



## Annual Report

Year ended 31<sup>st</sup> December 2008

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Registered Office:  
30 Bedford Street  
London WC2E 9ED

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COMPANIES HOUSE



**3% GROWTH IN REVENUE**

**>> STEADY OPERATIONAL PERFORMANCE**

**>> INCREASED AVERAGE SALE PRICE**

**MEASURABLE PROGRESS IN BUILDING WIND PORFOLIO**

**>> OPERATING: Mynydd Clogau (15MW)**

**>> CONSTRUCTION: Lissett (30MW)**

**>> CONSENTED: Glenkerie and A'Chruach (62-73MW)**

**>> IN PLANNING: 7 sites (70MW)**

**>> IN PRE-PLANNING: (248MW)**



## CHAIRMAN'S REPORT

*"Novera is in a sound financial position and well placed to strengthen its presence within the renewables market."*

### Business Overview

I am pleased to report that Novera Energy continued to make good progress in 2008 in delivering its strategy, ending the year confident of future expansion and success despite the turmoil in global financial markets.

Novera's strategy is to maximise the financial and operational performance of its generating assets and to reinvest the cash generated in the development of new renewable energy assets, with a focus on UK onshore wind.

Operational performance improvements continued during 2008 with increased in-house maintenance of engines and the introduction of new performance monitoring and data collection systems. Revenue increased by 3 per cent on a pro forma basis to £35.5 million, due to higher sales prices compensating for a 2 per cent decrease in generation to 554GWh (2007: 564GWh). Gross profit before depreciation and amortisation also increased by 4 per cent (on a pro forma basis) to £16.6 million due to increasing revenues and continued focus on cost control.

The Group also made substantial progress in developing its wind business. Construction of Lissett Airfield Wind Farm (30MW) was largely completed during 2008, with first production achieved in February 2009. This was just over two and a half years after the planning application for the project was submitted, making it one of the quickest onshore wind farm developments of this scale successfully delivered. Lissett is on track to have all turbines operational in March 2009 and the project is expected to be completed under budget.

During the year, Novera was granted planning consents for two wind farms in Scotland, taking the total consented wind capacity to a potential 118MW, depending on turbine selection. The newly consented wind farm sites, which have a combined potential capacity of 62-73MW, are Glenkerie (Scottish Borders) and A'Chruach (Argyll and Bute). Furthermore, the Group currently has seven sites in planning, 13 sites in pre-planning and a number of additional, less-advanced sites under evaluation with a potential capacity of approximately 70MW, 250MW and 300MW respectively.

In July 2008, Novera raised £15.0 million through a share placing to fund the Group's wind development programme. The Group ended the year with a cash balance of £20.4 million of which £6.1 million was in restricted bank accounts. The Group has two non-recourse, long-term (14 and 15 years) finance facilities in place: one for existing operations of £83.3 million; the other for the Lissett Airfield Wind Farm, which will be approximately £29.5 million on project completion.

### Outlook

Novera is in a sound financial position and is well placed to strengthen its presence within the renewables market. With the successes we have achieved to date in implementing our onshore wind development programme, we can look forward with confidence to making a significant contribution to a growing, low carbon economy and further successes for the Group.

### Employees

2008 was a challenging year for the Group, and staff responded with a positive attitude and a strong work ethic that delivered another good result. On behalf of the Board and all shareholders I would like to take this opportunity to thank them for all their efforts.

A handwritten signature in dark ink, appearing to read "Roy A Franklin".

ROY A FRANKLIN  
CHAIRMAN  
20 February 2008



## CHIEF EXECUTIVE OFFICER'S REVIEW

**"Novera had a successful year in 2008, with operational improvements implemented in the landfill gas generation business and significant progress achieved in our wind development pipeline including the construction of the Lissett Airfield Wind Farm."**

Novera had a successful year in 2008, with operational improvements implemented in the landfill gas generation business and significant progress achieved in our wind development pipeline, including the construction of the Lissett Airfield Wind Farm (30MW) which is scheduled to be fully operational in March 2009.

Novera has an established, diverse portfolio of renewable energy assets with a total capacity of 118MW in operation at the end of 2008: landfill gas (87MW); hydroelectric (16MW); and wind (15MW). Whilst the majority of our operational capacity is currently fuelled by landfill gas, over the next few years our strategy is to deliver a significant level of growth from onshore wind.

Our wind development portfolio currently comprises sites across the UK at various stages of development from early investigation through to construction, giving us confidence as we work towards our growth targets.

### OPERATIONS

The Key Performance Indicators ('KPIs') for our operations are based on power generation, revenue, costs and gross profit. The 2007 comparative figures are presented on a pro-forma basis as explained fully within the Financial Review.

The Group's revenue increased by 3 per cent with higher contract prices more than compensating for a 2 per cent decline in production, further details of which are set out below. These prices were achieved due to the higher one-year Power Purchase Agreement ('PPA') price, inflationary increase to the UK Government's Non Fossil Fuel Obligation ('NFFO') contracts, and a decrease in the proportion of less profitable energy generation sold under NFFO contracts. 87 per cent of Novera's 2008 power output was sold under long-term contracts (2007: 90 per cent). As these contracts expire Novera can expect to achieve market prices, which are currently higher, compared to Novera's 2008 average sales price of £60/MWh.

The main risks to our operations relate to asset performance, health & safety and environmental standards and the impact of weather. Operational performance is now monitored in real time with the establishment of a 24-hour control which assists us in identifying improvement opportunities and managing risk. Environmental and, health & safety risks are key priorities for Novera and we have appointed dedicated resources to assess and manage these risks. The geographical spread of our portfolio and weather predictions included in our financial models facilitate our assessment of the impact of weather on our results.

### LANDFILL GAS

Novera's landfill gas portfolio generated 468GWh during 2008 (2007: 487GWh). During 2008, we experienced a series of operational issues, common to the industry, such as delays to capping and over-tipping carried out by the waste companies at certain sites in our portfolio. We are working with waste operators to overcome these issues. Our major partners in the waste industry are: WRG, Sita and Viridor, as well as with Clarke Energy, the main third party provider of external operations and maintenance services to the Group's fleet of engines.

Further progress was made during the year with the Group's operating improvements programme. In-house engine maintenance was increased to include an additional 16 engines, previously out-sourced, to improve quality control, cost management and engine availability.

### HYDROELECTRIC

The 16MW hydro portfolio performed well in 2008 generating 51GWh (2007: 49GWh). The increase was largely the result of higher levels of rainfall.

### WIND

Generation from Mynydd Clogau (15MW) increased by 25 per cent to 35GWh (2007: 28GWh) as a result of favourable wind conditions.

### INDUSTRIAL AND WATER SERVICES

Novera is the UK's largest independent operator of sludge drying and dewatering facilities. The Group manages the operations and maintenance of sludge drying and dewatering plants in Cardiff, Newport and Port Talbot for Kelda Water Services, a role we have fulfilled for the last ten years. Novera also operates and



maintains a sludge drying facility in Edinburgh for Veolia Water Services. Revenue from this activity was up 2 per cent to £2.4 million.

#### **WIND DEVELOPMENT**

The KPIs for Novera's development arm are based on megawatt targets established on an annual basis for each stage of the planning process: appraisal, pre-planning, sites into planning and consent. Progress against all of these measures is tracked on a monthly basis.

#### **CONSTRUCTION**

The construction of our 12-turbine, 30MW Lissett Airfield Wind Farm was underway throughout 2008 under a turnkey design and build contract with turbine supplier, Nordex, and project managed by Novera's in-house construction team. Lissett started generating in February 2009, just over two and a half years after the planning application for the project was submitted. We are not aware of any other development of this size reaching first production in this timeframe. The project is expected to be completed under the budget of £38.5 million.

#### **CONSENTED SITES**

During 2008, we were granted consents for two further wind farm applications: 11-turbine Glenkerie (22-27MW) in the Scottish Borders; and 20-turbine A'Chruach (40-46MW) in Argyll and Bute. Work is underway in respect of construction plans and financing for Glenkerie.

#### **IN PLANNING**

The Group ended the year with eight wind farm sites in the planning system with a total capacity of approximately 80MW. One site, Fleeter Wood (10MW), has since been withdrawn while concerns regarding radar are addressed in liaison with National Air Traffic Services. Planning decisions on the remaining seven applications are anticipated during 2009.

#### **PRE-PLANNING AND APPRAISAL**

Our pipeline remains strong with 13 sites in the pre-planning stage, with a total potential capacity of approximately 250MW. For each of these sites we have completed a scoping study to confirm its suitability for a wind farm and have initiated a 12-month bird survey. We also have a number of additional, less-advanced sites in the 'appraisal' stage with an additional, combined potential in excess of 300MW.

Novera's wind development team expanded in 2008 in line with the growth of our portfolio. This has also allowed the Group to take elements of the specialist environmental impact expertise in-house.

#### **ENERGY FROM WASTE**

Novera holds the exclusive UK licence for a proven gasification technology which may be utilised at the consented East London Sustainable Energy Facility ('ELSEF') project.

In May 2008, a 15-year fuel agreement for the supply of 98,000 tonnes per annum of Solid Recovered Fuel was agreed with Shanks Waste Management Limited. In July 2008, an agreement was also signed with Ford Motor Company Limited ('Ford') for the supply of up to 13MW of electricity generated from ELSEF to use at their Dagenham Estate, and for the use of the land in Dagenham for the construction and operation of ELSEF.

In December 2008, the Energy Bill was passed into law confirming that Novera's gasification technology will be classed as 'Advanced Gasification' and qualifies for two Renewables Obligation Certificates ('ROCs') under the proposed banding by the UK Government.

The pre-development work on the ELSEF project is now nearing completion and Novera is currently in discussion with potential partners to take the project forward to financial close.

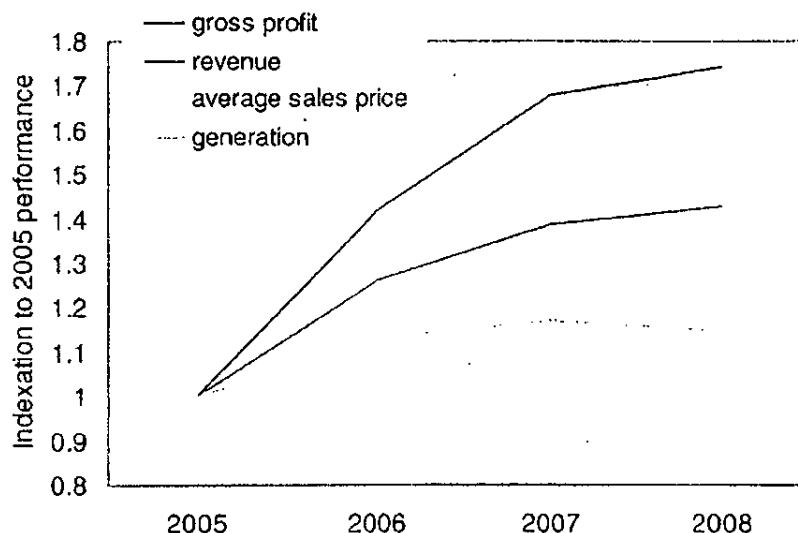


## Outlook

Under the European Union's Renewable Energy Directive, the UK has been set a target of generating 15 per cent of its energy from renewable energy sources by 2020. The UK Government has reported that, in 2007, only 4.9 per cent of total electricity generation came from renewable sources while recent targets published in the UK Renewable Energy Strategy call for this to increase to 30-35 per cent by 2020, highlighting the urgency to move quickly towards a lower carbon economy.

At the end of 2008, we are confident in our ability to deliver further improvements from our new Operations Centre and retain our strong track record in achieving planning consent for our wind sites. Generation from our wind portfolio will increase with the start of production from Lissett Airfield, with the prospect of Glenkerie and A'Chruach to follow.

Novera's portfolio comprises landfill gas, hydro and wind assets at 57 sites across the UK. The Group's renewable capacity at the end of 2008 was 118MW and this will rise to 148MW on completion of Lissett Airfield Wind Farm.



During 2008, revenue from operations increased by 3 per cent in 2008 to £35.5 million and gross profit (before depreciation and amortisation) increased by 4 per cent to £16.6 million. It is expected that generation from our landfill assets will remain on plateau and then decline.

Novera is addressing this movement by:

- o Achieving higher average sales price as NFFO contracts expire;
- o Delivering operational improvements by increasing in-house O&M;
- o Enhancing performance monitoring and cost-saving initiatives; and
- o Increasing up generation from our wind portfolio.

**2006:** Identifying operational improvements post-acquisition of the Novera Macquarie Renewable Energy ('NMRE') operations business.

**2007:** Re-location of the operations headquarters to premises with in-house engine workshop; improved management of external engine maintenance contracts; the optimisation of engine use to maximise the time between overhauls; and the renegotiation of lower royalty rates.

**2008:** During the year, various cost-saving, quality control and availability improvements were implemented. One of the main drivers was bringing the day-to-day operations and maintenance of 16 previously out-sourced engines to our in-house maintenance facility in Warrington. Here we are also able to undertake major rebuilds on several engines. The faster turnaround times have led to further benefits through increased availability achieved.

- o A new 24/7 control room was established to remotely monitor the engines to allow them to be remotely restarted.
- o Novera's bespoke engine and site automation system was also extended to cover an additional 26 engines, allowing full-engine fault diagnosis and remote restarting capability.
- o New controls were fitted to nine engines which replaced out of date systems, bringing the benefit of connecting into the Novera Automation system.

A Novera Operations intranet was established to facilitate the electronic weekly reporting of key environmental and site-related data. The facility has provided management with a clear overview of site activities. A new



half-hourly electricity data collection system was also introduced, allowing day +1 generation analysis and reporting to ensure resources are focussed where required.

Finally, in response to the changing profile of gas production across our portfolio of sites, we continued with our programme of fleet optimisation and relocated a number of engines, maximising generation from the same installed capacity.

#### **POWER SALES AND TRADING**

Novera's average price for power sales in 2008 was £60/MWh (2007: £57/MWh), an increase of 5 per cent. Our generation is sold under Power Purchase Agreements ('PPAs'), under which a customer takes all the electricity generated from specified assets for the contractual period, whether short term (one-year) or long term (15 to 20 years). 87 per cent of Novera's energy generation was sold under long-term contracts in 2008 (2007: 90 per cent).

In 2008, 56 per cent of our generation was from sites developed under the UK Government's Non Fossil Fuel Obligation ('NFFO') programme (2007: 59 per cent). Output from these sites is sold via the Government's Non Fossil Purchase Agency ('NFPA'). The percentage of Novera's output sold under these NFFO contracts is expected to continue to fall as these contracts expire and, based on current market pricing, our average price is expected to rise as a result. The average price for our NFFO sales in 2008 was £46/MWh (2007: £44/MWh), an increase of 2 per cent, reflecting the RPI indexing of these contracts.

31 per cent of generation in 2008 was sold under long-term contracts to energy retailers such as EON and Centrica under Renewable Obligation PPAs. In April 2010, the Centrica PPA contract prices will change from fixed prices to market-based prices.

The remaining 13 per cent of generation in 2008 was sold under a one-year PPA at a sales price of £98/MWh compared to £81/MWh in 2007. In July 2008, Novera announced the sale of 81GWh at a price of £136 per MWh under a one year PPA for the period 1 April 2009 to 31 March 2010.

The PPA for generation from the Lissett Airfield Wind Farm is a 15-year contract with Scottish and Southern Energy, under which prices will be set annually on market-based prices from March 2009.





## Lissett Airfield Wind Farm

**"Propellers back at Lissett."** Rev. Ken Skidmore (ex Flight Engineer at Lissett)

The first turbines at Novera's Lissett Airfield Wind Farm in the East Riding of Yorkshire were erected in December 2008 and the remainder completed in February 2009. Energy generation from the first turbine was achieved in February when commissioning of the turbines commenced. The project was under construction throughout 2008 under a turnkey design & build contract with the turbine supplier Nordex UK Ltd, project managed by Novera's in-house construction team.

The project has involved the construction of roads, crane platforms, turbine foundations, a site substation and on-site electrical and communications network, in addition to the wind turbines. Health and Safety has been given the utmost importance throughout and the Construction (Design and Management) Regulations 2007 have been rigorously adhered to by Novera, acting in its role as client.

Works were mobilised at site in December 2007 with the start of the construction of the new road network and crane platforms to gain access to the turbine locations. Difficult underlying ground conditions meant that deep foundations were required; all 12 of the bases had to be piled to depths of up to 30m through bands of sand and gravel to the underlying chalk with each base requiring a minimum of 30 pre-cast driven piles to be installed in order to carry the wind turbine loads.

Works were suspended at the start of March 2008 in line with the planning consent conditions which stipulated a bird breeding season restriction.

On re-mobilisation works continued on the piling and road construction before works started in earnest on the construction of the pile caps and foundations. After installation of the electrical and communications network, erection of the wind turbines commenced in late November 2008 when the project took delivery of the 1000<sup>th</sup> N90 turbine produced by Nordex. The 2.5MW Nordex N90 wind turbines have a hub height of 80m and 90m diameter blades requiring the combined operation of a 500-tonne and 250-tonne crane for their installation.

Yorkshire Electricity Distribution Limited ('YEDL'), the local electricity company, supplied the grid connection works for the site via 12km 66kV underground connection from their existing grid supply point at Driffield.

