquisition of subsidiaries	688
Expected return on plan assets	53
Contributions employer and employee	24
Actuarial losses	(17)
End of year	**748**

The amounts recognised in the income statement are as follows

	2007 £'000
Current service cost	29
Interest cost	45
Expected return on plan assets	(53)
Total included in staff costs (note 7)	**21**

The major assumptions used by the actuaries are

	2007 %
Future salary increases	4 2
Future pension increases	3 2
Discount rate	5 6
Inflation rate	3 2
Expected return on plan assets at year end	7 5

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience

The average life expectancy of a pensioner retiring at age 60 on the balance sheet date is 21 3 years for current pensioners and 22 3 years for future pensioners

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30 Operating lease commitments

Operating leases – motor vehicles

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2007 £'000	2006 £'000
Within one year	171	11
Between two and five years	101	11
Greater than five years	-	-
	272	22

	2007 £'000	2006 £'000
Operating leases – other		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows		
Within one year	148	69
Between two and five years	230	86
Greater than five years	90	-
	468	155

31 Related party transactions

The Group has an interest in an immaterial joint venture During the year the joint venture was charged by Novera £294,000 of management charges as an arms length transaction At 31 December 2007 a receivable of £336,000 is due from this joint venture

The above balance is not secured and is required to be settled in cash No guarantees have been received in respect of these balances No bad debt provisions have been made against the above balances and the bad and doubtful debt expense in the year in respect of these balances was £nil

32 Capital Commitments

The Group has a letter of credit of £21 8 million ring fenced for the construction of Lissett

33 Events occurring after reporting date

Further to the Company's announcement on 15 February 2008 the Company is continuing negotiations with 3i Infrastructure concerning a possible cash offer for the entire issued and to be issued share capital of Novera at a price of 90 pence per share

In seeking to address one of the pre-conditions noted in the announcement by the Company on 15 February 2008, Novera approached Waste Recycling Group Limited ("WRG") requesting consent to a potential change of control in certain leases and licenses Court proceedings have now been commenced for a determination of this issue Novera were informed on 22 February 2008 that WRG had appointed Infinis Limited as its agent in respect of the matter before the court The hearing on this matter is to take place on 7 and 8 April 2008

On 17 March 2006 the Board of Novera also announced that on 18 February 2008 it received an approach from Infinis Acquisitions Limited

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVERA ENERGY PLC

We have audited the parent company financial statements of Novera Energy plc for the period ended 31 December 2007 which comprise the Balance Sheet and the related notes These parent company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the group financial statements of Novera Energy plc for the year ended 31 December 2007

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company 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 parent company 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 parent company financial statements give a true and fair view and whether the parent company financial statements have been 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 parent company 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 The information given in the Directors' Report includes that specific information presented in the Operating Review and the Financial Review that is cross referred from the Review of operations section of the Directors' Report

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises only The other information comprises only the Chairman's Report, the Operating Review, Financial Review, the Directors, the Corporate Governance Statement, the Directors Report, and the Remuneration Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

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 parent company financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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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 parent company 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 parent company financial statements

Opinion
In our opinion

- the parent company 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,

- the parent company 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 parent company financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
17 March 2008

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Novera Energy plc
Company Balance Sheet
As at 31 December 2007

	Note	2007 £'000
Assets		
Non-current assets		
Investments	2	68,306
		68,306
Current assets		
Trade and other receivables	3	56
Net current assets		**56**
Net assets		**68,362**
Equity		
Ordinary shares	4	6,203
Merger reserve	4	61,979
Other Reserves	5	180
Total Equity		**68,362**

The Company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985 The profit for the year was £nil

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'

The Company has no recognised gains/(losses) other than those included in the profit and loss account and therefore no Statement of Total Recognised Gains and Losses has been presented

The financial statements on pages 60 to 63 were authorised by the Board of Directors on 17 March 2008 and were signed on its behalf by

David Fitzsimmons
Chief Executive Officer

Rory Quinlan
Chief Financial Officer

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Novera Energy plc

Notes to the Company Financial Statements
31 December 2007

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below

(a) Basis of preparation

These 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 Company accounting policies, which have been applied consistently, is set out below

Novera Energy plc was incorporated in the United Kingdom on 15 March 2007

(b) Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value

(c) Related party transactions

The company has taken advantage of the exemption permitted by FRS 8 not to disclose any transactions or balances that are part of the Novera Energy plc

(d) Dividends

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the members passing a written resolution Dividends paid are not disclosed on the face of the profit and loss account but as a distribution out of profit and loss reserves

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The Company financial statements are presented in GBP which is Novera Energy plc's functional and presentational currency The Directors of the Company have adopted GBP as its presentational currency as they believe it is the most relevant currency which reflects the risk and returns associated with the operations of the Company as the significant operations of the Company are either UK based or controlled from the UK

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges

Translation differences on non-monetary items, such as investments in associates and joint venture entities accounted for using the equity method, are reported as part of the fair value gain or loss

f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts All trade debtors are receivable within 30 days

Collectability of trade receivables is reviewed on an ongoing basis Debts which are known to be uncollectible are written off A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying value amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial

novera energy

g) Share Based Payments

The costs for share based incentives in respect of shares in the Company granted for services to subsidiary companies is treated as an increase in investment with the corresponding credit taken directly to reserves

2 Investments

	2007 £'000
Investment in Novera Energy Limited (100%)	68,126
Capital contribution in share based payments	180
	68,306

Novera Energy Limited in incorporated in Australia It is a intermediate holding company

3 Trade and other receivables

	2007 £'000
Intercompany receivable	56
	56

The above balance is not secured and is required to be settled in cash No guarantees have been received in respect of this balance No bad debt provision has been made against the above balance and the bad and doubtful debt expense in the year in respect of this balance was £nil

4 Called up share capital & Reserves

	Number of Shares 000	Ordinary Shares £'000	Merger Reserve £'000	2007 £'000
At 15 March 2007	-	-	-	-
Acquisition of Novera Energy Limited	123,958	6,198	61,928	68,126
Exercise of options	100	5	51	56
At 31 December 2007	124,058	6,203	61,979	68,182

The total number of authorised ordinary shares is 200 0 million and issued is 124 1 million shares with a par value of £0 05 per share All issued shares are fully paid

On 29 May 2007 the Company acquired the entire contributed equity of Novera Energy Limited in accordance with Companies Act 1985 the difference between the nominal value of the shares issued and contributed equity of Novera Energy Limited has been credited to the merger reserve

5 Other Reserves

	2007 £'000
At 15 March 2007	-
Movement in reserves	180
At 31 December 2007	180

Other reserves relates to share based payments

6 Directors

	2007 £'000
Total remuneration	385
Pension	3
	388
Highest paid director remuneration	110
Highest paid director pension	-
	110

None of the directors have any defined benefit pension obligations
The fees for the Directors have been borne by the Group

7 Audit Fees

The audit fees for the Company have been borne by the Group Group audit fees for the year ended 31 December 2007 were £112,000 and non audit fees were £30,000