Company No: 2670549

COGENCO LIMITED

Financial Statements
For the Year Ended 31 December 2013

Cogenco Limited
For the Year Ended 31 December 2013

Contents

Cogenco Limited
Company Information

Directors	S J Guttridge P Gilroy S Patton
Secretary	D Nolan
Registered office	Elizabeth House 56 – 60 London Road Staines-Upon-Thames TW18 4BQ
Registered number	2670549
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP National Westminster Bank plc 47 Carfax Horsham West Sussex RH12 1YZ

Cogenco Limited
Strategic Report
31 December 2013

Principal activities
The principal activities of the Company are the supply and maintenance of combined heat and power (CHP) units.

CHP, also known as Cogeneration, is the production of heat and power from a single source, usually natural gas. It is an energy efficient and environmentally friendly process and an efficient way of delivering heat and power at the point of use from a single fuel within a building or process.

The revenue of the business comes from the supply of heat and electricity under long term "optima" contracts from its owned fleet of CHP units, the sale of CHP units and from the service and maintenance of CHP systems. Units range from 110kWe (kilo watt electricity) to 2MWe (megawatt electricity) and come as a fully integrated total package.

Review of the year
Turnover increased by 7.7% to £22.4m (2012 restated: £20.8m). An operating loss from continuing activities of £3.5m was recorded for the year (2012 restated: loss £2.9m). 2013 was a difficult trading year with a low level of new CHP sales generated and continuing challenges of the economic environment Cogenco operates within. The 2012 loss has been restated as a result of material errors discovered during 2013 in the Company's accounts.

The directors expect the Company to resume trading profitably in the future due to the increase in the spark spread which is leading to improved economies for CHP plants.

Key performance indicators:
The following indicators have been extracted from the monthly reporting processes to illustrate the type of indicators which management use to guide and shape the business.

	2013	2012
Revenue (£'000)	22,438	20,824
Gross Profit margin %	7.5%	12.5%
Operating Profit margin %	(15.6%)	(13.7%)
Debtor days	91 days	81 days

Management also use the following:
- monthly sales/gross profit reports analysed by portfolio
- weekly cash/bank reports
- monthly management accounts showing trading results, detailed overhead expenses, balance sheet and cash flow reports
- monthly aged debtor reports

Each of these indicators are monitored by management against trading and cash flow budgets which are prepared annually. The indicators are also monitored against prior periods.

What significant risks and uncertainties does the Company face?
In common with all businesses, the Company is affected by a number of factors, not all of which are wholly within our control. Although many of the risk factors influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations.

The following highlights some of the particular risks, but is not intended to be an extensive analysis of all risks affecting the business. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, revenue, profits, assets, liquidity, and capital resources adversely.

Contractual risk
Our business includes contract risk, hence our business may be adversely affected by failure to perform or deliver on major contracts. We assess and mitigate this risk as part of our contract authorisation process which aims to ensure that all legal, operational and commercial risks are properly considered before exchange of contracts with our clients. We also continuously monitor the performance of our fleet of CHP units such that any issues in performance are quickly identified and dealt with.

What significant risks and uncertainties does the Company face? (Continued)

Energy Trends

The UK's increasing reliance on gas imports coupled with the high element of gas in the current power generation mix, the need for short term investment in new and replacement power generation plant and further UK Government legislation to control CO2 emissions means we are seeing mid to long term upwards pressure and increasing volatility in UK prices. The increased focus on renewable technologies seeks to address supply side exposure but does not detract from the need for greater effort by businesses and organisations on demand side savings which are within their own control.

What is the outlook for the business?

2014 is showing signs of recovery in the sale of packaged CHP units and the order backlog has grown from year end. The company will benefit from continued integration within Dalkia in the UK and also from commercial opportunities, extending its product offering and market penetration particularly in the Healthcare sector, which has high demand for CHP and energy solutions. We expect further growth from the CHP replacement program in the Hotel sector where the current equipment has been operating for in excess of 15 years. We continue to focus on energy efficient, carbon reducing solutions for our clients.

Corporate responsibility – how does this underpin our business activities?