Challenges have been encountered and successfully overcome throughout the year. These included balancing the competing needs of the construction works against activities on an intensely farmed arable site, as well as the need to accommodate problems encountered from munitions left over from the site's previous use as a former RAF bomber command airfield.

The scheme is Novera's second wind farm site and the first that it has project managed directly. The Group currently has generation capacity of 118MW from renewable sources and this rises to 148MW on the integration of Lissett Airfield into the operational portfolio.

### Development timeline

2005		Site identification Exclusivity and Access Agreement with Landowner
2006	July	Planning application
2007	February	Planning consent granted
	October	Financial close
	December	Project construction commenced
2008	November	First turbines delivered
2009	February	First production
	March	Due to be fully commissioned

Project Fact File	
Budget	£38.5m
Power	74.5GWh
Main Contractor	Nordex UK Ltd
Grid Contractor	YEDL
Technical Advisor	Entec



### **RAF 158 SQUADRON**

During the Second World War, Lissett was home to the Royal Air Force '158' Squadron. RAF Lissett Airfield was built between 1941 and 1943 and was the closest Yorkshire bomber airfield to Germany during WWII. As well as the 3-runway airfield, there was accommodation for around 1,800 personnel on and around the site. Around 250 raids were made from the airfield during the war. 144 Halifax Bombers failed to return or were destroyed in operational crashes with the loss of over 600 aircrew from Lissett Airfield.

### **MEMORIAL SCULPTURE**

Given Lissett Airfield's fascinating history, Novera was pleased to include in its planning application the construction of a memorial to the 851 members of 158 Squadron who died in active service, and a site interpretation board explaining the airfield's history.

In consultation with the 158 Squadron Association and East Riding of Yorkshire Council ('ERYC'), Novera held a design competition for a memorial sculpture as tribute to the contribution that the Squadron made to the war effort during its operation. The memorial unveiling ceremony for RAF veterans and members of the Squadron Association will be held in 2009.

### **NAMING OF THE TURBINES**

At the suggestion of 158 Squadron Association, eleven of the turbines erected at Lissett will be named after aircraft that flew with the 158 Squadron: Friday the 13th, Goofy's Gift, Lili Martene, Jane, Xpress Delivery, The Menace, Blondie, Zombi, Maori Chief, Git up dem Stairs and Minnie the Moocher. The twelfth will commemorate the six aircraftmen who perished on 2 July 1943.

The six who perished, due to the Bomb Dump incident, were Corporal Leslie Fielding, Aircraftman Lewis Moore, Aircraftman William Mithan, Aircraftman Kenneth Taylor, Aircraftman Robert Mills and Aircraftman Jack Laycock.

Official naming of the turbines will take place as part of the annual reunion of 158 Squadron Association in September 2009.

### **COMMUNITY FORUM**

Novera's approach as a responsible developer and operator of renewable energy involves consulting widely with local communities and others with an interest in the development. As soon as projects enter the construction phase, a Community Liaison Forum is established primarily as a vehicle for disseminating updates to the wider community.

At Lissett, the Construction Director, Gregor Bryce, and Communications Manager, Sarita Bansal, managed the Forum throughout 2008, alternating months between issuing a newsletter updates to over 12,000 residents local to the site and holding open Forum meetings at the local village hall. This ensured that any concerns could be dealt with as soon as they arose.



## **WIND DEVELOPMENT EXPERTISE**

During 2008, Novera increased its wind development resources by six staff to include in-house expertise in the specialist areas of site selection, planning, grid, ecology, environmental impact assessment, construction and operations and maintenance.

The strengthening of the team has increased the Group's efficiency of project management and decreased the dependency on external consultancies.

### **CONSENTED SITES (62-73MW)**

#### **GLENKERIE**

The 11-turbine Glenkerie site lies between two tributaries of the River Tweed in the Scottish Borders. The planning application was submitted in December 2007 and was approved by both Scottish Borders Council and the Scottish Government in September 2008.

The wind farm site is well elevated, remote from residential properties and used for sheep-grazing. Glenkerie will have a capacity of 22-27MW, enough to power approximately 16,400 households\*. This is the equivalent of over 30 per cent of the population of Scottish Borders local authority area.

Detailed design work on the connection to the grid has started and Novera is in discussions with several turbine suppliers to provide wind turbines for Glenkerie as well as for other sites in the Group's portfolio.

#### **A'CHRUACH**

A planning application for the 20-turbine A'Chruach Wind Farm in Argyll, Scotland, was submitted in December 2007, consented with no statutory objections five months later in May 2008 and the planning notice issued in September 2008.

The wind farm will be constructed on land owned by Forestry Commission Scotland ('FCS') which is secured under an option and lease agreement. National Grid and Scottish Hydro-Electric Transmission Ltd are concluding work to determine the timing of a connection.

Depending on turbine selection, A'Chruach will have a capacity of 40-46MW and the renewable energy expected to be generated is equivalent to the average annual electricity demand of approximately 25,000 households\*, representing more than 64 per cent of the population households of Argyll and Bute.

*\* Based on 4,700kWh average annual household electricity consumption, recommended by BWEA and sourced from BERR (previously DTI) Digest of UK Energy Statistics, 2005).*

### **IN PLANNING (70MW)**

Novera has seven wind farm sites in the planning system. All of the locations were selected as having a number of attributes which allow for the development of a wind farm with minimal environmental effects. The selected areas will typically have excellent potential due to their exposed nature and high wind speeds and no designations on the site. The planning decisions for these seven applications which have a combined potential capacity of approximately 70MW are anticipated during 2009.

### **PRE-PLANNING (248MW)**

There are currently 13 sites for which feasibility studies have been undertaken and bird surveys have commenced. Several of these sites are anticipated to be taken forward into the planning stage during 2009.

### **APPRAISAL (300MW)**

Further site search activity to identify new areas potentially suitable for wind farms has been ongoing and has already yielded results with a number of sites now under appraisal by the Group with a combined potential capacity of 300MW.

**Wingates                      12-15MW                      6 TURBINES                      110M BLADE TIP HEIGHT**

Application to Alnwick District Council: December 2008

The site is located approximately 6km south of Longframlington and 4km north of Netherwitton in Northumberland. Situated on farmland used for sheep grazing and some recently planted mixed broadleaf woodland, the land is relatively flat and open with a mixture of wire fences and hedges forming the principal land divisions.

**Gordonstown Hill                      10-12.5MW                      5 TURBINES                      100M BLADE TIP HEIGHT**

Application to Aberdeenshire Council: December 2008

The land currently comprises agricultural farmland at Gordonstown Hill, near Kirkton of Auchterless and approximately 9km south of Turriff, Aberdeenshire.

**Sillfield Wind Farm\*\*                      6MW                      3 TURBINES                      110M BLADE TIP HEIGHT**

Application to South Lakeland District Council: September 2008

The site is adjacent to the main transport corridor of the M6 (640m from the nearest turbine) and 2.5km from Endmoor in South Lakeland, Cumbria. The landowners have been investigating the possibility of a wind energy development on their land since 2003, as a form of diversification.

*\*\* Sillfield is owned by a joint venture between Novera and an independent developer and which will be 100 per cent owned by Novera, should consent be granted.*

**Todd Hill                      8-10MW                      4 TURBINES                      101M BLADE TIP HEIGHT**

Application to Castle Morpeth Borough Council: December 2008

The site lies on agricultural land north of Pigdon and east of Stanton, some 6km northwest of Morpeth, in Northumberland. The site is dominated by intensively grazed grassland and arable farmland. The site is bordered by hedgerows, with areas of woodland and commercial forestry plantation.

**Bullamoor                      10-12MW                      4 TURBINES                      130M BLADE TIP HEIGHT**

Application to Hambleton District Council: December 2008

The exposed location on a broad ridge, elevated above surrounding land which typically creates good wind conditions is situated approximately 4km northeast of Northallerton and 2km southeast of Brompton in North Yorkshire. The site is mainly managed farmland bordered by hedgerows.

**Mynydd Clogau 2                      16MW                      19 TURBINES                      81M BLADE TIP HEIGHT**

Application to Powys County Council: March 2008

The site is adjacent to Novera's operating wind farm in mid-Wales, approximately 10km northwest of Newtown in Powys.

**Mountboy                      6MW                      3 TURBINES                      105M BLADE TIP HEIGHT**

Application to Angus Council: January 2007

The site is located approximately 6km south west of Montrose in Angus, Scotland. The application is currently the subject of a public local inquiry.



## CHIEF FINANCIAL OFFICER'S REVIEW

*"In 2008, we strengthened the Company's balance sheet and increased our investment in our wind development pipeline."*

## FINANCIAL REVIEW

In 2008, we strengthened the Company's balance sheet and increased our investment in the wind development pipeline. Highlights for 2008 were:

- Raising £15.0 million (before costs) in cash through a placing of 19.5 million shares to fund the continuing investment in our wind portfolio;
- £20.4 million cash in bank at the year end, of which £6.1 million was restricted cash;
- Net debt at £70.5 million at the year end;
- Secure, long-term finance facilities in place;
- £14.2 million invested in construction of 12-turbine Lissett Airfield Wind Farm (30MW); and
- Significant cash flow from operations available to be re-invested in development activities.

## 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 08 £'000	31 Dec 07 £'000
Revenue	35,514	32,148
Cost of sales	(18,944)	(17,239)
Gross profit before depreciation and amortisation	16,570	14,909
Administration costs	(4,187)	(3,480)
Pre-construction costs	(2,120)	(1,179)
EBITDA	10,263	10,250
Net loss after tax	(3,544)	(1,958)
Tangible & intangible assets	168,252	159,056
Cash balance	20,385	10,803
Borrowings	(90,932)	(87,910)
Net assets	58,292	57,229

For the purposes of comparison the Directors have also produced the 2007 results of the Group on a pro-forma basis which better reflect the underlying performance of the businesses comprising the Group. The 2007 comparative period assumes 100 per cent ownership of Novera Macquarie Renewable Energy ('NMRE'); the Group actually owned 50 per cent of NMRE until 22 January 2007.

	31 Dec 08 £'000	31 Dec 07 Pro forma £'000 (unaudited)
Revenue	35,514	34,440
Cost of sales	(18,944)	(18,449)
Gross profit before depreciation and amortisation	16,570	15,991
Administration costs	(4,187)	(3,582)
Pre-construction costs	(2,120)	(1,179)
EBITDA	10,263	11,230
Tangible & intangible assets	168,252	159,056
Cash balance	20,385	10,803
Borrowings	(90,932)	(87,910)
Net assets	58,292	57,229



On a pro-forma basis the key financial highlights for the year ended 31 December 2008 include:

- Annual revenue of £35.5 million up 3 per cent:
  - Landfill Gas increased by 1 per cent to £27.2 million
  - Hydroelectric increased by 7 per cent to £3.4 million
  - Wind increased by 31 per cent to £2.5 million
  - Water services and industrial increased by 2 per cent to £2.4 million
- Average sales price across the portfolio increased to £60/MWh in 2008 (2007: £57/MWh). Higher prices were achieved due to a higher average one-year PPA price and an inflationary rise on NFFO contracts. The increase in revenue also reflects the evolution of the Group's contract structure, with the proportion of our production being sold under lower value NFFO contracts falling from 59 per cent in 2007 to 56 per cent in 2008.
- Gross profit (before depreciation and amortisation) increased by 4 per cent to £16.6 million due to increasing revenues and continuation of cost-saving measures.
- EBITDA decreased by 9 per cent to £10.3 million due to increased investment in our development pipeline, increasing pre-construction expense, and one-off administration costs (£0.5 million) in the first half of 2008 relating to approaches from 3i Infrastructure Limited and Infinis Acquisitions Limited.
- Pre-construction expenditure incurred in cash was £4.3 million (2007: £3.0 million) of which £2.5 million (2007: £1.8 million) was capitalised and £1.8 million was expensed (2007: £0.6 million). A further £0.3 million of pre-construction costs in the Income Statement relates to previously capitalised projects that are no longer moving forward and have been expensed. 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.
  - Wind cash expenditure increased by £1.6 million to £4.0 million (£2.5 million capitalised), reflecting the increase of activity with five planning applications submitted during the year.
  - ELSEF-related expenditure was £0.3 million (2007: £0.6 million).

#### **PLACING TO RAISE £15 MILLION**

In July 2008 Novera placed 19.5 million shares with institutional and other investors and Directors at a price of 77 pence per share, raising a total of £15.0 million before costs.

The proceeds of the Placing are being used to further the Group's wind development programme:

- To submit additional wind farm sites into planning;
- To fund reservation fees to secure wind turbines;
- To fund future wind projects; and
- For working capital purposes.

#### **CONSTRUCTION OF LISSETT AIRFIELD WIND FARM**

The Lissett Airfield Wind Farm was substantially constructed during the year, with completion expected in March 2009. Capital cost (including accruals) incurred in the year was £14.2 million, bringing total incurred for the project to £22.3 million. The project is expected to come in below budget of £38.5 million.

The first draw down on the loan facility was made in October 2008, and at 31 December 2008 £7.1 million had been drawn down. The remaining debt is due to be drawn down during the first quarter of 2009 as the project is completed. The remainder of the capital cost was funded from existing cash reserves.

#### **CASH POSITION AND FINANCE FACILITIES**

At the end of 2008 Novera had a closing cash position of £20.4 million (including £6.1 million in restricted cash), and all debt funding of £90.9 million under Project Finance arrangements.



The Group had two non-recourse long-term project finance facilities in place: £83.3 million for existing operations with 14 years remaining; and £7.1 million drawn down for Lissett Airfield Wind Farm, with 15 years remaining. No refinancing obligations are attached to either facility. There is also a balance of £0.5 million held in a monthly, revolving VAT facility for the Lissett construction.

The existing operations have a syndicated loan facility secured by a floating charge over the assets of Novera Energy (Holdings 2) Limited Group. The debt is 99 per cent fixed until 31 December 2009 and 82 per cent fixed until 2014 with a weighted average interest rate of 6.2 per cent.

The Lissett Airfield Wind Farm has been financed by a combination of equity and debt. The equity amount (£9.0 million) has been fully funded. The total debt is expected to be approximately £29.5 million on project completion, with the remaining debt due to be drawn down during the first quarter of 2009 as the construction of the project is completed. 95 per cent of the debt is fixed at an interest rate of 6.13 per cent over the term of the facility.

The mark-to-market on the interest rate swaps in place over the Novera Energy Holdings 2 loan has moved from an asset of £0.6 million in 2007 to a liability of £5.9 million in 2008 due to a fall in long-term interest rates. In addition to this, the interest rate swaps entered into financial close in November 2007, for the Lissett facility represent a liability of £3.7 million on the 31 December 2008 Balance Sheet.

Novera focuses on operating cash flow to maximise shareholder value over the long-term. Novera is in the fortunate position to be able to use cash generated by our operational business to invest in our development pipeline. Once operational, Lissett Airfield Wind Farm will provide a step increase to the Group's operating cash flow. Options for financing future wind farm sites include debt, equity and asset sale of whole or part of a consented or operating site.

#### **POWER SALES AND TRADING**

Novera has entered into various PPAs under which a customer takes all the electricity generated from specified assets for the contractual period, typically between one and 15 years.

The Lissett PPA is over 15 years with the price being fixed annually based on market price. 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, interest, and credit risk. A risk management plan is prepared regularly and reviewed by the Board.

Novera's risk management programme includes the predictability of revenue and control over costs to maximise financial performance. Long-term PPAs and generation forecasts provide predictability of revenue. Actual operational and financial performance is monitored against budget on a monthly basis to optimise performance and address any areas of risk. The renewable energy industry is supported by legislative, long-term renewable energy targets.

Interest rate swaps are used to manage exposure to interest rate fluctuation. All deposits are held with an AA-financial institution. Novera's customer base comprises mainly of large electricity retailers and water utilities, and the Government's NFPA. 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  
20 February 2009

**RORY QUINLAN**  
CHIEF FINANCIAL OFFICER  
20 February 2009



## **Sustainability Review**

As a leading independent renewable energy company, central to Novera's strategy is the generation of green electricity. Novera strives to maximise production of clean energy and minimise energy consumption in order to reduce our overall carbon dioxide emissions. Novera is committed to the continual improvement of its sustainability performance.

Novera's approach to sustainability encompasses all aspects of the business, from office recycling initiatives and car sharing incentives through to staff welfare schemes and community engagement programmes for development programmes.

### **HEALTH, SAFETY, ENVIRONMENTAL AND QUALITY MANAGEMENT**

Novera seeks to operate its sites to the highest industry standards at all times. Procedures have been implemented for an Environmental Management System to meet the requirements of ISO 14001 the standard to which it became fully compliant in August 2008.

Novera also holds certification standard ISO 9001 accredited by British Standards Institution ('BSI') and, during the year, was also awarded the Occupational Health & Safety Assessment Series 18001 standard. Novera employs dedicated staff to manage the health, safety and environmental standards of the Group and furthermore, has achieved BSI accreditation for our respective OHSAS, Environmental and Quality systems.

### **ENGAGING WITH KEY STAKEHOLDERS**

Novera recognises the importance of consulting early with the local community in its wind development programme and comments by local residents provide important local knowledge which contributes to the final planning application. Consultation continues after a planning application has been submitted and, if granted planning consent, during the construction and throughout the operational life of the asset.

Prior to submitting its planning application for the Lissett Airfield Wind Farm, Novera consulted with the East Riding of Yorkshire Council, professional entities with a direct interest in the proposed wind farm, the local community and potential local construction partners. Before construction started a Community Liaison Forum was established to provide representatives from neighbouring Parish Councils with regular updates on the construction process.