Our approach to Corporate Responsibility (CR) looks to integrate sustainable business practices into all areas of our organisation whilst actively managing the impact of our activities on the environment and local communities in which we operate. Cogenco and its' parent company, Dalkia, have invested considerable time and effort to ensure we track more effectively key aspects of Corporate Responsibility including:

- Our own environmental performance. Fleet vehicles are now specified with lower emissions with employees benefiting from opting for these vehicles. Office energy awareness/energy saving days have been held and properties upgraded with low energy fittings. The recycle/reuse campaign is continuing.
- The impact of our energy services. In the UK, Dalkia's energy management operations have helped our customers save 369,480 tonnes of CO2. We have recycled around 200,000 tonnes of waste wood as carbon neutral fuel and hence avoided landfill. We have over 90 biogas fired CHPs in operation and are also implementing advanced energy systems that use organic by-products as biofuel.
- Our customers. We have promoted energy efficiency through site campaigns and helped our customers stage energy and environment awareness days and implement programmes to improve energy use and recycling.
- The community. We have actively engaged with local communities to ensure our good neighbour policy and sought to enhance the community areas we share. We have maintained the employee volunteering scheme, give and gain days and employee matched funding for participation in charitable events.
- Our employees (in terms of diversity, inclusion and training). We have maintained our Investors In People (IIP) accreditation and a wide and diverse training programme.

Health and Safety, Quality and Environment

We made good progress in 2013 across the Dalkia Uk Group. Our third party accidents reduced by 35% on 2012 levels and the number of man days lost due to all accidents fell by 41% on 2012 levels. Although we did not hit our reduced targets for 2013, for both accident frequency rates and severity rates, both measures are down on 2012 levels. A number of initiatives were instigated to maintain the focus on working safely. They included the 6th Dalkia International Safety Week in November 2013 and the occupational health surveillance programme for all employees at the bioenergy sites. We maintained health, safety and quality to OSHAS18001, ISO14001 and ISO9001 certification across the Company.

The Strategic Report was approved by the Board on 11 July 2014 and signed on its behalf by:

S J Guttridge
Director

Cogenco Limited
Directors' Report

The Directors present their report and the audited financial statements of Cogenco Limited for the year ended 31 December 2013.

Going concern
The financial statements have been prepared on a going concern basis as the company's immediate parent undertaking, The Cogeneration Company Limited, has received confirmation from Dalkia plc's, immediate parent undertaking, Dalkia International S.A. of its intention to continue providing financial support for the foreseeable future.

Financial Instrument risk
Details surrounding the Company's exposure to Financial Instrument risk can be found in note 13.

Directors and their interests
The present membership of the Board is set out on page 1. The directors below resigned or were appointed on the following dates:

Mr P Gilroy	appointed on 15 August 2013
Ms S Patton	appointed on 1 October 2013
Mr P B Stevens	resigned on 2 September 2013
Mr R Bent	resigned on 4 September 2013
Mr J Winterbottom	resigned on 9 January 2014
Mr J Packer	resigned on 31 March 2014
Mr K Korengold	resigned on 25 June 2014

All of the other directors held office throughout the year.

None of the directors had any notifiable interest in the share capital of the Company or other group undertakings at 31 December 2013.

Dividends
The directors do not recommend the payment of a dividend for the year (2012: £nil).

Donations
No political donations were made by the Company or its subsidiary undertakings.

Statement of Directors' responsibilities in relation to the Financial Statements, Strategic Report and the Directors' Report
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations and those International Financial Reporting Standards as adopted by the European Union. Company law requires the directors to prepare financial statements for each financial year.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing the financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the company;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance; and
- state whether the company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cogenco Limited
Directors' Report (Continued)

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

Auditors
Ernst and Young LLP is willing to continue in office and in accordance with s487 of the Companies Act 2006, a resolution to reappoint it as auditor to the Company is to be proposed at the forthcoming Annual General Meeting.

The Directors' Report was approved by the Board on 11 July 2014 and signed on its behalf by:

S J Guttridge
Director

Independent Auditor's Report to the members of Cogenco Limited

We have audited the financial statements of Cogenco Limited for the year ended 31 December 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP
Christabel Cowling **(Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
Date: 18-7-14

Cogenco Limited
Statement of Comprehensive Income
For the Year Ended 31 December 2013

	Note	2013 £000	2012 (restated) £000
Revenue		22,438	20,824
Cost of sales		(20,748)	(18,219)
Gross Profit		1,690	2,605
Operating expenses		(5,185)	(5,458)
Operating loss	4	(3,495)	(2,853)
Financial expenses	5	(361)	(463)
Financial income	5	1	1
Loss before tax		(3,855)	(3,315)
Income tax credit	6	970	680
Loss for the financial year		(2,885)	(2,635)

All the company's operations are continuing.

There were no items of comprehensive income other than those disclosed above.

Cogenco Limited
Statement of Financial Position
at 31 December 2013

	Note	2013 £000	2012 (restated) £000
Assets			
Intangible assets	7	12	89
Property, plant and equipment	8	13,593	14,132
Investments	9	-	96
Trade and other receivables	11	250	445
Total non-current assets		13,855	14,762
Inventories	10	6,472	7,235
Trade and other receivables	11	8,659	9,171
Income tax receivable		1,528	964
Cash and cash equivalents		408	252
Total current assets		17,067	17,622
Total assets		**30,922**	**32,384**
Equity			
Called up share capital	16	1,367	1,367
Share premium		84,201	84,201
Retained earnings		(83,461)	(80,576)
Total equity attributable to equity holders of the parent		2,107	4,992
Liabilities			
Deferred tax liability	12	1,063	559
Total non-current liabilites		1,063	559
Trade and other payables	14	27,269	26,833
Provisions	15	483	-
Total current liabilities		27,752	26,833
Total liabilities		28,815	27,392
Total equity and liabilities		**30,922**	**32,384**

The financial statements were approved by the Board of Directors on 11 July 2014 and signed on its behalf by:

S J Guttridge
Director
Company registered number: 2670549

Cogenco Limited
Statement of Changes in Equity
For the Year Ended 31 December 2013

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
At 1 January 2012	**1,367**	**84,201**	**(77,941)**	**7,627**
Loss for the financial year (restated)	-	-	(2,635)	(2,635)
At 31 December 2012	**1,367**	**84,201**	**(80,576)**	**4,992**
Loss for the financial year	-	-	(2,885)	(2,885)
At 31 December 2013	**1,367**	**84,201**	**(83,461)**	**2,107**

Cogenco Limited
Statement of Cash Flows
For the Year Ended 31 December 2013

	Note	2013 £000	2012 (restated) £000
Cash flows from operating activities			
Loss for the financial year		(2,885)	(2,635)
Adjustments for			
Depreciation	8	1,282	1,248
Impairment	9	96	-
Loss on disposal of carbon allowances		77	161
Interest expense	5	360	462
Income tax credit	6	(970)	(680)
Operating loss before changes in working capital and provisions		(2,040)	(1,444)
Change in inventories	10	1,152	783
Change in trade and other receivables	11	512	148
Change in trade and other payables	14	436	3,014
Change in provisions	15	483	-
Cash generated from operations		543	2,501
Interest paid		(360)	(462)
Taxation received		910	365
Net cash from operating activities		1,093	2,404
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(1,132)	(3,011)
Acquisition of intangible assets	7	-	(12)
Proceeds from sale of carbon allowances		-	46
Acquisition of carbon allowances	7	-	(211)
Change in amounts owed by associated undertakings	11	195	-
Net cash used in investing activities		(937)	(3,188)
Net increase/(decrease) in cash and cash equivalents		156	(784)
Cash and cash equivalents at 1 January		252	1,036
Cash and cash equivalents at 31 December		408	252

1 ACCOUNTING POLICIES

Cogenco Limited ("the Company") is a Company incorporated in the United Kingdom.

Statement of compliance

The Company has prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the E.U. (adopted IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are presented in £ Sterling (rounded to thousands) being the functional and presentation currency of the Company's business operations.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently for the year ended 31 December 2013 in the preparation of these financial statements.

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013:

- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
- IFRS 1 Government Loans – Amendments to IFRS 1
- IAS 19 Employee Benefits (Revised)
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1.

These did not have a material effect on the Company financial statements.

Prior year adjustment

During the current financial year a number of material errors were discovered in the Company's accounting records relating to the prior period which must be accounted for retrospectively in the financial statements in accordance with the requirements stated in IAS8 Accounting Policies, Changes in Accounting Estimates and Errors.

The errors related to the under-accrual of costs and over-recognition of revenue in relation to construction contracts.

The impact on the restated results for the year ended 31 December 2012 has been to increase cost of sales by £949k, decrease turnover by £1,199k and to increase the income tax credit by £526k resulting in a higher loss after tax of £1,622k. In the Statement of Financial Position the impact has been to increase accruals and deferred income by £2,096k, reduce inventories by £305k, to increase prepayments and accrued income by £253k, to increase the corporation tax receivable by £526k and to reduce retained earnings by £1,622k.