As a direct response to comments from the local residents and the Community Forum, Novera has made a contribution of £20,000 to HEYwoods a local initiative whose purpose is to plant trees in the East Riding of Yorkshire.

Novera is a member of the British Wind Energy Association, the Renewable Energy Association and Scottish Renewables. The Group is also a Corporate Patron of the Royal Society for the Protection of Birds ('RSPB').

### **CONSULTATION: A RESPONSIBLE APPROACH TO WIND DEVELOPMENT**

All of Novera's planning applications are accompanied by a detailed assessment of the suitability of the site for the proposed wind farm. Important areas of assessment include the impact on local wildlife, in particular local bird populations. Bird surveys are conducted over a period of at least 12 months before assessment by experienced ornithologists. Consultation with Natural England and the RSPB also form part of this assessment.

The RSPB Conservation Officer reported on Novera's approach to the development of Lissett:

*"I would also like to take this opportunity to pass on my sincere thanks to Novera Energy... for the considerable time and effort they have invested in this proposal in order to try to ensure that the wind farm will be a positive example of sustainable development which delivers the environmental benefits of renewable energy whilst safeguarding the considerable biodiversity and conservation interest at the site."*





***"Novera actively encourages using local contractors for construction, operation and maintenance work."***

**LOCAL EMPLOYMENT**

Novera actively encourages using local contractors for construction, operation and maintenance work wherever possible. For example at Lissett Airfield we sourced local aggregates and concrete from the quarry adjacent to the airfield. Novera is pleased to be working with a local artist, Peter Naylor, on the Lissett memorial, the construction of which will involve materials and resources of a locally-based firm, Campbells.

**COMMUNITY FUNDS**

The Trust set up at Mynydd Clogau Wind Farm in Wales has funded educational projects and equipment for the local youth football team. Beneficiaries to date include Adfa Village Hall, Cwm Llanllugan Community Centre, Tregynon Dragons Football Team, Adfa Chapel, St Mary's Church, Cefn Coch Training Group, Tregynon Luncheon Club, Bethany Youth Group, Ti a Fi Rhiwbechan, Rhiw Valley Youth Club and Ysgol Rhiwbechan. Also, a number of students have received financial support to assist with their course costs.

Once Lissett Airfield Wind Farm is fully operational, Novera will make a donation into a local Trust Fund to ensure that some of the revenue generated by the wind farm directly benefits the local community through investment in local initiatives.

Similar Trust Funds will be established for the next round of sites, post construction. In Argyll and Bute where Novera's 40-46MW A'Chruach has been consented and a fund will also be established, we are proud to have been a supporter of the annual Lantern Festival for the past two years and we look forward to making a contribution to other cultural and community-based initiatives in the area.

With all Novera's Trust Funds, the contributions are managed by local people and used for sustainable, local projects and initiatives of their choice.

**CHARITABLE DONATIONS**

As a renewable energy company, Novera recognises the importance of supporting positive, community initiatives and we strive to be active in our community involvement. Novera will donate to eligible organisations with consideration given to those in the fields of education, community, health care and sustainability.

**HUMAN RESOURCES POLICY**

Novera Energy is committed to investing in staff across the business through ongoing training and development and by means of a range of employee benefits to promote staff retention. HR policies including performance review, recruitment planning and equal opportunities are continuously refined in-line with business needs. Regular communication on company issues remains central to engendering Novera's culture of continuous improvement and growing our talent.



**novera energy**

## **BOARD OF DIRECTORS**

### **Roy A Franklin OBE, Chairman**

Roy is Chairman of Novera Energy plc; he is also Non-executive Director and sits on the Group's Nomination Committee.

Roy 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 is also a non-executive director of StatoilHydro ASA, the Norwegian oil and gas company, Santos Ltd, the Australian independent oil and gas exploration company and Keller Group plc, the FTSE 250 ground engineering specialist. He is a member of the StatoilHydro and Keller Audit Committees, the Keller Remuneration Committee and the SANTOS Environmental Health Safety and Sustainability Committee. He is also Chairman and a non-executive director of both AIM-listed Bateman Litwin N.V., and TS Marine Ltd, an Aberdeen-based private oilfield services company.

### **David Fitzsimmons, Chief Executive Officer**

David joined Novera in October 2005, since which time the company has completed its transition from Australia to the UK, acquired the remaining 50 per cent of its previous JV with Macquarie and established a strong portfolio of development opportunities. Before joining Novera, David spent 27 years with BP. There 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.

David brings to Novera in-depth knowledge of energy markets together with proven management and strategic skills, and experience in leading growth businesses.

### **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 commenced with Novera in 2004 and has since led all of Novera's corporate and commercial initiatives to date including all acquisitions, and debt and equity financings.

### **Michael A Cairns OBE, 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 OBE, 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 White Young Green plc where he chairs their Remuneration Committee and is a member of the Audit and Compliance Committee. He holds the same roles in Novera and is the Group's Senior Independent Director.

### **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 Govell in corporate finance. After a subsequent period as a corporate recovery specialist, he joined Investec Henderson Crosthwaite in 1995. James was a director of UK Land plc from 1993 to 2003 and is currently a non executive director of Treatt plc.

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

Novera Energy plc is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange ('LSE'). 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 June 2006. However, the Board supports the principles contained in the Code, complies where appropriate and cost-effective 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 off-site meeting annually to discuss strategy. The Board also meets as required to deal with urgent business.

The table below lists the number of Board Meetings, Board Committee Meetings, and Directors' attendance during the year ended 31 December 2008.

Director	Meetings of Directors	Meetings of committees		
		Audit & Compliance	Remuneration	Nominations
Number of Meetings	16	3	8	1
R. Franklin	16	*	*	1
M. Cairns	16	*	8	1
B. Duckworth	16	3	8	1
D. Fitzsimmons	16	*	*	*
J. Grace	16	3	8	1
R. Quinlan	15	*	*	*

\* Not a member of the relevant committee

The functions reserved for the Board and management are set out in the Corporate Governance Manual. The Board of Directors are responsible for the direction and oversight of the Group.

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 page 18 of this Annual Report.

The responsibilities of the Board include:

- approval of goals, strategy and plans for the Group's direction and monitoring implementation;
- approval of the Group's risk management and internal control framework;
- approval of Group 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 Corporate Governance Manual and its policies are updated and managed by the Company Secretary. Responsibility for the management of day-to-day operations and administration of the Group 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 is Chairman and 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 all the Non-executive Directors; Roy Franklin, Michael Cairns, 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 Articles of Association, which provides for a minimum of three and a maximum of ten directors.

The Group 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. The current members are the Non-executive Directors; Brian Duckworth, James Grace, Michael Cairns and Roy Franklin. The number of meetings held by the Committee has been outlined on page 19.

#### 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 Group and have unrestricted access to the records and information of the Group.

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

#### PERFORMANCE EVALUATION

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 by the Chairman or allocated line manager. 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 on page 18, 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 26 to 29 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 Group successfully. A significant proportion of executive directors' remuneration shall be structured as to link rewards to corporate and individual performance.



## REMUNERATION 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; and
- material changes to the rules of the Group pension or employee share scheme;

The Committee meets as necessary, but at least once a year. 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 19.

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

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

The responsibilities of the Directors and Auditors are set out in the Directors' Report and Auditors' Report on pages 24 and 30 respectively.

### INTERNAL CONTROL

The Group'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 Group 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 Group 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) 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 Committee members. 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 ACC has been outlined on page 19. The formal terms of reference for the ACC are set out in the Corporate Governance Manual.

### RELATIONS WITH SHAREHOLDERS

The Group has a communications strategy to promote effective communication with all shareholders and encourage effective participation. Communication initiatives undertaken by the Group include media announcements and the Group's website. Other than during a closed period the Chief Executive Officer 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 Group's website 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.

The Chief Executive Officer has overall responsibility for management of the Group'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 attend the AGM 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.

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

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:

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

The qualifications and experience of the Directors are set out on page 18 of this Annual Report.

#### **COMPANY SECRETARY**

Ms Liz Oldroyd

#### **MEETINGS OF DIRECTORS**

The numbers of meetings of the Group's Board of Directors, of each Board Committee held during the year ended 31 December 2008 and of the number attended by each Director, are disclosed in the Corporate Governance Statement on page 19.

#### **PRINCIPAL ACTIVITIES**

During the year the principal continuing activities of the Group, all of which are in the UK, comprised of:

- the operation of a renewable energy portfolio consisting of landfill gas, wind farms and hydroelectric;
- the operation of a water services business, providing operation and maintenance services to the wastewater industry;
- the development of wind farm sites;
- the development of the East London Sustainable Energy Facility ('ELSEF') project; and
- construction of a 12-turbine 30MW wind farm at Lissett Airfield in East Riding of Yorkshire.

#### **RESULTS**

The consolidated loss for the year ended 31 December 2008 after income tax was £3.544 million (2007: £1.958 million).

#### **DIVIDENDS**

No dividend was declared or paid during the year ended 31 December 2008 (2007: £ nil).

#### **REVIEW OF OPERATIONS**

A review of operations including KPIs is set out in the Operating Review and Financial Review included on pages 4 to 6 and 13 to 15.

#### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There has not arisen, in the period between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors of the Group to significantly affect the financial statements.



## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Group will continue to pursue new opportunities in the UK.

Save as set out in this report and accounts, further information on likely developments in the operations of the Group, and the expected results of those operations, has 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 Group has in place a global Directors' and Officers' insurance, insuring past, present and future Directors and Officers of the Group 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 2008 was £16,200 (2007: £24,366).

## **DIRECTOR'S RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent Company 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 financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent Company 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 comply with the Companies Act 1985. 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 Group's website. 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 Group's auditors are unaware. Each Director has taken all the steps 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 Group's auditors are aware of that information.





#### **ENVIRONMENTAL REGULATION**

The Group is subject to environmental regulation in relation to its operations. The Group 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.

#### **CHARITABLE DONATIONS**

The Group donated £500 to Cancer Research and £644 to Great Ormond Street Hospital during the year ended 31 December 2008 (2007: £nil). No political donations were made.

This Report has been approved by the Board of Directors.

A handwritten signature in black ink, appearing to read 'D. Fitzsimmons', with a horizontal line drawn underneath.

**DAVID FITZSIMMONS**  
CHIEF EXECUTIVE OFFICER

A handwritten signature in black ink, appearing to read 'R. Quinlan', with a horizontal line drawn underneath.

**RORY QUINLAN**  
CHIEF FINANCIAL OFFICER

London, 20 February 2009



## **REMUNERATION REPORT**

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

### **REMUNERATION POLICY**

The Group 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 Group's business objectives;
- ensure that the remuneration policy is competitive and fairly reflects the appropriate returns for achieving the Group's business goals and achieving success in the markets within which the Group 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 Group'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), Michael Cairns and James Grace.

### **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 a 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 Group does not offer a defined benefit pension scheme to executive directors. Instead, it makes contributions to the approved defined contributions pension scheme of the Group. 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 is set out on page 28.

### **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 Group 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 Group'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 Group.

In July 2006, the Group 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 Group 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 Group.

The 2006 and 2007 LTIP awards vest shares to the award holders in 2009 and 2010 respectively and are both dependent on the Group'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 Group's performance against operating cash flow targets to end of 2008. The 2008 LTIP award vests shares to award holders in 2011 and is dependent on a target for the Group's share price.



**novera energy**

## DETAILS OF COMPENSATION

### DIRECTOR COMPENSATION

For the year ended 31 December 2008, details of all the benefits paid are set out in the table below:

Director	2008				2007 Total £
	Cash salary/ fees £	Cash bonus £	Pension £	Total £	
R. Franklin	60,000	-	-	60,000	51,250*
M. Cairns	25,000	-	-	25,000	22,981
B. Duckworth	30,000	-	-	30,000	18,077*
D. Fitzsimmons	214,000	89,013	-	303,013	311,000
J. Grace	30,000	-	-	30,000	18,077*
R. Quinlan	150,000	62,830	8,365	221,195	196,207
J. Brown (a)	-	-	-	-	10,417
M. Collopy (b)	-	-	-	-	8,124
D. Farrands (c)	-	-	-	-	8,124
D. Scaysbrook (d)	-	-	-	-	7,500
<b>TOTAL</b>	<b>509,000</b>	<b>151,843</b>	<b>8,365</b>	<b>669,208</b>	<b>651,757</b>

\* Part year only

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

(b) M. Collopy received £9,845 of fees in 2008 as a Director of Novera Energy Limited and Novera Renewable Energy Limited and £1,091 for financial accounting and company secretarial services in Australia on an 'as required' basis at an agreed hourly rate of £50.

(c) Resigned as Director in September 2007.

(d) Resigned as Director of Novera Energy Limited in May 2007.

No Director has the authority to determine their own remuneration.

### 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 & Fees	Short-term Incentives	Resignation/ Termination Period	Compensation payable on termination
					Months	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)

\*Includes pension

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 Group 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 21 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-08 at target performance	Shares awarded during the year which may vest at target performance	Interests at 31 Dec-08 at target**/actual ** performance	Market Price at Award Date (p)	Performance Period	Vesting dates if target performance reached
D. Fitzsimmons	2006	500,000	-	589,483**	54.0	01/01/2006 to 31/12/2008	30 May 2009
	2007	500,000	-	500,000*	69.5	01/01/2007 to 31/12/2009	30 May 2010
	2008	-	385,000	385,000	82.0	03/06/2008 to 02/06/2011	24 June 2011
R. Quinlan	2006	200,000	-	235,793**	54.0	01/01/2006 to 31/12/2008	30 May 2009
	2007	200,000	-	200,000*	69.5	01/01/2007 to 31/12/2009	30 May 2010
	2008	-	183,333	183,333	82.0	03/06/2008 to 02/06/2011	24 June 2011

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

\*\* Actual vesting as at 31 December 2008

### SHAREHOLDINGS

The numbers of shares in the Group 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 2008	Changes in Year	Balance at 31 December 2008
<b>Director</b>			
R. Franklin	50,000	25,000	75,000
M. Cairns	-	20,000	20,000
B. Duckworth	25,000	70,000	95,000
D. Fitzsimmons	583,187	382,000	965,187
J. Grace	-	20,000	20,000
R. Quinlan	11,596	70,000	81,596

### LOANS TO KEY MANAGEMENT PERSONNEL

Key management do not maintain any loans from or to the Group.



## **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 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement, 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 year ended 31 December 2008.

### **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 ('IFRS') 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 Corporate Governance Statement and the Director's 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 2008 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.

A handwritten signature in black ink, appearing to read "Pauline Cogan", followed by a large, stylized flourish or initial "P".

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester  
20 February 2009

**CONSOLIDATED INCOME STATEMENT**  
**NOVERA ENERGY PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

		2008 £'000	2007 £'000
	Notes		
Revenue	4	35,514	32,148
Cost of sales before amortisation and depreciation		<u>(18,944)</u>	<u>(17,239)</u>
<b>Gross profit before depreciation and amortisation</b>		<b>16,570</b>	<b>14,909</b>
Depreciation	5	(6,243)	(5,275)
Amortisation	5	<u>(4,178)</u>	<u>(4,072)</u>
Total cost of sales		<u>(29,365)</u>	<u>(26,586)</u>
<b>Gross profit after depreciation and amortisation</b>		<b>6,149</b>	<b>5,562</b>
Other income		-	25
Pre-construction costs	1(K)	(2,120)	(1,179)
Administration expenses		<u>(4,187)</u>	<u>(3,505)</u>
<b>Operating (loss)/profit</b>		<b>(158)</b>	<b>903</b>
Finance costs	7	(5,536)	(5,644)
Finance income	7	631	946
Shares of net profit of a joint venture		<u>-</u>	<u>259</u>
<b>Loss before income tax</b>	5	<b>(5,063)</b>	<b>(3,536)</b>
Taxation	8	<u>1,519</u>	<u>1,578</u>
<b>Loss for the year</b>		<u><b>(3,544)</b></u>	<u><b>(1,958)</b></u>

The results above for both 2007 and 2008 relate to continuing operations.

**LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS:**

	Notes	2008 Pence	2007 Pence
Basic	9	(2.7)	(1.6)
Diluted	9	(2.7)	(1.6)

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 36 to 58.





## CONSOLIDATED BALANCE SHEET

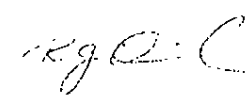
NOVERA ENERGY PLC  
AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	78,456	82,634
Property, plant & equipment	11	89,796	76,422
Receivables	12	607	700
Deferred tax assets	18	1,034	881
Total non-current assets		<u>169,893</u>	<u>160,637</u>
<b>Current assets</b>			
Inventories		128	-
Trade and other receivables	13	7,786	7,752
Derivative financial instruments	16	-	642
Cash and cash equivalents	14	20,385	10,803
Total current assets		<u>28,299</u>	<u>19,197</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	(16,044)	(10,075)
Derivative financial instruments	16	(9,657)	-
Borrowings	17	(6,029)	(4,634)
Total current liabilities		<u>(31,730)</u>	<u>(14,709)</u>
<b>Net current (liabilities)/assets</b>		<u>(3,431)</u>	<u>4,488</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	25	(183)	(156)
Borrowings	17	(84,903)	(83,276)
Deferred tax	18	(23,084)	(24,464)
Total non-current liabilities		<u>(108,170)</u>	<u>(107,896)</u>
<b>Net assets</b>		<u>58,292</u>	<u>57,229</u>
<b>EQUITY</b>			
Ordinary shares	19	7,177	6,203
Share premium	19	13,476	-
Merger reserve	19	61,979	61,979
Other reserves	23	(2,404)	7,399
Accumulated losses	22	(21,936)	(18,352)
Total equity		<u>58,292</u>	<u>57,229</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 36 to 58.