1 ACCOUNTING POLICIES (Continued)

Going concern
The Company uses cash balances provided from shareholders equity and retained earnings to meet its' day-to-day working capital requirements and committed facilities from banks, The Cogeneration Company Limited, Dalkia plc and Veolia Environnement UK Limited. Having reviewed the latest projections for the Company, the directors believe that the Company is well placed to manage its' business risks successfully despite the current economic outlook. After making enquiries, the directors believe that the Company has adequate resources to continue in operational existence in the foreseeable future as the company's immediate parent undertaking, The Cogeneration Company Ltd, has confirmed its intention to provide continued financial support for the foreseeable future. Dalkia plc, the parent company of The Cogeneration Company Limited, has received confirmation from its immediate parent undertaking, Dalkia International S.A. of its intention to continue providing financial support for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Group accounts
The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Revenue
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, in the ordinary course of the Company's activities. Revenue is shown net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Services
Revenues are recognised by reference to the stage of completion of the Company's contracts. In most cases, given the services provided reflect an indeterminate number of acts over the contract term, revenue is recognised on a straight line basis. Where specific works on contracts represent a significant element of the whole, revenue is deferred until those works have been completed. An element of the services provided relates to the provision of energy where revenue is recognised at the point of usage by the customer.

Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, and there is no continuing management involvement in the goods.

Construction contracts
Revenue on construction contracts is recognised by reference to the stage of completion of the Company's contracts using the percentage of completion method.

Assets held under operating leases
Rentals payable under operating leases are charged to profit or loss on a straight line basis.

Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised within financial income and expenses. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

Employee benefits
Defined contribution plan
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

1 ACCOUNTING POLICIES (Continued)

Property, plant and equipment
Items of qualifying assets within property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on property, plant and equipment evenly over the expected useful lives as follows:

Leasehold property	Over the shorter of 5 years and the period of the lease
Other plant and machinery	Over 3 to 5 years
CHP assets	Up to 100,000 operating hours
Fixtures and fittings	Over 3 to 5 years

Where there is evidence of impairment to carrying values, property, plant and equipment are written down to their recoverable amount. Any such write down would be charged to operating profit.

Intangible assets
The Company recognises carbon allowances granted as an intangible asset at fair value at the date of grant and carbon emission allowances incurred are recorded as a current liability. Carbon allowances purchased are recorded at cost. Up to the level of allowances held the liability is measured at the cost of purchased or granted allowances held. When emissions liabilities exceed the carbon allowances held, the net liability is measured at the market price of allowances ruling at the Statement of Financial Position date. Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Statement of Financial Position date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

Carbon trading certificates	Over length of scheme
Trademarks	Over length of scheme

Investments in subsidiaries
Investments in subsidiaries are stated at cost less provision for any impairment in value.

Inventories and work in progress
Inventories and work in progress are measured at the lower of cost and net realisable value. Cost is based on the first-in first-out principle, and includes raw materials, design costs, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, except as noted below, on temporary differences that have arisen but not reversed by the Statement of Financial Position date, where the temporary differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Temporary differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that future profits are available.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the temporary differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

1 ACCOUNTING POLICIES (Continued)

Provisions
A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Financial instruments
Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts and loans that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Trade and other receivables
Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recoverability is assesed as being remote.

Impairment
The carrying amounts of the Company's assets other than inventories and deferred tax assets, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each Statement of Financial Position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount
The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying

1 ACCOUNTING POLICIES (Continued)

Impairment (Continued)
Reversals of impairment (Continued)
amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 STAFF NUMBERS AND COSTS

	2013	2012
	£000	£000
Wages and salaries	3,351	3,818
Social security costs	454	435
Other pension costs	212	154
	4,017	4,407
Presented in:		
Cost of sales	2,901	2,578
Administrative expenses	1,116	1,829
	4,017	4,407

The average number of employees during the year was as follows:

	2013	2012
Directors and senior management	5	5
Operations	87	92
Support services	9	14
Sales and marketing	1	3
	102	114

3 EMOLUMENTS OF THE COMPANY'S DIRECTORS

The directors received total remuneration for the year of £1,060k (2012: £784k). The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of Dalkia plc and fellow subsidiary companies.

	2013	2012
	£000	£000
Aggregate emoluments of the directors were:		
Directors' fees	851	630
Other emoluments	22	15
Redundancy payments	84	53
Pension Contributions	103	86
	1,060	784

Emoluments of the highest paid director were £372k (2012: £265k). Pension contributions in respect of the highest paid director paid by the company were £22k (2012: £22k).