The financial statements on pages 32 to 58 were approved by the Board of Directors on 20 February 2009 and were signed on its behalf by:

  
DAVID FITZSIMMONS  
CHIEF EXECUTIVE OFFICER

  
RORY QUINLAN  
CHIEF FINANCIAL OFFICER



# **CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

**NOVERA ENERGY PLC  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £'000	2007 £'000
Revaluation on acquisition of subsidiary	23	-	8,394
Hedging reserve movement	23	(10,299)	(1,557)
Share of movement in JV reserves	23	-	453
Actuarial losses on defined benefit pension scheme	22	(54)	-
Tax on items taken directly to equity	22	14	-
<b>Net (expense)/income recognised directly in equity</b>		<b>(10,339)</b>	<b>7,290</b>
<b>Loss for the year</b>		<b>(3,544)</b>	<b>(1,958)</b>
Total recognised income and expense for the year attributable to:			
Members of Novera Energy plc		<u><b>(13,883)</b></u>	<u><b>5,332</b></u>

The above consolidated statements of recognised income and expense should be read in conjunction with the accompanying notes on pages 36 to 58.



**CONSOLIDATED CASH FLOW STATEMENT**  
**NOVERA ENERGY PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	10,790	10,933
Interest received		543	849
Interest paid		<u>(5,479)</u>	<u>(5,920)</u>
<b>Net cash inflow from operating activities</b>		5,854	5,862
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)		-	(20,377)
Proceeds from sale of property, plant & equipment	27	448	
Purchases for property, plant & equipment		(13,900)	(11,677)
Proceeds from vending of business		181	181
Refund of purchase consideration		-	<u>1,097</u>
<b>Net cash (outflow) from investing activities</b>		(13,692)	(30,328)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital		14,451	35,882
Proceeds from borrowings		7,674	-
Repayment of borrowings		<u>(4,705)</u>	<u>(4,306)</u>
<b>Net cash inflow from financing activities</b>		17,420	31,576
<b>Net increase in cash and cash equivalents</b>		9,582	7,110
Cash at the beginning of the financial year		<u>10,803</u>	<u>3,693</u>
<b>Cash at end of year</b>	14	20,385	10,803

The above consolidated cash flow should be read in conjunction with the accompanying notes on pages 36 to 58.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVERA ENERGY PLC

FOR THE YEAR ENDED 31 DECEMBER 2008

### 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

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, 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.

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 coterminous 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 accounting standard has an effective date for beginning on or after 1 January 2008, but has been adopted early by the Group:

- IFRS 8 – Operating Segments

The company implemented this interpretation early in 2007. 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 new accounting standards and interpretations became effective for periods beginning on or after 1 January 2008:

- IFRIC 14, IAS 19 – Defined benefit assets

The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group has a pension deficit and is not subject to any minimum funding requirements. The interpretation is not expected to have a material impact on the group.

Interpretations effective in 2008 but not relevant to the Group:

- IFRIC 12 – Service concession arrangements



The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 1 (Revised) – Presentation of financial statements revised version issued in January 2008, effective for annual periods beginning on or after 1 January 2009. This changes the presentation requirements for other comprehensive income and transactions with shareholders, and requires increased disclosures when there is a restatement of comparatives. Adopting this standard will not affect the recognition, measurement or disclosure of any transactions or events.
- IAS 23 (Revised) – Borrowing costs revised version issued in March 2007, effective for annual periods beginning on or after 1 January 2009. This eliminates the option of expensing all borrowing costs when they are incurred and is not expected to have a material impact on the Group.
- IFRS 2 (Amendment) 'Share based payments', issued January 2008, effective for annual periods beginning on or after 1 January 2009. This provides a definition of vesting conditions and specifies the accounting treatment for non-vesting conditions. It is not expected to materially affect the share-based payment charge recognised in the Group accounts.
- IFRS 3 (Revised) 'Business combinations', issued January 2008, effective for annual periods beginning on or after 1 July 2009. This will significantly change the recognition of goodwill, acquisition costs and contingent consideration relating to acquisitions. However, it only applies to acquisitions made after it has been adopted.

The Group will also perform a detailed review of the annual improvements project published by the International Accounting Standards Board in May 2008.

## **(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 2008 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. Piecemeal 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.(1)). 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.

## **(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

ERROR: ioerror  
OFFENDING COMMAND: imagemask

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-dictionary-  
-mark-  
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-mark-  
-savelevel-



**Annual Report**

**Year ended 31<sup>st</sup> December 2008**

Registered Co: 06163576  
Registered Office:  
30 Bedford Street  
London WC2E 9ED



*"With the successes we have achieved in implementing our onshore wind development programme, we can look forward with confidence to making a significant contribution to a growing, low carbon economy."*

Roy A Franklin, Chairman, Novera Energy plc

## FINANCIAL HIGHLIGHTS >>

Revenue	£35.5m	(2007: £34.4m)*
Cash (including restricted at end year)	£20.4m	(2007: £10.8m)*

## OPERATIONS >>

Generation	554GWh	(2007: 564GWh)*
Average price realised per MW	£60/MWh	(2007: £57/MWh)*

Operating Asset	Detail	Capacity	Generation
Landfill Gas	46 sites	87MW	468GWh
Hydro	10 sites	16MW	51GWh
Wind	1 site	15MW	35GWh
	<b>57 sites</b>	<b>118MW</b>	<b>554GWh</b>

## DEVELOPMENT >>

Lissett Airfield Wind Farm starts production

Capacity	30MW
Power	74.5GWh

2 further planning consents

Glenkerie	22-27MW
A'Chruach	40-46MW

\* Pro-forma, unaudited





**3% GROWTH IN REVENUE**

**>> STEADY OPERATIONAL PERFORMANCE**

**>> INCREASED AVERAGE SALE PRICE**

**MEASURABLE PROGRESS IN BUILDING WIND PORFOLIO**

**>> OPERATING: Mynydd Clogau (15MW)**

**>> CONSTRUCTION: Lissett (30MW)**

**>> CONSENTED: Glenkerie and A'Chruach (62-73MW)**

**>> IN PLANNING: 7 sites (70MW)**

**>> IN PRE-PLANNING: (248MW)**



**novera energy**

## **CHAIRMAN'S REPORT**

*"Novera is in a sound financial position and well placed to strengthen its presence within the renewables market."*

### **Business Overview**

I am pleased to report that Novera Energy continued to make good progress in 2008 in delivering its strategy, ending the year confident of future expansion and success despite the turmoil in global financial markets.

Novera's strategy is to maximise the financial and operational performance of its generating assets and to reinvest the cash generated in the development of new renewable energy assets, with a focus on UK onshore wind.

Operational performance improvements continued during 2008 with increased in-house maintenance of engines and the introduction of new performance monitoring and data collection systems. Revenue increased by 3 per cent on a pro forma basis to £35.5 million, due to higher sales prices compensating for a 2 per cent decrease in generation to 554GWh (2007: 564GWh). Gross profit before depreciation and amortisation also increased by 4 per cent (on a pro forma basis) to £16.6 million due to increasing revenues and continued focus on cost control.

The Group also made substantial progress in developing its wind business. Construction of Lissett Airfield Wind Farm (30MW) was largely completed during 2008, with first production achieved in February 2009. This was just over two and a half years after the planning application for the project was submitted, making it one of the quickest onshore wind farm developments of this scale successfully delivered. Lissett is on track to have all turbines operational in March 2009 and the project is expected to be completed under budget.

During the year, Novera was granted planning consents for two wind farms in Scotland, taking the total consented wind capacity to a potential 118MW, depending on turbine selection. The newly consented wind farm sites, which have a combined potential capacity of 62-73MW, are Glenkerie (Scottish Borders) and A'Chruach (Argyll and Bute). Furthermore, the Group currently has seven sites in planning, 13 sites in pre-planning and a number of additional, less-advanced sites under evaluation with a potential capacity of approximately 70MW, 250MW and 300MW respectively.

In July 2008, Novera raised £15.0 million through a share placing to fund the Group's wind development programme. The Group ended the year with a cash balance of £20.4 million of which £6.1 million was in restricted bank accounts. The Group has two non-recourse, long-term (14 and 15 years) finance facilities in place: one for existing operations of £83.3 million; the other for the Lissett Airfield Wind Farm, which will be approximately £29.5 million on project completion.

### **Outlook**

Novera is in a sound financial position and is well placed to strengthen its presence within the renewables market. With the successes we have achieved to date in implementing our onshore wind development programme, we can look forward with confidence to making a significant contribution to a growing, low carbon economy and further successes for the Group.

### **Employees**

2008 was a challenging year for the Group, and staff responded with a positive attitude and a strong work ethic that delivered another good result. On behalf of the Board and all shareholders I would like to take this opportunity to thank them for all their efforts.

**ROY A FRANKLIN**  
CHAIRMAN  
20 February 2008



## CHIEF EXECUTIVE OFFICER'S REVIEW

**"Novera had a successful year in 2008, with operational improvements implemented in the landfill gas generation business and significant progress achieved in our wind development pipeline including the construction of the Lissett Airfield Wind Farm."**

Novera had a successful year in 2008, with operational improvements implemented in the landfill gas generation business and significant progress achieved in our wind development pipeline, including the construction of the Lissett Airfield Wind Farm (30MW) which is scheduled to be fully operational in March 2009.

Novera has an established, diverse portfolio of renewable energy assets with a total capacity of 118MW in operation at the end of 2008: landfill gas (87MW); hydroelectric (16MW); and wind (15MW). Whilst the majority of our operational capacity is currently fuelled by landfill gas, over the next few years our strategy is to deliver a significant level of growth from onshore wind.

Our wind development portfolio currently comprises sites across the UK at various stages of development from early investigation through to construction, giving us confidence as we work towards our growth targets.

### OPERATIONS

The Key Performance Indicators ('KPIs') for our operations are based on power generation, revenue, costs and gross profit. The 2007 comparative figures are presented on a pro-forma basis as explained fully within the Financial Review.

The Group's revenue increased by 3 per cent with higher contract prices more than compensating for a 2 per cent decline in production, further details of which are set out below. These prices were achieved due to the higher one-year Power Purchase Agreement ('PPA') price, inflationary increase to the UK Government's Non Fossil Fuel Obligation ('NFFO') contracts, and a decrease in the proportion of less profitable energy generation sold under NFFO contracts. 87 per cent of Novera's 2008 power output was sold under long-term contracts (2007: 90 per cent). As these contracts expire Novera can expect to achieve market prices, which are currently higher, compared to Novera's 2008 average sales price of £60/MWh.

The main risks to our operations relate to asset performance, health & safety and environmental standards and the impact of weather. Operational performance is now monitored in real time with the establishment of a 24-hour control which assists us in identifying improvement opportunities and managing risk. Environmental and, health & safety risks are key priorities for Novera and we have appointed dedicated resources to assess and manage these risks. The geographical spread of our portfolio and weather predictions included in our financial models facilitate our assessment of the impact of weather on our results.

### LANDFILL GAS

Novera's landfill gas portfolio generated 468GWh during 2008 (2007: 487GWh). During 2008, we experienced a series of operational issues, common to the industry, such as delays to capping and over-tipping carried out by the waste companies at certain sites in our portfolio. We are working with waste operators to overcome these issues. Our major partners in the waste industry are: WRG, Sita and Viridor, as well as with Clarke Energy, the main third party provider of external operations and maintenance services to the Group's fleet of engines.

Further progress was made during the year with the Group's operating improvements programme. In-house engine maintenance was increased to include an additional 16 engines, previously out-sourced, to improve quality control, cost management and engine availability.

### HYDROELECTRIC

The 16MW hydro portfolio performed well in 2008 generating 51GWh (2007: 49GWh). The increase was largely the result of higher levels of rainfall.

### WIND

Generation from Mynydd Clogau (15MW) increased by 25 per cent to 35GWh (2007: 28GWh) as a result of favourable wind conditions.

### INDUSTRIAL AND WATER SERVICES

Novera is the UK's largest independent operator of sludge drying and dewatering facilities. The Group manages the operations and maintenance of sludge drying and dewatering plants in Cardiff, Newport and Port Talbot for Kelda Water Services, a role we have fulfilled for the last ten years. Novera also operates and



maintains a sludge drying facility in Edinburgh for Veolia Water Services. Revenue from this activity was up 2 per cent to £2.4 million.

#### **WIND DEVELOPMENT**

The KPIs for Novera's development arm are based on megawatt targets established on an annual basis for each stage of the planning process: appraisal, pre-planning, sites into planning and consent. Progress against all of these measures is tracked on a monthly basis.

#### **CONSTRUCTION**

The construction of our 12-turbine, 30MW Lissett Airfield Wind Farm was underway throughout 2008 under a turnkey design and build contract with turbine supplier, Nordex, and project managed by Novera's in-house construction team. Lissett started generating in February 2009, just over two and a half years after the planning application for the project was submitted. We are not aware of any other development of this size reaching first production in this timeframe. The project is expected to be completed under the budget of £38.5 million.

#### **CONSENTED SITES**

During 2008, we were granted consents for two further wind farm applications: 11-turbine Glenkerie (22-27MW) in the Scottish Borders; and 20-turbine A'Chruach (40-46MW) in Argyll and Bute. Work is underway in respect of construction plans and financing for Glenkerie.

#### **IN PLANNING**

The Group ended the year with eight wind farm sites in the planning system with a total capacity of approximately 80MW. One site, Fleeter Wood (10MW), has since been withdrawn while concerns regarding radar are addressed in liaison with National Air Traffic Services. Planning decisions on the remaining seven applications are anticipated during 2009.

#### **PRE-PLANNING AND APPRAISAL**

Our pipeline remains strong with 13 sites in the pre-planning stage, with a total potential capacity of approximately 250MW. For each of these sites we have completed a scoping study to confirm its suitability for a wind farm and have initiated a 12-month bird survey. We also have a number of additional, less-advanced sites in the 'appraisal' stage with an additional, combined potential in excess of 300MW.

Novera's wind development team expanded in 2008 in line with the growth of our portfolio. This has also allowed the Group to take elements of the specialist environmental impact expertise in-house.

#### **ENERGY FROM WASTE**

Novera holds the exclusive UK licence for a proven gasification technology which may be utilised at the consented East London Sustainable Energy Facility ('ELSEF') project.

In May 2008, a 15-year fuel agreement for the supply of 98,000 tonnes per annum of Solid Recovered Fuel was agreed with Shanks Waste Management Limited. In July 2008, an agreement was also signed with Ford Motor Company Limited ('Ford') for the supply of up to 13MW of electricity generated from ELSEF to use at their Dagenham Estate, and for the use of the land in Dagenham for the construction and operation of ELSEF.

In December 2008, the Energy Bill was passed into law confirming that Novera's gasification technology will be classed as 'Advanced Gasification' and qualifies for two Renewables Obligation Certificates ('ROCs') under the proposed banding by the UK Government.

The pre-development work on the ELSEF project is now nearing completion and Novera is currently in discussion with potential partners to take the project forward to financial close.

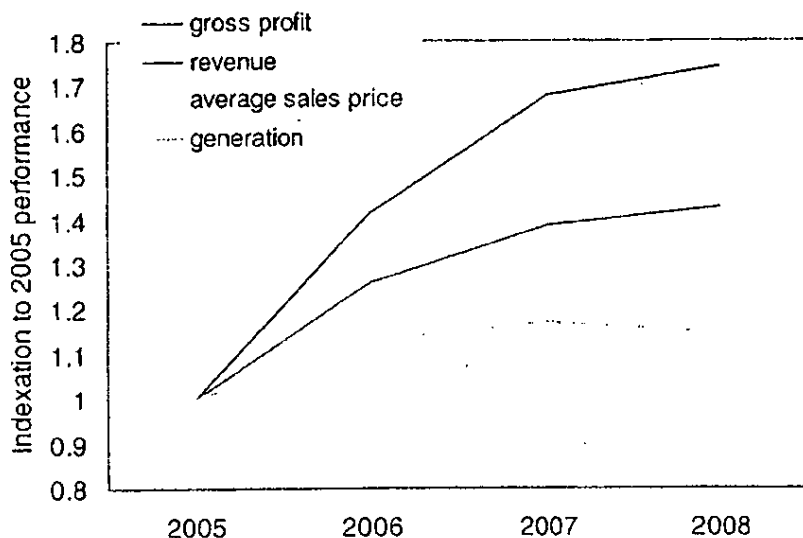


## **Outlook**

Under the European Union's Renewable Energy Directive, the UK has been set a target of generating 15 per cent of its energy from renewable energy sources by 2020. The UK Government has reported that, in 2007, only 4.9 per cent of total electricity generation came from renewable sources while recent targets published in the UK Renewable Energy Strategy call for this to increase to 30-35 per cent by 2020, highlighting the urgency to move quickly towards a lower carbon economy.

At the end of 2008, we are confident in our ability to deliver further improvements from our new Operations Centre and retain our strong track record in achieving planning consent for our wind sites. Generation from our wind portfolio will increase with the start of production from Lissett Airfield, with the prospect of Glenkerie and A'Chruach to follow.

Novera's portfolio comprises landfill gas, hydro and wind assets at 57 sites across the UK. The Group's renewable capacity at the end of 2008 was 118MW and this will rise to 148MW on completion of Lissett Airfield Wind Farm.



During 2008, revenue from operations increased by 3 per cent in 2008 to £35.5 million and gross profit (before depreciation and amortisation) increased by 4 per cent to £16.6 million. It is expected that generation from our landfill assets will remain on plateau and then decline.

Novera is addressing this movement by:

- Achieving higher average sales price as NFFO contracts expire;
- Delivering operational improvements by increasing in-house O&M;
- Enhancing performance monitoring and cost-saving initiatives; and
- Increasing up generation from our wind portfolio.

**2006:** Identifying operational improvements post-acquisition of the Novera Macquarie Renewable Energy ('NMRE') operations business.

**2007:** Re-location of the operations headquarters to premises with in-house engine workshop; improved management of external engine maintenance contracts; the optimisation of engine use to maximise the time between overhauls; and the renegotiation of lower royalty rates.

**2008:** During the year, various cost-saving, quality control and availability improvements were implemented. One of the main drivers was bringing the day-to-day operations and maintenance of 16 previously out-sourced engines to our in-house maintenance facility in Warrington. Here we are also able to undertake major rebuilds on several engines. The faster turnaround times have led to further benefits through increased availability achieved.

- A new 24/7 control room was established to remotely monitor the engines to allow them to be remotely restarted.
- Novera's bespoke engine and site automation system was also extended to cover an additional 26 engines, allowing full-engine fault diagnosis and remote restarting capability.
- New controls were fitted to nine engines which replaced out of date systems, bringing the benefit of connecting into the Novera Automation system.

A Novera Operations intranet was established to facilitate the electronic weekly reporting of key environmental and site-related data. The facility has provided management with a clear overview of site activities. A new



## **novera energy**

half-hourly electricity data collection system was also introduced, allowing day +1 generation analysis and reporting to ensure resources are focussed where required.

Finally, in response to the changing profile of gas production across our portfolio of sites, we continued with our programme of fleet optimisation and relocated a number of engines, maximising generation from the same installed capacity.

### **POWER SALES AND TRADING**

Novera's average price for power sales in 2008 was £60/MWh (2007: £57/MWh), an increase of 5 per cent. Our generation is sold under Power Purchase Agreements ('PPAs'), under which a customer takes all the electricity generated from specified assets for the contractual period, whether short term (one-year) or long term (15 to 20 years). 87 per cent of Novera's energy generation was sold under long-term contracts in 2008 (2007: 90 per cent).

In 2008, 56 per cent of our generation was from sites developed under the UK Government's Non Fossil Fuel Obligation ('NFFO') programme (2007: 59 per cent). Output from these sites is sold via the Government's Non Fossil Purchase Agency ('NFPA'). The percentage of Novera's output sold under these NFFO contracts is expected to continue to fall as these contracts expire and, based on current market pricing, our average price is expected to rise as a result. The average price for our NFFO sales in 2008 was £46/MWh (2007: £44/MWh), an increase of 2 per cent, reflecting the RPI indexing of these contracts.

31 per cent of generation in 2008 was sold under long-term contracts to energy retailers such as EON and Centrica under Renewable Obligation PPAs. In April 2010, the Centrica PPA contract prices will change from fixed prices to market-based prices.

The remaining 13 per cent of generation in 2008 was sold under a one-year PPA at a sales price of £98/MWh compared to £81/MWh in 2007. In July 2008, Novera announced the sale of 81GWh at a price of £136 per MWh under a one year PPA for the period 1 April 2009 to 31 March 2010.

The PPA for generation from the Lissett Airfield Wind Farm is a 15-year contract with Scottish and Southern Energy, under which prices will be set annually on market-based prices from March 2009.



## Lissett Airfield Wind Farm

**"Propellers back at Lissett."** Rev. Ken Skidmore (ex Flight Engineer at Lissett)

The first turbines at Novera's Lissett Airfield Wind Farm in the East Riding of Yorkshire were erected in December 2008 and the remainder completed in February 2009. Energy generation from the first turbine was achieved in February when commissioning of the turbines commenced. The project was under construction throughout 2008 under a turnkey design & build contract with the turbine supplier Nordex UK Ltd, project managed by Novera's in-house construction team.

The project has involved the construction of roads, crane platforms, turbine foundations, a site substation and on-site electrical and communications network, in addition to the wind turbines. Health and Safety has been given the utmost importance throughout and the Construction (Design and Management) Regulations 2007 have been rigorously adhered to by Novera, acting in its role as client.

Works were mobilised at site in December 2007 with the start of the construction of the new road network and crane platforms to gain access to the turbine locations. Difficult underlying ground conditions meant that deep foundations were required; all 12 of the bases had to be piled to depths of up to 30m through bands of sand and gravel to the underlying chalk with each base requiring a minimum of 30 pre-cast driven piles to be installed in order to carry the wind turbine loads.

Works were suspended at the start of March 2008 in line with the planning consent conditions which stipulated a bird breeding season restriction.

On re-mobilisation works continued on the piling and road construction before works started in earnest on the construction of the pile caps and foundations. After installation of the electrical and communications network, erection of the wind turbines commenced in late November 2008 when the project took delivery of the 1000<sup>th</sup> N90 turbine produced by Nordex. The 2.5MW Nordex N90 wind turbines have a hub height of 80m and 90m diameter blades requiring the combined operation of a 500-tonne and 250-tonne crane for their installation.

Yorkshire Electricity Distribution Limited ('YEDL'), the local electricity company, supplied the grid connection works for the site via 12km 66kV underground connection from their existing grid supply point at Driffield.

Challenges have been encountered and successfully overcome throughout the year. These included balancing the competing needs of the construction works against activities on an intensely farmed arable site, as well as the need to accommodate problems encountered from munitions left over from the site's previous use as a former RAF bomber command airfield.

The scheme is Novera's second wind farm site and the first that it has project managed directly. The Group currently has generation capacity of 118MW from renewable sources and this rises to 148MW on the integration of Lissett Airfield into the operational portfolio.

### Development timeline

2005		Site identification Exclusivity and Access Agreement with Landowner
2006	July	Planning application
2007	February	Planning consent granted
	October	Financial close
	December	Project construction commenced
2008	November	First turbines delivered
2009	February	First production
	March	Due to be fully commissioned

Project Fact File	
Budget	£38.5m
Power	74.5GWh
Main Contractor	Nordex UK Ltd
Grid Contractor	YEDL
Technical Advisor	Entec





### **RAF 158 SQUADRON**

During the Second World War, Lissett was home to the Royal Air Force '158' Squadron. RAF Lissett Airfield was built between 1941 and 1943 and was the closest Yorkshire bomber airfield to Germany during WWII. As well as the 3-runway airfield, there was accommodation for around 1,800 personnel on and around the site. Around 250 raids were made from the airfield during the war. 144 Halifax Bombers failed to return or were destroyed in operational crashes with the loss of over 600 aircrew from Lissett Airfield.

### **MEMORIAL SCULPTURE**

Given Lissett Airfield's fascinating history, Novera was pleased to include in its planning application the construction of a memorial to the 851 members of 158 Squadron who died in active service, and a site interpretation board explaining the airfield's history.

In consultation with the 158 Squadron Association and East Riding of Yorkshire Council ('ERYC'), Novera held a design competition for a memorial sculpture as tribute to the contribution that the Squadron made to the war effort during its operation. The memorial unveiling ceremony for RAF veterans and members of the Squadron Association will be held in 2009.

### **NAMING OF THE TURBINES**

At the suggestion of 158 Squadron Association, eleven of the turbines erected at Lissett will be named after aircraft that flew with the 158 Squadron: Friday the 13th, Goofy's Gift, Lili Marlene, Jane, Xpress Delivery, The Menace, Blondie, Zombi, Maori Chief, Git up dem Stairs and Minnie the Moocher. The twelfth will commemorate the six aircraftmen who perished on 2 July 1943.

The six who perished, due to the Bomb Dump incident, were Corporal Leslie Fielding, Aircraftman Lewis Moore, Aircraftman William Mithan, Aircraftman Kenneth Taylor, Aircraftman Robert Mills and Aircraftman Jack Laycock.

Official naming of the turbines will take place as part of the annual reunion of 158 Squadron Association in September 2009.

### **COMMUNITY FORUM**

Novera's approach as a responsible developer and operator of renewable energy involves consulting widely with local communities and others with an interest in the development. As soon as projects enter the construction phase, a Community Liaison Forum is established primarily as a vehicle for disseminating updates to the wider community.

At Lissett, the Construction Director, Gregor Bryce, and Communications Manager, Sarita Bansal, managed the Forum throughout 2008, alternating months between issuing a newsletter updates to over 12,000 residents local to the site and holding open Forum meetings at the local village hall. This ensured that any concerns could be dealt with as soon as they arose.



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## **WIND DEVELOPMENT EXPERTISE**

During 2008, Novera increased its wind development resources by six staff to include in-house expertise in the specialist areas of site selection, planning, grid, ecology, environmental impact assessment, construction and operations and maintenance.

The strengthening of the team has increased the Group's efficiency of project management and decreased the dependency on external consultancies.

### **CONSENTED SITES (62-73MW)**

#### **GLENKERIE**

The 11-turbine Glenkerie site lies between two tributaries of the River Tweed in the Scottish Borders. The planning application was submitted in December 2007 and was approved by both Scottish Borders Council and the Scottish Government in September 2008.

The wind farm site is well elevated, remote from residential properties and used for sheep-grazing. Glenkerie will have a capacity of 22-27MW, enough to power approximately 16,400 households\*. This is the equivalent of over 30 per cent of the population of Scottish Borders local authority area.

Detailed design work on the connection to the grid has started and Novera is in discussions with several turbine suppliers to provide wind turbines for Glenkerie as well as for other sites in the Group's portfolio.

#### **A'CHRUACH**

A planning application for the 20-turbine A'Chruach Wind Farm in Argyll, Scotland, was submitted in December 2007, consented with no statutory objections five months later in May 2008 and the planning notice issued in September 2008.

The wind farm will be constructed on land owned by Forestry Commission Scotland ('FCS') which is secured under an option and lease agreement. National Grid and Scottish Hydro-Electric Transmission Ltd are concluding work to determine the timing of a connection.

Depending on turbine selection, A'Chruach will have a capacity of 40-46MW and the renewable energy expected to be generated is equivalent to the average annual electricity demand of approximately 25,000 households\*, representing more than 64 per cent of the population households of Argyll and Bute.

*\* Based on 4,700kWh average annual household electricity consumption, recommended by BWEA and sourced from BERR (previously DTI) Digest of UK Energy Statistics, 2005).*

### **IN PLANNING (70MW)**

Novera has seven wind farm sites in the planning system. All of the locations were selected as having a number of attributes which allow for the development of a wind farm with minimal environmental effects. The selected areas will typically have excellent potential due to their exposed nature and high wind speeds and no designations on the site. The planning decisions for these seven applications which have a combined potential capacity of approximately 70MW are anticipated during 2009.

### **PRE-PLANNING (248MW)**

There are currently 13 sites for which feasibility studies have been undertaken and bird surveys have commenced. Several of these sites are anticipated to be taken forward into the planning stage during 2009.

### **APPRAISAL (300MW)**

Further site search activity to identify new areas potentially suitable for wind farms has been ongoing and has already yielded results with a number of sites now under appraisal by the Group with a combined potential capacity of 300MW.

**Wingates                      12-15MW                      6 TURBINES                      110M BLADE TIP HEIGHT**

Application to Alnwick District Council: December 2008

The site is located approximately 6km south of Longframlington and 4km north of Netherwitton in Northumberland. Situated on farmland used for sheep grazing and some recently planted mixed broadleaf woodland, the land is relatively flat and open with a mixture of wire fences and hedges forming the principal land divisions.

**Gordonstown Hill                      10-12.5MW                      5 TURBINES                      100M BLADE TIP HEIGHT**

Application to Aberdeenshire Council: December 2008

The land currently comprises agricultural farmland at Gordonstown Hill, near Kirkton of Auchterless and approximately 9km south of Turriff, Aberdeenshire.

**Sillfield Wind Farm\*\*                      6MW                      3 TURBINES                      110M BLADE TIP HEIGHT**

Application to South Lakeland District Council: September 2008

The site is adjacent to the main transport corridor of the M6 (640m from the nearest turbine) and 2.5km from Endmoor in South Lakeland, Cumbria. The landowners have been investigating the possibility of a wind energy development on their land since 2003, as a form of diversification.

*\*\* Sillfield is owned by a joint venture between Novera and an independent developer and which will be 100 per cent owned by Novera, should consent be granted.*

**Todd Hill                      8-10MW                      4 TURBINES                      101M BLADE TIP HEIGHT**

Application to Castle Morpeth Borough Council: December 2008

The site lies on agricultural land north of Pigdon and east of Stanton, some 6km northwest of Morpeth, in Northumberland. The site is dominated by intensively grazed grassland and arable farmland. The site is bordered by hedgerows, with areas of woodland and commercial forestry plantation.

**Bullamoor                      10-12MW                      4 TURBINES                      130M BLADE TIP HEIGHT**

Application to Hambleton District Council: December 2008

The exposed location on a broad ridge, elevated above surrounding land which typically creates good wind conditions is situated approximately 4km northeast of Northallerton and 2km southeast of Brompton in North Yorkshire. The site is mainly managed farmland bordered by hedgerows.

**Mynydd Clogau 2                      16MW                      19 TURBINES                      81M BLADE TIP HEIGHT**

Application to Powys County Council: March 2008

The site is adjacent to Novera's operating wind farm in mid-Wales, approximately 10km northwest of Newtown in Powys.

**Mountboy                      6MW                      3 TURBINES                      105M BLADE TIP HEIGHT**

Application to Angus Council: January 2007

The site is located approximately 6km south west of Montrose in Angus, Scotland. The application is currently the subject of a public local inquiry.



## CHIEF FINANCIAL OFFICER'S REVIEW

*"In 2008, we strengthened the Company's balance sheet and increased our investment in our wind development pipeline."*

## FINANCIAL REVIEW

In 2008, we strengthened the Company's balance sheet and increased our investment in the wind development pipeline. Highlights for 2008 were:

- Raising £15.0 million (before costs) in cash through a placing of 19.5 million shares to fund the continuing investment in our wind portfolio;
- £20.4 million cash in bank at the year end, of which £6.1 million was restricted cash;
- Net debt at £70.5 million at the year end;
- Secure, long-term finance facilities in place;
- £14.2 million invested in construction of 12-turbine Lissett Airfield Wind Farm (30MW); and
- Significant cash flow from operations available to be re-invested in development activities.

## 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 08 £'000	31 Dec 07 £'000
Revenue	35,514	32,148
Cost of sales	(18,944)	(17,239)
Gross profit before depreciation and amortisation	16,570	14,909
Administration costs	(4,187)	(3,480)
Pre-construction costs	(2,120)	(1,179)
EBITDA	10,263	10,250
Net loss after tax	(3,544)	(1,958)
Tangible & intangible assets	168,252	159,056
Cash balance	20,385	10,803
Borrowings	(90,932)	(87,910)
Net assets	58,292	57,229

For the purposes of comparison the Directors have also produced the 2007 results of the Group on a pro-forma basis which better reflect the underlying performance of the businesses comprising the Group. The 2007 comparative period assumes 100 per cent ownership of Novera Macquarie Renewable Energy ('NMRE'); the Group actually owned 50 per cent of NMRE until 22 January 2007.

	31 Dec 08 £'000	31 Dec 07 Pro forma £'000 (unaudited)
Revenue	35,514	34,440
Cost of sales	(18,944)	(18,449)
Gross profit before depreciation and amortisation	16,570	15,991
Administration costs	(4,187)	(3,582)
Pre-construction costs	(2,120)	(1,179)
EBITDA	10,263	11,230
Tangible & intangible assets	168,252	159,056
Cash balance	20,385	10,803
Borrowings	(90,932)	(87,910)
Net assets	58,292	57,229



On a pro-forma basis the key financial highlights for the year ended 31 December 2008 include:

- Annual revenue of £35.5 million up 3 per cent:
  - Landfill Gas increased by 1 per cent to £27.2 million
  - Hydroelectric increased by 7 per cent to £3.4 million
  - Wind increased by 31 per cent to £2.5 million
  - Water services and industrial increased by 2 per cent to £2.4 million
- Average sales price across the portfolio increased to £60/MWh in 2008 (2007: £57/MWh). Higher prices were achieved due to a higher average one-year PPA price and an inflationary rise on NFFO contracts. The increase in revenue also reflects the evolution of the Group's contract structure, with the proportion of our production being sold under lower value NFFO contracts falling from 59 per cent in 2007 to 56 per cent in 2008.
- Gross profit (before depreciation and amortisation) increased by 4 per cent to £16.6 million due to increasing revenues and continuation of cost-saving measures.
- EBITDA decreased by 9 per cent to £10.3 million due to increased investment in our development pipeline, increasing pre-construction expense, and one-off administration costs (£0.5 million) in the first half of 2008 relating to approaches from 3i Infrastructure Limited and Infinis Acquisitions Limited.
- Pre-construction expenditure incurred in cash was £4.3 million (2007: £3.0 million) of which £2.5 million (2007: £1.8 million) was capitalised and £1.8 million was expensed (2007: £0.6 million). A further £0.3 million of pre-construction costs in the Income Statement relates to previously capitalised projects that are no longer moving forward and have been expensed. 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.
  - Wind cash expenditure increased by £1.6 million to £4.0 million (£2.5 million capitalised), reflecting the increase of activity with five planning applications submitted during the year.
  - ELSEF-related expenditure was £0.3 million (2007: £0.6 million).