3 EMOLUMENTS OF THE COMPANY'S DIRECTORS (Continued)

In addition to amounts paid to directors, other key management personnel received emoluments as follows:

	2013	2012
	£000	£000
Short-term employee benefits	659	755
Post-employment pension benefits	86	80
Redundancy payments	-	106
	745	941

4 OPERATING LOSS

Operating loss is stated after charging:

	2013	2012
		(restated)
	£000	£000
Included in cost of sales:		
Movement in provisions	483	-
Depreciation of property, plant and equipment	1,111	1,170
Loss on sale of carbon allowances	77	161
Costs of inventories recognised as an expense	3,247	2,092
Included in administrative expenses:		
Depreciation of tangible assets	171	78
Impairment of investment in subsidiary (see note 9)	96	-
Auditors remuneration:		
Fees payable to the Company's Auditors for the audit of these financial statements	50	50

5 FINANCIAL INCOME AND EXPENSE

	2013	2012
	£000	£000
Other interest receivable	1	1
Interest payable on borrowings on overdrafts	(25)	(7)
Interest payable to related parties	(163)	(285)
Other interest expense	(173)	(171)
Net financing costs	(360)	(462)

6 TAXATION

	2013	2012
Recognised in the Statement of Comprehensive Income		(restated)
	£000	£000
Current tax credit		
UK Corporation tax	(1,003)	(945)
Adjustment in respect of prior periods	(471)	13
Total current tax	(1,474)	(932)

6 TAXATION (Continued)

Recognised in the Statement of Comprehensive Income	**2013**	**2012 (restated)**
	£000	**£000**
Deferred tax expense		
Originating and reversal of timing differences	202	352
Adjustment in respect of change in rates	(160)	(52)
Adjustment in respect of prior periods	462	(48)
Total deferred tax (see note 12)	504	252
Total income tax credit in Statement of Comprehensive Income	(970)	(680)

Reconciliation of effective tax rate		
Loss before tax	(3,855)	(3,315)
Tax calculated at UK standard rate of corporation tax 23.25% (2012: 24.5%)	(896)	(812)
Non deductible expenses	95	219
Effect of change in rate	(160)	(52)
Adjustment in respect of prior years	(9)	(35)
	(970)	(680)

7 INTANGIBLE ASSETS

	Trademarks	**Carbon allowances**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 January 2012	-	73	73
Additions	12	211	223
Disposals	-	(207)	(207)
At 31 December 2012	12	77	89
Disposals	-	(77)	(77)
At 31 December 2013	12	-	12
Carrying value			
At 1 January 2012	-	73	73
At 31 December 2012	12	77	89
At 31 December 2013	12	-	12

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Equipment fixtures and fittings	Plant and machinery	Total
	£000	£000	£000	£000
Cost				
At 1 January 2012	125	652	46,913	47,690
Additions	4	2	3,005	3,011
Disposals	-	-	(2,994)	(2,994)
At 31 December 2012	129	654	46,924	47,707
Additions	10	4	1,118	1,132
Disposals	(82)	(549)	(2,576)	(3,207)
At 31 December 2013	57	109	45,466	45,632
Depreciation and impairment losses				
At 1 January 2012	102	595	34,601	35,298
Charged in year	8	22	1,218	1,248
Disposals	-	-	(2,971)	(2,971)
At 31 December 2012	110	617	32,848	33,575
Charged in year	11	19	1,252	1,282
Disposals	(82)	(549)	(2,187)	(2,818)
At 31 December 2013	39	87	31,913	32,039
Carrying value				
At 1 January 2012	23	57	12,312	12,392
At 31 December 2012	19	37	14,076	14,132
At 31 December 2013	18	22	13,553	13,593

9 INVESTMENT IN SUBSIDIARY UNDERTAKING

	2013	2012
	£000	£000
Cost		
At 1 January and 31 December	96	96
Provision and impairment losses		
At 1 January	-	-
Impairment	96	-
At 31 December	96	-
Carrying value		
At 1 January	96	96
At 31 December	-	96

The principal undertaking as at 31 December 2013 and 31 December 2012 was Cogenco SRL and it's principal activity is Cogeneration. Cogenco SRL is based and registered in Italy and 100% of the ordinary share capital and voting rights are owned by the Company. The directors are in the process of dissolving Cogenco SRL and have

9 INVESTMENT IN SUBSIDIARY UNDERTAKING (Continued)

consequenty impaired the cost of the investment.