#### **PLACING TO RAISE £15 MILLION**

In July 2008 Novera placed 19.5 million shares with institutional and other investors and Directors at a price of 77 pence per share, raising a total of £15.0 million before costs.

The proceeds of the Placing are being used to further the Group's wind development programme:

- To submit additional wind farm sites into planning;
- To fund reservation fees to secure wind turbines;
- To fund future wind projects; and
- For working capital purposes.

#### **CONSTRUCTION OF LISSETT AIRFIELD WIND FARM**

The Lissett Airfield Wind Farm was substantially constructed during the year, with completion expected in March 2009. Capital cost (including accruals) incurred in the year was £14.2 million, bringing total incurred for the project to £22.3 million. The project is expected to come in below budget of £38.5 million.

The first draw down on the loan facility was made in October 2008, and at 31 December 2008 £7.1 million had been drawn down. The remaining debt is due to be drawn down during the first quarter of 2009 as the project is completed. The remainder of the capital cost was funded from existing cash reserves.

#### **CASH POSITION AND FINANCE FACILITIES**

At the end of 2008 Novera had a closing cash position of £20.4 million (including £6.1 million in restricted cash), and all debt funding of £90.9 million under Project Finance arrangements.



The Group had two non-recourse long-term project finance facilities in place: £83.3 million for existing operations with 14 years remaining; and £7.1 million drawn down for Lissett Airfield Wind Farm, with 15 years remaining. No refinancing obligations are attached to either facility. There is also a balance of £0.5 million held in a monthly, revolving VAT facility for the Lissett construction.

The existing operations have a syndicated loan facility secured by a floating charge over the assets of Novera Energy (Holdings 2) Limited Group. The debt is 99 per cent fixed until 31 December 2009 and 82 per cent fixed until 2014 with a weighted average interest rate of 6.2 per cent.

The Lissett Airfield Wind Farm has been financed by a combination of equity and debt. The equity amount (£9.0 million) has been fully funded. The total debt is expected to be approximately £29.5 million on project completion, with the remaining debt due to be drawn down during the first quarter of 2009 as the construction of the project is completed. 95 per cent of the debt is fixed at an interest rate of 6.13 per cent over the term of the facility.

The mark-to-market on the interest rate swaps in place over the Novera Energy Holdings 2 loan has moved from an asset of £0.6 million in 2007 to a liability of £5.9 million in 2008 due to a fall in long-term interest rates. In addition to this, the interest rate swaps entered into financial close in November 2007, for the Lissett facility represent a liability of £3.7 million on the 31 December 2008 Balance Sheet.

Novera focuses on operating cash flow to maximise shareholder value over the long-term. Novera is in the fortunate position to be able to use cash generated by our operational business to invest in our development pipeline. Once operational, Lissett Airfield Wind Farm will provide a step increase to the Group's operating cash flow. Options for financing future wind farm sites include debt, equity and asset sale of whole or part of a consented or operating site.

#### **POWER SALES AND TRADING**

Novera has entered into various PPAs under which a customer takes all the electricity generated from specified assets for the contractual period, typically between one and 15 years.

The Lissett PPA is over 15 years with the price being fixed annually based on market price. 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, interest, and credit risk. A risk management plan is prepared regularly and reviewed by the Board.

Novera's risk management programme includes the predictability of revenue and control over costs to maximise financial performance. Long-term PPAs and generation forecasts provide predictability of revenue. Actual operational and financial performance is monitored against budget on a monthly basis to optimise performance and address any areas of risk. The renewable energy industry is supported by legislative, long-term renewable energy targets.

Interest rate swaps are used to manage exposure to interest rate fluctuation. All deposits are held with an AA-financial institution. Novera's customer base comprises mainly of large electricity retailers and water utilities, and the Government's NFPA. 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  
20 February 2009

**RORY QUINLAN**  
CHIEF FINANCIAL OFFICER  
20 February 2009



## **Sustainability Review**

As a leading independent renewable energy company, central to Novera's strategy is the generation of green electricity. Novera strives to maximise production of clean energy and minimise energy consumption in order to reduce our overall carbon dioxide emissions. Novera is committed to the continual improvement of its sustainability performance.

Novera's approach to sustainability encompasses all aspects of the business, from office recycling initiatives and car sharing incentives through to staff welfare schemes and community engagement programmes for development programmes.

### **HEALTH, SAFETY, ENVIRONMENTAL AND QUALITY MANAGEMENT**

Novera seeks to operate its sites to the highest industry standards at all times. Procedures have been implemented for an Environmental Management System to meet the requirements of ISO 14001 the standard to which it became fully compliant in August 2008.

Novera also holds certification standard ISO 9001 accredited by British Standards Institution ('BSI') and, during the year, was also awarded the Occupational Health & Safety Assessment Series 18001 standard. Novera employs dedicated staff to manage the health, safety and environmental standards of the Group and furthermore, has achieved BSI accreditation for our respective OHSAS, Environmental and Quality systems.

### **ENGAGING WITH KEY STAKEHOLDERS**

Novera recognises the importance of consulting early with the local community in its wind development programme and comments by local residents provide important local knowledge which contributes to the final planning application. Consultation continues after a planning application has been submitted and, if granted planning consent, during the construction and throughout the operational life of the asset.

Prior to submitting its planning application for the Lissett Airfield Wind Farm, Novera consulted with the East Riding of Yorkshire Council, professional entities with a direct interest in the proposed wind farm, the local community and potential local construction partners. Before construction started a Community Liaison Forum was established to provide representatives from neighbouring Parish Councils with regular updates on the construction process.

As a direct response to comments from the local residents and the Community Forum, Novera has made a contribution of £20,000 to HEYwoods a local initiative whose purpose is to plant trees in the East Riding of Yorkshire.

Novera is a member of the British Wind Energy Association, the Renewable Energy Association and Scottish Renewables. The Group is also a Corporate Patron of the Royal Society for the Protection of Birds ('RSPB').

### **CONSULTATION: A RESPONSIBLE APPROACH TO WIND DEVELOPMENT**

All of Novera's planning applications are accompanied by a detailed assessment of the suitability of the site for the proposed wind farm. Important areas of assessment include the impact on local wildlife, in particular local bird populations. Bird surveys are conducted over a period of at least 12 months before assessment by experienced ornithologists. Consultation with Natural England and the RSPB also form part of this assessment.

The RSPB Conservation Officer reported on Novera's approach to the development of Lissett:

*"I would also like to take this opportunity to pass on my sincere thanks to Novera Energy... for the considerable time and effort they have invested in this proposal in order to try to ensure that the wind farm will be a positive example of sustainable development which delivers the environmental benefits of renewable energy whilst safeguarding the considerable biodiversity and conservation interest at the site."*



**novera energy**

***"Novera actively encourages using local contractors for construction, operation and maintenance work."***

#### **LOCAL EMPLOYMENT**

Novera actively encourages using local contractors for construction, operation and maintenance work wherever possible. For example at Lissett Airfield we sourced local aggregates and concrete from the quarry adjacent to the airfield. Novera is pleased to be working with a local artist, Peter Naylor, on the Lissett memorial, the construction of which will involve materials and resources of a locally-based firm, Campbells.

#### **COMMUNITY FUNDS**

The Trust set up at Mynydd Clogau Wind Farm in Wales has funded educational projects and equipment for the local youth football team. Beneficiaries to date include Adfa Village Hall, Cwm Llanllugan Community Centre, Tregynon Dragons Football Team, Adfa Chapel, St Mary's Church, Cefn Coch Training Group, Tregynon Luncheon Club, Bethany Youth Group, Ti a Fi Rhiwbechan, Rhiw Valley Youth Club and Ysgol Rhiwbechan. Also, a number of students have received financial support to assist with their course costs.

Once Lissett Airfield Wind Farm is fully operational, Novera will make a donation into a local Trust Fund to ensure that some of the revenue generated by the wind farm directly benefits the local community through investment in local initiatives.

Similar Trust Funds will be established for the next round of sites, post construction. In Argyll and Bute where Novera's 40-46MW A'Chruach has been consented and a fund will also be established, we are proud to have been a supporter of the annual Lantern Festival for the past two years and we look forward to making a contribution to other cultural and community-based initiatives in the area.

With all Novera's Trust Funds, the contributions are managed by local people and used for sustainable, local projects and initiatives of their choice.

#### **CHARITABLE DONATIONS**

As a renewable energy company, Novera recognises the importance of supporting positive, community initiatives and we strive to be active in our community involvement. Novera will donate to eligible organisations with consideration given to those in the fields of education, community, health care and sustainability.

#### **HUMAN RESOURCES POLICY**

Novera Energy is committed to investing in staff across the business through ongoing training and development and by means of a range of employee benefits to promote staff retention. HR policies including performance review, recruitment planning and equal opportunities are continuously refined in-line with business needs. Regular communication on company issues remains central to engendering Novera's culture of continuous improvement and growing our talent.





**novera energy**

**BOARD OF DIRECTORS**

**Roy A Franklin OBE, Chairman**

Roy is Chairman of Novera Energy plc; he is also Non-executive Director and sits on the Group's Nomination Committee.

Roy 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 is also a non-executive director of StatoilHydro ASA, the Norwegian oil and gas company, Santos Ltd, the Australian independent oil and gas exploration company and Keller Group plc, the FTSE 250 ground engineering specialist. He is a member of the StatoilHydro and Keller Audit Committees, the Keller Remuneration Committee and the SANTOS Environmental Health Safety and Sustainability Committee. He is also Chairman and a non-executive director of both AIM-listed Bateman Litwin N.V., and TS Marine Ltd, an Aberdeen-based private oilfield services company.

**David Fitzsimmons, Chief Executive Officer**

David joined Novera in October 2005, since which time the company has completed its transition from Australia to the UK, acquired the remaining 50 per cent of its previous JV with Macquarie and established a strong portfolio of development opportunities. Before joining Novera, David spent 27 years with BP. There 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.

David brings to Novera in-depth knowledge of energy markets together with proven management and strategic skills, and experience in leading growth businesses.

**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 commenced with Novera in 2004 and has since led all of Novera's corporate and commercial initiatives to date including all acquisitions, and debt and equity financings.

**Michael A Cairns OBE, 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 OBE, 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 White Young Green plc where he chairs their Remuneration Committee and is a member of the Audit and Compliance Committee. He holds the same roles in Novera and is the Group's Senior Independent Director.

**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 a director of UK Land plc from 1993 to 2003 and is currently a non executive director of Treatt plc.

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

Novera Energy plc is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange ('LSE'). 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 June 2006. However, the Board supports the principles contained in the Code, complies where appropriate and cost-effective 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 off-site meeting annually to discuss strategy. The Board also meets as required to deal with urgent business.

The table below lists the number of Board Meetings, Board Committee Meetings, and Directors' attendance during the year ended 31 December 2008.

Director	Meetings of Directors	Meetings of committees		
		Audit & Compliance	Remuneration	Nominations
Number of Meetings	16	3	8	1
R. Franklin	16	*	*	1
M. Cairns	16	*	8	1
B. Duckworth	16	3	8	1
D. Fitzsimmons	16	*	*	*
J. Grace	16	3	8	1
R. Quinlan	15	*	*	*

\* Not a member of the relevant committee

The functions reserved for the Board and management are set out in the Corporate Governance Manual. The Board of Directors are responsible for the direction and oversight of the Group.

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 page 18 of this Annual Report.

The responsibilities of the Board include:

- approval of goals, strategy and plans for the Group's direction and monitoring implementation;
- approval of the Group's risk management and internal control framework;
- approval of Group 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 Corporate Governance Manual and its policies are updated and managed by the Company Secretary. Responsibility for the management of day-to-day operations and administration of the Group 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 is Chairman and 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 all the Non-executive Directors; Roy Franklin, Michael Cairns, 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 Articles of Association, which provides for a minimum of three and a maximum of ten directors.

The Group 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. The current members are the Non-executive Directors; Brian Duckworth, James Grace, Michael Cairns and Roy Franklin. The number of meetings held by the Committee has been outlined on page 19.

#### **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 Group and have unrestricted access to the records and information of the Group.

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

#### **PERFORMANCE EVALUATION**

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 by the Chairman or allocated line manager. 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 on page 18, 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 26 to 29 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 Group successfully. A significant proportion of executive directors' remuneration shall be structured as to link rewards to corporate and individual performance.



## REMUNERATION 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; and
- material changes to the rules of the Group pension or employee share scheme;

The Committee meets as necessary, but at least once a year. 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 19.

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

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

The responsibilities of the Directors and Auditors are set out in the Directors' Report and Auditors' Report on pages 24 and 30 respectively.

### INTERNAL CONTROL

The Group'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 Group 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 Group 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) 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 Committee members. 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 ACC has been outlined on page 19. The formal terms of reference for the ACC are set out in the Corporate Governance Manual.

### RELATIONS WITH SHAREHOLDERS

The Group has a communications strategy to promote effective communication with all shareholders and encourage effective participation. Communication initiatives undertaken by the Group include media announcements and the Group's website. Other than during a closed period the Chief Executive Officer 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 Group's website 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.

The Chief Executive Officer has overall responsibility for management of the Group'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 attend the AGM 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.

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

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:

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

The qualifications and experience of the Directors are set out on page 18 of this Annual Report.

#### **COMPANY SECRETARY**

Ms Liz Oldroyd

#### **MEETINGS OF DIRECTORS**

The numbers of meetings of the Group's Board of Directors, of each Board Committee held during the year ended 31 December 2008 and of the number attended by each Director, are disclosed in the Corporate Governance Statement on page 19.

#### **PRINCIPAL ACTIVITIES**

During the year the principal continuing activities of the Group, all of which are in the UK, comprised of:

- the operation of a renewable energy portfolio consisting of landfill gas, wind farms and hydroelectric;
- the operation of a water services business, providing operation and maintenance services to the wastewater industry;
- the development of wind farm sites;
- the development of the East London Sustainable Energy Facility ('ELSEF') project; and
- construction of a 12-turbine 30MW wind farm at Lissett Airfield in East Riding of Yorkshire.

#### **RESULTS**

The consolidated loss for the year ended 31 December 2008 after income tax was £3.544 million (2007: £1.958 million).

#### **DIVIDENDS**

No dividend was declared or paid during the year ended 31 December 2008 (2007: £ nil).

#### **REVIEW OF OPERATIONS**

A review of operations including KPIs is set out in the Operating Review and Financial Review included on pages 4 to 6 and 13 to 15.

#### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There has not arisen, in the period between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors of the Group to significantly affect the financial statements.



## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Group will continue to pursue new opportunities in the UK.

Save as set out in this report and accounts, further information on likely developments in the operations of the Group, and the expected results of those operations, has 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 Group has in place a global Directors' and Officers' insurance, insuring past, present and future Directors and Officers of the Group 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 2008 was £16,200 (2007: £24,366).

## **DIRECTOR'S RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent Company 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 financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent Company 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 comply with the Companies Act 1985. 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 Group's website. 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 Group's auditors are unaware. Each Director has taken all the steps 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 Group's auditors are aware of that information.



#### **ENVIRONMENTAL REGULATION**

The Group is subject to environmental regulation in relation to its operations. The Group 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.

#### **CHARITABLE DONATIONS**

The Group donated £500 to Cancer Research and £644 to Great Ormond Street Hospital during the year ended 31 December 2008 (2007: £nil). No political donations were made.

This Report has been approved by the Board of Directors.

A handwritten signature in black ink, appearing to read "D. Fitzsimmons", written over a horizontal line.

**DAVID FITZSIMMONS**  
CHIEF EXECUTIVE OFFICER

A handwritten signature in black ink, appearing to read "R. Quinlan", written in a cursive style.

**RORY QUINLAN**  
CHIEF FINANCIAL OFFICER

London, 20 February 2009



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

## **REMUNERATION POLICY**

The Group 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 Group's business objectives;
- ensure that the remuneration policy is competitive and fairly reflects the appropriate returns for achieving the Group's business goals and achieving success in the markets within which the Group 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 Group'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), Michael Cairns and James Grace.

## **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 a 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 Group does not offer a defined benefit pension scheme to executive directors. Instead, it makes contributions to the approved defined contributions pension scheme of the Group. 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 is set out on page 28.

### **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 Group 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 Group'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 Group.

In July 2006, the Group 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 Group 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 Group.

The 2006 and 2007 LTIP awards vest shares to the award holders in 2009 and 2010 respectively and are both dependent on the Group'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 Group's performance against operating cash flow targets to end of 2008. The 2008 LTIP award vests shares to award holders in 2011 and is dependent on a target for the Group's share price.



## DETAILS OF COMPENSATION

### DIRECTOR COMPENSATION

For the year ended 31 December 2008, details of all the benefits paid are set out in the table below:

Director	2008				2007 Total £
	Cash salary/ fees £	Cash bonus £	Pension £	Total £	
R. Franklin	60,000	-	-	60,000	51,250*
M. Cairns	25,000	-	-	25,000	22,981
B. Duckworth	30,000	-	-	30,000	18,077*
D. Fitzsimmons	214,000	89,013	-	303,013	311,000
J. Grace	30,000	-	-	30,000	18,077*
R. Quinlan	150,000	62,830	8,365	221,195	196,207
J. Brown (a)	-	-	-	-	10,417
M. Collopy (b)	-	-	-	-	8,124
D. Farrands (c)	-	-	-	-	8,124
D. Scaysbrook (d)	-	-	-	-	7,500
<b>TOTAL</b>	<b>509,000</b>	<b>151,843</b>	<b>8,365</b>	<b>669,208</b>	<b>651,757</b>

\* Part year only

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

(b) M. Collopy received £9,845 of fees in 2008 as a Director of Novera Energy Limited and Novera Renewable Energy Limited and £1,091 for financial accounting and company secretarial services in Australia on an 'as required' basis at an agreed hourly rate of £50.

(c) Resigned as Director in September 2007.

(d) Resigned as Director of Novera Energy Limited in May 2007.

No Director has the authority to determine their own remuneration.

### 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 & Fees	Short-term Incentives	Resignation/ Termination Period	Compensation payable on termination
					Months	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)

\*Includes pension

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 Group 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 21 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-08 at target performance	Shares awarded during the year which may vest at target performance	Interests at 31 Dec-08 at target**/actual ** performance	Market Price at Award Date (p)	Performance Period	Vesting dates if target performance reached
D. Fitzsimmons	2006	500,000	-	589,483**	54.0	01/01/2006 to 31/12/2008	30 May 2009
	2007	500,000	-	500,000*	69.5	01/01/2007 to 31/12/2009	30 May 2010
	2008	-	385,000	385,000	82.0	03/06/2008 to 02/06/2011	24 June 2011
R. Quinlan	2006	200,000	-	235,793**	54.0	01/01/2006 to 31/12/2008	30 May 2009
	2007	200,000	-	200,000*	69.5	01/01/2007 to 31/12/2009	30 May 2010
	2008	-	183,333	183,333	82.0	03/06/2008 to 02/06/2011	24 June 2011

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

\*\* Actual vesting as at 31 December 2008

### SHAREHOLDINGS

The numbers of shares in the Group 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 2008	Changes in Year	Balance at 31 December 2008
<b>Director</b>			
R. Franklin	50,000	25,000	75,000
M. Cairns	-	20,000	20,000
B. Duckworth	25,000	70,000	95,000
D. Fitzsimmons	583,187	382,000	965,187
J. Grace	-	20,000	20,000
R. Quinlan	11,596	70,000	81,596

### LOANS TO KEY MANAGEMENT PERSONNEL

Key management do not maintain any loans from or to the Group.



## **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 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement, 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 year ended 31 December 2008.

### **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 ('IFRS') 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 Corporate Governance Statement and the Director's 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 2008 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.

A handwritten signature in black ink, appearing to read "Pauline Cogan", followed by a large, stylized flourish or initial.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester  
20 February 2009

**CONSOLIDATED INCOME STATEMENT**  
**NOVERA ENERGY PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

		2008 £'000	2007 £'000
	Notes		
Revenue	4	35,514	32,148
Cost of sales before amortisation and depreciation		<u>(18,944)</u>	<u>(17,239)</u>
<b>Gross profit before depreciation and amortisation</b>		<b>16,570</b>	<b>14,909</b>
Depreciation	5	(6,243)	(5,275)
Amortisation	5	<u>(4,178)</u>	<u>(4,072)</u>
Total cost of sales		<u>(29,365)</u>	<u>(26,586)</u>
<b>Gross profit after depreciation and amortisation</b>		<b>6,149</b>	<b>5,562</b>
Other income		-	25
Pre-construction costs	1(K)	(2,120)	(1,179)
Administration expenses		<u>(4,187)</u>	<u>(3,505)</u>
<b>Operating (loss)/profit</b>		<b>(158)</b>	<b>903</b>
Finance costs	7	(5,536)	(5,644)
Finance income	7	631	946
Shares of net profit of a joint venture		<u>-</u>	<u>259</u>
<b>Loss before income tax</b>	5	<b>(5,063)</b>	<b>(3,536)</b>
Taxation	8	<u>1,519</u>	<u>1,578</u>
<b>Loss for the year</b>		<u><b>(3,544)</b></u>	<u><b>(1,958)</b></u>

The results above for both 2007 and 2008 relate to continuing operations.

**LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS:**

	Notes	2008 Pence	2007 Pence
Basic	9	(2.7)	(1.6)
Diluted	9	(2.7)	(1.6)

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 36 to 58.



**CONSOLIDATED BALANCE SHEET**  
NOVERA ENERGY PLC  
AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	78,456	82,634
Property, plant & equipment	11	89,796	76,422
Receivables	12	607	700
Deferred tax assets	18	1,034	881
Total non-current assets		<u>169,893</u>	<u>160,637</u>
<b>Current assets</b>			
Inventories		128	-
Trade and other receivables	13	7,786	7,752
Derivative financial instruments	16	-	642
Cash and cash equivalents	14	20,385	10,803
Total current assets		<u>28,299</u>	<u>19,197</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	(16,044)	(10,075)
Derivative financial instruments	16	(9,657)	-
Borrowings	17	(6,029)	(4,634)
Total current liabilities		<u>(31,730)</u>	<u>(14,709)</u>
<b>Net current (liabilities)/assets</b>		<u>(3,431)</u>	<u>4,488</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	25	(183)	(156)
Borrowings	17	(84,903)	(83,276)
Deferred tax	18	(23,084)	(24,464)
Total non-current liabilities		<u>(108,170)</u>	<u>(107,896)</u>
<b>Net assets</b>		<u>58,292</u>	<u>57,229</u>
<b>EQUITY</b>			
Ordinary shares	19	7,177	6,203
Share premium	19	13,476	-
Merger reserve	19	61,979	61,979
Other reserves	23	(2,404)	7,399
Accumulated losses	22	(21,936)	(18,352)
Total equity		<u>58,292</u>	<u>57,229</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 36 to 58.

The financial statements on pages 32 to 58 were approved by the Board of Directors on 20 February 2009 and were signed on its behalf by:

  
**DAVID FITZSIMMONS**  
CHIEF EXECUTIVE OFFICER

  
**RORY QUINLAN**  
CHIEF FINANCIAL OFFICER





# **CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

**NOVERA ENERGY PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £'000	2007 £'000
Revaluation on acquisition of subsidiary	23	-	8,394
Hedging reserve movement	23	(10,299)	(1,557)
Share of movement in JV reserves	23	-	453
Actuarial losses on defined benefit pension scheme	22	(54)	-
Tax on items taken directly to equity	22	14	-
<b>Net (expense)/income recognised directly in equity</b>		<b>(10,339)</b>	<b>7,290</b>
<b>Loss for the year</b>		<b>(3,544)</b>	<b>(1,958)</b>
Total recognised income and expense for the year attributable to:			
Members of Novera Energy plc		<b>(13,883)</b>	<b>5,332</b>

The above consolidated statements of recognised income and expense should be read in conjunction with the accompanying notes on pages 36 to 58.

**CONSOLIDATED CASH FLOW STATEMENT**  
**NOVERA ENERGY PLC**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	10,790	10,933
Interest received		543	849
Interest paid		<u>(5,479)</u>	<u>(5,920)</u>
<b>Net cash inflow from operating activities</b>		<b>5,854</b>	<b>5,862</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)		-	(20,377)
Proceeds from sale of property, plant & equipment		27	448
Purchases for property, plant & equipment		<u>(13,900)</u>	<u>(11,677)</u>
Proceeds from vending of business		181	181
Refund of purchase consideration		-	<u>1,097</u>
<b>Net cash (outflow) from investing activities</b>		<b>(13,692)</b>	<b>(30,328)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital		14,451	35,882
Proceeds from borrowings		7,674	-
Repayment of borrowings		<u>(4,705)</u>	<u>(4,306)</u>
<b>Net cash inflow from financing activities</b>		<b>17,420</b>	<b>31,576</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,582</b>	<b>7,110</b>
Cash at the beginning of the financial year		<u>10,803</u>	<u>3,693</u>
<b>Cash at end of year</b>	14	<b>20,385</b>	<b>10,803</b>

The above consolidated cash flow should be read in conjunction with the accompanying notes on pages 36 to 58.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVERA ENERGY PLC

FOR THE YEAR ENDED 31 DECEMBER 2008

### 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

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, 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.

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 contemporaneous 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 accounting standard has an effective date for beginning on or after 1 January 2008, but has been adopted early by the Group:

- IFRS 8 – Operating Segments

The company implemented this interpretation early in 2007. 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 new accounting standards and interpretations became effective for periods beginning on or after 1 January 2008:

- IFRIC 14, IAS 19 – Defined benefit assets

The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group has a pension deficit and is not subject to any minimum funding requirements. The interpretation is not expected to have a material impact on the group.

Interpretations effective in 2008 but not relevant to the Group:

- IFRIC 12 – Service concession arrangements



The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 1 (Revised) – Presentation of financial statements revised version issued in January 2008, effective for annual periods beginning on or after 1 January 2009. This changes the presentation requirements for other comprehensive income and transactions with shareholders, and requires increased disclosures when there is a restatement of comparatives. Adopting this standard will not affect the recognition, measurement or disclosure of any transactions or events.
- IAS 23 (Revised) – Borrowing costs revised version issued in March 2007, effective for annual periods beginning on or after 1 January 2009. This eliminates the option of expensing all borrowing costs when they are incurred and is not expected to have a material impact on the Group.
- IFRS 2 (Amendment) 'Share based payments', issued January 2008, effective for annual periods beginning on or after 1 January 2009. This provides a definition of vesting conditions and specifies the accounting treatment for non-vesting conditions. It is not expected to materially affect the share-based payment charge recognised in the Group accounts.
- IFRS 3 (Revised) 'Business combinations', issued January 2008, effective for annual periods beginning on or after 1 July 2009. This will significantly change the recognition of goodwill, acquisition costs and contingent consideration relating to acquisitions. However, it only applies to acquisitions made after it has been adopted.

The Group will also perform a detailed review of the annual improvements project published by the International Accounting Standards Board in May 2008.

## **(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 2008 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. Piecemeal 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.(I)). 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.

## **(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 Landfill 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) 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.

#### (G) POWER PURCHASE 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 which is 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.

#### (H) 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.

#### (I) 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.

#### (J) 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.

#### (K) 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.(J)).

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 to the income statement 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.

#### **(L) 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.

#### **(M) INVENTORIES**

Inventories are stated at the lower of cost or net realisable value. Inventories consist of engineering spares. The cost of raw materials and consumables is average cost. The cost of finished goods and work in progress comprises materials, excise duty where appropriate, labour and attributable production overheads. **(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.(K).

#### **(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 and 2008 Long Term Incentive Plan ('LTIP').





The fair value at grant date is independently determined using a Monte-Carlo pricing model for the 2006, 2007 and 2008 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 2008 by a qualified independent actuary to take account of IAS 19 requirements. Under IAS 19, 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 its 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.

### 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.

### 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.

### CREDIT RISK

All deposits are held with an AA-rated financial institution. The Group has no significant concentrations of customer credit risk and no credit limits were exceeded during the financial year. The Groups' customer based comprises mainly of large electricity retailers, the UK Government's NFPA and water utility companies.

### 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.

## 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.(J). The recoverable amounts of cash generating units have been determined on a value in use calculation.

## 4. SEGMENT INFORMATION



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 electricity generators, fuelled by the methane gas extracted from landfill sites across the UK, operating at forty six sites with a capacity of 87MW.

#### Hydro

The Hydroelectric segment operates ten hydroelectric generators at sites across the UK, with a capacity of 16MW.

#### Wind

The Wind segment contains one operational 17-turbine wind farm in Wales with a capacity of 15MW, and one 12- turbine site (30MW) under construction in North Yorkshire.

#### Industrial and Water Services

This 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
2008	£'000	£'000	£'000	£'000	£'000
Sales to external customers	27,221	3,358	2,481	2,454	35,514
Operating expenses	(13,825)	(1,705)	(1,260)	(2,154)	(18,944)
Adjusted EBITDA	13,396	1,653	1,221	300	16,570
Depreciation and amortisation expense	(8,124)	(1,450)	(847)	-	(10,421)
Segment assets	121,715	27,724	48,439	314	198,192
Segment liabilities	(102,632)	(21,350)	(15,838)	(80)	(139,900)
Fixed asset additions	3,201	-	16,817	-	20,018

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

	2008
	£'000
Adjusted EBITDA	16,570
Central administration costs	(4,187)
Pre-construction costs	(2,120)
Depreciation and amortisation costs	(10,421)
Net interest payable	(4,905)
Loss before tax	(5,063)

Novera's main customers are: the UK Government's NFPA (revenue £16.3 million); and energy retailers EON (revenue £9.6 million); Centrica (revenue £6.4 million) and N Power. Through our Water Services, Novera delivers operations and maintenance services for Kelda Water Services and sludge drying and dewatering facilities in Cardiff, Newport and Port Talbot, as well as to Seaford Sewage Treatment Works for Veolia Water.



	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)

##### 5. LOSS BEFORE INCOME TAX

	Notes	2008	2007
		£'000	£'000
Loss before income tax is stated after charging (crediting) the following specific expenses:			
Employee benefits expense	6	6,953	5,788
Restructuring costs		-	652
Corporate activity		526	-
Amortisation	10	4,178	4,072
Depreciation	11	6,152	5,259
Loss on disposal of fixed assets		91	16
Other operating lease rentals payable:			
Plant and machinery		212	221
Property		168	180
Net foreign exchange losses/ (gains) recognised		32	(3)

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2008	2007
	£'000	£'000
Statutory audit services	117	112
Tax compliance services	29	30
Other	7	12
	153	154

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



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.

#### 6. EMPLOYEE INFORMATION

	2008	2007
	£'000	£'000
The average monthly number of persons (including executive directors) employed by the Group during the year was:		
Production	115	116
Administration	47	33
Directors	2	2
	<u>164</u>	<u>151</u>
Staff costs (for the above persons):		
Wages and salaries	6,002	5,023
Social security costs	658	538
Pension costs (note 25)	293	227
	<u>6,953</u>	<u>5,788</u>

In 2008 £224,000 (2007: £101,000) of salary costs have been capitalised within construction and pre-construction projects.

#### 7. NET FINANCE COSTS

	2008	2007
	£'000	£'000
Interest payable and similar charges		
Interest payable and similar charges	(5,464)	(5,548)
Amortisation of issue costs of bank borrowings	(72)	(96)
	<u>(5,536)</u>	<u>(5,644)</u>
Interest receivable	631	946
Net finance costs	<u>(4,905)</u>	<u>(4,698)</u>



## 8. INCOME TAX EXPENSE

	2008 £'000	2007 £'000
ANALYSIS OF CREDIT IN THE PERIOD		
Current tax		
Deferred tax	(1,519)	(1,578)
<b>Total current tax</b>	<b>(1,519)</b>	<b>(1,578)</b>
Deferred tax (note 18)		
Origination and reversal of timing differences	(1,399)	(1,710)
Adjustments in respect of prior years	(120)	132
<b>Total Deferred Tax</b>	<b>(1,519)</b>	<b>(1,578)</b>
<b>Income Tax credit</b>	<b>(1,519)</b>	<b>(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:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(5,063)	(3,536)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of (28.5 per cent) (2007: 30 per cent)	(1,443)	(1,061)
Effects of:		
Adjustments to tax in respect of prior period	(120)	132
Recognition of previously unrecognised losses	-	(976)
Effect of change of corporate tax rate of deferred tax balances	-	141
Effect of tax on joint venture	-	78
Expenses not deductible for tax purposes	44	108
	<b>(1,519)</b>	<b>(1,578)</b>
	<b>(1,519)</b>	<b>(1,578)</b>

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 2008: £1.3 million (2007: £1.3 million).

## 9. 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.

Earnings per share attributable to the equity holders:

	2008			2007		
	Loss £'000	Weighted average number of shares '000	Loss per share Pence	Loss £'000	Weighted average number of shares '000	Loss per share Pence
Basic loss per share	(3,544)	132,576	(2.7)	(1,958)	119,822	(1.6)
Diluted loss per share	(3,544)	132,576	(2.7)	(1,958)	119,822	(1.6)

The impact of the LTIP has not been shown as it is anti-dilutive.



## 10. INTANGIBLE ASSETS

	Landfill Gas	Energy Usage Rights		Goodwill	Total
	£'000	Hydro £'000	Wind £'000	£'000	£'000
<b>Cost</b>					
At 1 January 2008	58,377	15,488	9,407	3,434	86,706
At 31 December 2008	58,377	15,488	9,407	3,434	86,706
<b>Accumulated Amortisation</b>					
At 1 January 2008	(3,233)	(379)	(460)	-	(4,072)
Charge for the year	(3,317)	(389)	(472)	-	(4,178)
At 31 December 2008	(6,550)	(768)	(932)	-	(8,250)
Net Book Value at 31 December 2007	55,144	15,109	8,947	3,434	82,634
Net Book Value at 31 December 2008	51,827	14,720	8,475	3,434	78,456

	Landfill Gas	Energy Usage Rights		Goodwill	Total
	£'000	Hydro £'000	Wind £'000	£'000	£'000
<b>Cost</b>					
At 1 January 2007	-	-	-	-	-
Acquisition of Subsidiaries	58,377	15,488	9,407	-	83,272
Goodwill on acquisition	-	-	-	3,434	3,434
At 31 December 2007	58,377	15,488	9,407	3,434	86,706
<b>Amortisation</b>					
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.

**11. 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 2008	347	58,007	12,345	9,243	1,789	81,731
Additions	240	185	-	17,070	2,523	20,018
Transfers	-	2,776	-	(2,776)	-	-
Disposals	(2)	(596)	-	(11)	-	(609)
Impairment	-	-	-	-	(361)	(361)
<b>At 31 December 2008</b>	<b>585</b>	<b>60,372</b>	<b>12,345</b>	<b>23,526</b>	<b>3,951</b>	<b>100,779</b>
<b>Accumulated Depreciation</b>						
At 1 January 2008	106	4,590	613	-	-	5,309
Charge for the year	155	5,345	652	-	-	6,152
Disposals	-	(478)	-	-	-	(478)
<b>At 31 December 2008</b>	<b>261</b>	<b>9,457</b>	<b>1,265</b>	<b>-</b>	<b>-</b>	<b>10,983</b>
Net Book Value at 31 December 2007	241	53,417	11,732	9,243	1,789	76,422
<b>Net Book Value at 31 December 2008</b>	<b>324</b>	<b>50,915</b>	<b>11,080</b>	<b>23,526</b>	<b>3,951</b>	<b>89,796</b>

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	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)
<b>At 31 December 2007</b>	<b>347</b>	<b>58,007</b>	<b>12,345</b>	<b>9,243</b>	<b>1,789</b>	<b>81,731</b>
<b>Accumulated Depreciation</b>						
At 1 January 2007	35	15	-	-	-	50
Charge for the year	71	4,575	613	-	-	5,259
Disposals	-	-	-	-	-	-
<b>At 31 December 2007</b>	<b>106</b>	<b>4,590</b>	<b>613</b>	<b>-</b>	<b>-</b>	<b>5,309</b>
Net Book Value at 31 December 2006	35	41	-	-	-	76
<b>Net Book Value at 31 December 2007</b>	<b>241</b>	<b>53,417</b>	<b>11,732</b>	<b>9,243</b>	<b>1,789</b>	<b>76,422</b>



## 12. NON-CURRENT ASSETS - RECEIVABLES

	2008	2007
	£'000	£'000
Long-term receivable	607	700

Long-term receivable relates to the deferred consideration on the sale of the Arpley Facility in 2004.

## 13. TRADE AND OTHER RECEIVABLES

	2008	2007
	£'000	£'000
Trade receivables and accrued income	6,874	6,784
Other debtors	530	514
Prepayments	382	454
	<u>7,786</u>	<u>7,752</u>

Included in other debtors above is £306,000 (2007: £336,000) due from a related party (refer to note 27).

### 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 (2007: £nil)

### AGED ANALYSIS OF TRADE RECEIVABLES

Trade receivables that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default and are aged as follows:

	2008	2007
	£'000	£'000
Up to 3 months	6	58
3 to 6 months	78	22
	<u>84</u>	<u>80</u>

## 14. CASH AND CASH EQUIVALENTS

	2008	2007
	£'000	£'000
Cash at bank and in hand	350	356
Short-term bank deposits	13,887	3,954
Restricted cash	6,148	6,493
	<u>20,385</u>	<u>10,803</u>

The Group has restricted cash for the existing operations facility loan of £5.2 million and £0.6 million for the Lissett facility. The restricted cash relates to the principal and interest payments payable on 30 June 2009. There is also £0.3 million of restricted cash held within a Lissett bank account.

The effective interest rate on short-term deposits was 4.08 per cent (2007: 4.75 per cent).



## 15. TRADE AND OTHER PAYABLES - CURRENT

	2008	2007
	£'000	£'000
Trade payables	3,264	2,970
Other tax and social security payable	316	267
Other creditors	-	676
Accruals	12,464	6,162
	<u>16,044</u>	<u>10,075</u>

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

### FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2008 (Liability)	2007 Assets
	£'000	£'000
Interest rate swaps – maturing in < 12 months	(9,657)	642
Interest rate swaps – maturing in > 12 months	-	-
Total	<u>(9,657)</u>	<u>642</u>

### 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.

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 2008, 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 2008 was £104,141,829 (2007: £88,990,427).



## 17. BORROWINGS

	2008 £'000	2007 £'000
<b>Current</b>		
Bank loans and overdrafts due within one year or on demand	(6,029)	(4,634)
	<u>(6,029)</u>	<u>(4,634)</u>
<b>Non-current</b>		
Bank loans	(84,903)	(83,276)
	<u>(84,903)</u>	<u>(83,276)</u>

The syndicated loan facility of £83.2 million (2007: £87.9 million) 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 2007 acquired NRE Group.

The Lissett loan facility of £7.1 million (2007: £nil) is secured by a floating rate charge over the assets of the Novera Energy plc Group. £0.5 million (2007: £nil) has been drawn down at the year end within the one month VAT facility.

Bank loans are stated net of unamortised issue costs of £1,009,698 (2007: £1,081,000). These costs are allocated to the profit and loss account over the 20 year term of the life of the loan at a constant rate on the carrying amount.

The effective interest rate of the above borrowings, as at the Balance Sheet date, was 6.3 per cent.

Fair value of non-current borrowings	2008		2007	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Long-term borrowings	(84,903)	(77,340)	(83,276)	(82,557)

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

### MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the carrying amount of the Group's non-current liabilities, at 31 December 2008 was as follows:

#### Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's non-current liabilities, at 31 December 2008 was as follows:

	2008 £'000	2007 £'000
	Debt	Debt
In more than one year but not more than two years	(4,555)	(5,241)
In more than two years but not more than five years	(21,391)	(19,492)
In more than five years	<u>(58,957)</u>	<u>(58,543)</u>
	<u>(84,903)</u>	<u>(83,276)</u>



#### UNDRAWN FACILITIES

The Group has an undrawn revolving credit facility within the syndicated loan facilities of £5.0 million. This expires in December 2009. The Group also has an undrawn facility of £24.4 million ring fenced for the construction of Lissett.

#### 18. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28.5 per cent (2007: 30.0 per cent).

	2008 £'000	2007 £'000		
At 1 January 2008	(23,583)	-		
Acquisition	-	(25,161)		
Profit and loss credit	1,519	1,578		
Charged directly to equity	14	-		
At 31 December 2008	(22,050)	(23,583)		
	Accelerated tax depreciation	Energy Usage Rights		Total
	£'000	£'000		£'000
Deferred tax liabilities				
At 1 January 2008	(2,229)	(22,235)		(24,464)
Credited to profit and loss account	201	1,179		1,380
At 31 December 2008	(2,028)	(21,056)		(23,084)
	Share-based payments	Tax losses	Retirement benefit obligation	Total
	£'000	£'000	£'000	£'000
Deferred tax assets				
At 1 January 2008	86	795	-	881
Credited to profit and loss account	139	-	-	139
Credited directly to equity	-	-	14	14
At 31 December 2008	225	795	14	1,034
Net deferred tax liability as at 31 December 2008	(1,803)	(20,261)	14	(22,050)
Net deferred tax liability as at 31 December 2007	(2,143)	(21,440)	-	(23,583)

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. (2008: £1.3 million, 2007: £1.3 million).



## 19. CALLED UP SHARE CAPITAL

	Number of Shares '000	Ordinary Shares £'000	Share Premium £'000	Merger Reserve £'000	Total £'000
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 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
At 1 January 2008	124,058	6,203	-	61,979	68,182
Issue of shares (net of transaction costs)	19,485	974	13,476	-	14,450
At 31 December 2008	143,543	7,177	13,476	61,979	82,632

The total number of authorised ordinary shares is 200.0 million (2007: 200.0 million shares) and issued is 143.5 million shares (2007: 124.1 million shares) with a par value of £0.05 per share. All issued shares are fully paid.

The Company issued 19.5 million shares on 24 July 2008 to fund the development side of the business raising £15.0 million. £0.5 million of costs were incurred associated with this share issue.

In 2007, the Company issued 69.1 million shares on the acquisition of 50 per cent of NMRE raising £38.0 million. £2.1 million of costs were incurred associated with this share issue.

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 Employee's Share Option Plan has now ceased. In 2007, 100,000 of options were exercised at £0.56.

## 20. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Details of the Company's principal subsidiaries at 31 December 2008 are as follows:

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

<sup>1</sup> Shares held by the Company

<sup>2</sup> Shares held by the Group

All the subsidiaries above are included in the Group consolidation.



## 21. SHARE-BASED PAYMENTS

### EMPLOYEE LONG TERM INCENTIVE PLAN

In July 2006 Novera Energy Limited established a Long Term Incentive Plan ("LTIP") which 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 2008 LTIP award has a payout of shares in 2011 and is dependent on a target for the Group's share price. 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.

The 2006 LTIP award which is due for award in 2009 was 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. The number of shares to be awarded under this scheme is above target with 1,287,039 shares awarded.

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 2008	Shares awarded which may vest at target performance	Performance/ vesting Period	Balance of share which may vest at target performance* at 31 December 2008
02/06/2008	30/05/2010	-	1,674,716	03/06/2008 – 02/06/2011	1,674,716
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 £496,000 (2007: £308,000).

The weighted average fair value share price of the LTIPs granted during the period was £0.27 in 2008 (2007: £0.55). The significant inputs into the model were weighted average share price of £0.820 in 2008 (2007: £0.695) at grant date, volatility of 31.2 per cent (2007: 26.7 per cent), dividend yield 0 per cent (2007: 0 per cent), and an annual risk free rate of 5.1 per cent (2007: 4.2 per cent). 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 2008, awards under the LTIPs related to shares in Novera Energy plc regardless of the period to which the LTIP relates.

### EMPLOYEE OPTION PLAN

The employee option plan lapsed at 31 December 2007.

## 22. ACCUMULATED LOSSES

	Notes	2008 £'000	2007 £'000
At 1 January 2008		(18,352)	(17,088)
Loss attributable to members		(3,544)	(1,958)
Movement in Revaluation Reserve	23	-	694
Actuarial losses on defined benefit pension		(54)	-
Tax on items taken directly to equity		14	-
At 31 December 2008		(21,936)	(18,352)

## 23. OTHER RESERVES

	Notes	Share-based payment reserve	Joint Venture reserve	Hedging reserve	Revaluation reserve	Total reserves
		£'000	£'000	£'000	£'000	£'000
At 1 January 2007		100	433	-	-	533
Share of movement in joint venture reserve		-	453	-	-	453
Acquisition of subsidiary		-	(886)	886	8,394	8,394
Share-based payment expense	21	308	-	-	-	308
Expiry of options	21	(32)	-	-	-	(32)
Exercise of options	21	(6)	-	-	-	(6)
Transfer to retained profits	22	-	-	-	(694)	(694)
Movement in hedging reserve		-	-	(1,557)	-	(1,557)
At 31 December 2007		370	-	(671)	7,700	7,399
At 1 January 2008		370	-	(671)	7,700	7,399
Share-based payment expense	21	496	-	-	-	496
Movement in hedging reserve		-	-	(10,299)	-	(10,299)
31 December 2008		866	-	(10,970)	7,700	(2,404)

### 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 was 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 arose on the fair value review of the intangible assets on the acquisition of NMRE.

## 24. CASH FLOW FROM OPERATING ACTIVITIES

	2008	2007
	£'000	£'000
Loss from ordinary activities before income tax	(5,063)	(3,536)
Depreciation	6,243	5,275
Amortisation	4,178	4,072
Foreign exchange differences	32	(6)
Release of discounted deferred revenue	-	(2)
Interest income	(631)	(946)
Interest expense	5,536	5,644
Share of profits of associates and JV partnerships not received as dividends or distributions	-	(259)
(Decrease) in receivables	590	969
(Decrease) in trade and other payables	(591)	(554)
Increase in share-based payments reserve	496	276
Net cash inflow from operating activities	10,790	10,933



## 25. 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 2008 were £233,000 (2007: £227,000).

### DEFINED BENEFIT PENSION SCHEME

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 2008 in accordance with IAS 19 has been prepared for the Annual Report.

The amounts recognised in the balance sheet are determined as follows:

	2008 £'000	2007 £'000
Present value of funded obligations	(790)	(904)
Fair value of plan assets	607	748
	(183)	(156)

	2008 £'000	2007 £'000
<b>Plan Liabilities</b>		
Beginning of year	904	-
Acquisition of subsidiaries	-	863
Current service cost	36	35
Interest cost	52	45
Benefits paid	(32)	-
Actuarial losses	(170)	(39)
<b>End of year</b>	<b>790</b>	<b>904</b>

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

	2008 £'000	2007 £'000
<b>Plan Assets</b>		
Beginning of year	748	-
Acquisition of subsidiaries	-	688
Expected return on plan assets	57	53
Contributions employer and employee	60	24
Benefits paid	(32)	-
Actuarial losses	(226)	(17)
<b>End of year</b>	<b>607</b>	<b>748</b>

The amounts recognised in the income statement are as follows:

	2008 £'000	2007 £'000
Current service cost	29	29
Interest cost	52	45
Expected return on plan assets	(57)	(53)
<b>Total included in staff costs (note 6)</b>	<b>24</b>	<b>21</b>

The major assumptions used by the actuaries are:

	2008 per cent	2007 per cent
Future salary increases	3.6	4.2
Future pension increases	2.6	3.2
Discount rate	6.4	5.6
Inflation rate	2.6	3.2
Expected return on plan assets at year end	7.7	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 31 December 2008 was 24.5 years (2007: 24.5 years) for current pensioners and 24.5 years (2007: 24.5 years) for future pensioners.





## 26. OPERATING LEASE COMMITMENTS

### OPERATING LEASES – MOTOR VEHICLES

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

	2008 £'000	2007 £'000
Within one year	212	171
Between two and five years	215	101
Greater than five years	-	-
	<u>427</u>	<u>272</u>

### OPERATING LEASES – OTHER

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

	2008 £'000	2007 £'000
Within one year	89	148
Between two and five years	213	230
Greater than five years	68	90
	<u>370</u>	<u>468</u>

## 27. RELATED PARTY TRANSACTIONS

The Group has an interest in an immaterial joint venture. During the year the joint venture was charged by Novera £228,000 (2007: £294,000) of management charges as an arms length transaction. At 31 December 2008 a receivable of £306,000 (2007: £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.

## 28. CAPITAL COMMITMENTS

The Group has a letter of credit of £18.7 million ring fenced for the construction of Lissett.

## 29. EVENTS OCCURRING AFTER REPORTING DATE

No events have occurred after reporting date.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVERA ENERGY PLC**

We have audited the parent company financial statements of Novera Energy plc for the year ended 31 December 2008 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 2008.

### **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 Chairman's Report, the Operating Review, Financial Review, the Directors, the Corporate Governance Statement, the Director's 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.



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 2008;
- 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.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", followed by a large, stylized "24P" or similar mark.

**PricewaterhouseCoopers LLP**  
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS  
MANCHESTER  
20 February 2009



**COMPANY BALANCE SHEET**  
**NOVERA ENERGY plc**  
**AS AT 31 DECEMBER 2008**

	Notes	2008 £'000	2007 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	2	68,306	68,306
		<u>68,306</u>	<u>68,306</u>
<b>Current assets</b>			
Trade and other receivables	3	14,506	56
Net current assets		<u>14,506</u>	<u>56</u>
<b>Net assets</b>		<u>82,812</u>	<u>68,362</u>
<b>EQUITY</b>			
Ordinary shares	4	7,177	6,203
Merger reserve	4	61,979	61,979
Share premium	4	13,476	-
Other reserves	5	180	180
<b>Total Equity</b>		<u>82,812</u>	<u>68,362</u>

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 (2007: £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 61 to 64 were authorised by the Board of Directors on 20 February 2009 and were signed on its behalf by:

**DAVID FITZSIMMONS**  
**CHIEF EXECUTIVE OFFICER**

**RORY QUINLAN**  
**CHIEF FINANCIAL OFFICER**



## NOVERA ENERGY PLC

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### 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.



#### (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

	2008 £'000	2007 £'000
Investment in Novera Energy Limited (100 per cent)	68,126	68,126
Capital contribution in share-based payments	180	180
	<b>68,306</b>	<b>68,306</b>

Novera Energy Limited is incorporated in Australia. It is an intermediate holding company.

#### 3. TRADE AND OTHER RECEIVABLES

	2008 £'000	2007 £'000
Intercompany receivable	14,506	56
	<b>14,506</b>	<b>56</b>

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	Share Premium £'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

	Number of Shares 000	Ordinary Shares £'000	Merger Reserve £'000	Share Premium £'000	2008 £'000
At 1 January 2008	124,058	6,203	61,979	-	68,182
Equity Issue	19,485	974	-	13,476	14,450
Exercise of options	-	-	-	-	-
At 31 December 2008	143,543	7,177	61,979	13,476	82,632

The total number of authorised ordinary shares is 200.0 million and issued is 143.5 million shares with a par value of £0.05 per share. All issued shares are fully paid.



## 5. OTHER RESERVES

	2008 £'000
At 1 January 2008	180
Movement in reserves	-
At 31 December 2008	180

Other reserves relate to share-based payments.

## 6. DIRECTORS

	2008 £'000	2007 £'000
Total emoluments	661	385
Pension	8	3
	669	388
Highest paid director remuneration	303	110
Highest paid director pension	-	-

The Company has no defined benefit pension obligations in respect of any of the Directors. The fees of £145,000 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 2008 were £117,000 (2007: £112,000) and non audit fees were £29,000 (2007: £30,000).