10 INVENTORIES

	2013	2012 (restated)
	£000	£000
Raw materials	4,727	4,870
Work in progress	1,745	2,365
	6,472	7,235

11 TRADE AND OTHER RECEIVABLES

	2013	2012
	£000	£000
Current		
Trade and other receivables	3,460	4,381
Amounts owed by group undertakings	4,501	3,453
Prepayments and accrued income	698	1,337
	8,659	9,171

Non-current		
Amounts owed by associated undertaking	250	445

The ageing of trade receivables, net of allowance for impairment, at the reporting date was:

	2013	2012
	£000	£000
Not past due	2,378	3,233
Past due 0 - 30 days	10	808
Past due 31 - 90 days	1,045	329
Past due 181 - 365 days	-	11
More than one year	27	-
	3,460	4,381

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013	2012
	£000	£000
Balance at 1 January	201	56
Impairment loss (released)/recognised	(48)	145
Balance at 31 December	153	201

The allowance account in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point, the amount considered irrecoverable is written off against the financial asset directly.

12 DEFERRED TAX LIABILITY

The deferred tax liability is provided in the accounts as follows:

	2013	2012
	£000	£000
Property, plant and equipment	1,063	559

The movement of £504k has been recognised in the Statement of Comprehensive Income (2012: £252k).

On 5 December 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014. On 20 March 2013 the Chancellor announced a further reduction in the main rate of UK corporation tax to 20% with effect from 1 April 2015. This change became substantially enacted on 17 July 2013 and has been reflected in these financial statements in relation to the deferred tax calculation.

13 FINANCIAL RISK MANAGEMENT

Capital management

The Board's policy when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders, and to sustain the future development of the business. In order to maintain or adjust the capital structure, the Company may issue new shares or raise medium/long term third party debt.

The Company believes that these returns are maximised when the Company's Weighted Average Cost of Capital (WACC) is minimised and this is achieved through the setting of and adhering to, minimal rates of return for all capital intensive projects and acquisitions. This minimal level of return is reviewed periodically and is in accordance with Company policy. The Company has used a post-tax WACC at 31 December 2013 of 6.4% (2012: 6.8%) as requested by its ultimate controlling entity, Veolia Environnement S.A..

The Company is not subject to externally-imposed capital requirements and there were no changes in the Company's approach to capital management during the year.

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying value of trade receivables.

Liquidity risk

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at a Group level in accordance with practice and limits set by Dalkia International S.A. In addition the Company's liquidity management policy involves monitoring key Statement of Financial Position ratios against internal measures.

The maximum exposure to liquidity risk is represented by the carrying value of trade payables and amounts due to group undertakings which have a contractual maturity of due within 6 months.

Foreign currency risk

The company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Pounds Sterling. The currency that gives rise to this risk is primarily the Euro.

Fair value

The fair value of cash, trade receivables, trade payables, other current receivables and other current payables approximates to their carrying values due to the short-term maturities of these financial instruments. The fair value measurement hierarchy of these assets and liabilities is all Tier 3: management valuation with no market observable inputs.

14 TRADE AND OTHER PAYABLES

	2013	2012 (restated)
	£000	£000
Current		
Trade payables	1,890	854
Amounts owed to group undertakings	21,184	20,550
Other taxation and social security costs	491	708
Accruals and deferred income	3,704	4,721
	27,269	26,833

15 PROVISIONS

	2013	2012
	£000	£000
Charged to income statement	483	-
At 31 December	483	-

The Company has made a provision for future losses expected in relation to an onerous contract which terminates during 2014.

16 SHARE CAPITAL

	2013	2012
	£000	£000
Authorised		
7,766,668 ordinary shares of £1	7,767	8
1 Redeemable C shares of £1	-	-
	7,767	8
Allotted and fully paid		
1,366,669 ordinary shares of £1	1,367	1,367
1 Redeemable C ordinary shares of £1	-	-
	1,367	1,367

17 FINANCIAL COMMITMENTS

Capital commitments

Capital expenditure commitments were as follows:

	2013	2012
	£000	£000
Committed	38	1,040
Authorised, not committed	-	2,560

17 FINANCIAL COMMITMENTS (Continued)

Operating lease commitments

Non-cancellable operating leases are payable as follows:

	2013	2012
	£000	£000
Less than one year	577	419
Between two to five years	718	332
	1,295	751

During the year, £544k was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2012: £721k).

Bank guarantees

The Company has entered into a cash management agreement with its ultimate UK parent undertaking, Dalkia plc and fellow subsidiary undertakings whereby each company has guaranteed the bank current accounts of the others.

Other guarantees

The Company is registered with HM Customs & Excise as a member of a group for VAT purposes, and as a result, jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT. This group for VAT purposes consists of The Cogeneration Company Limited and its UK subsidiary undertakings.

18 EMPLOYEE BENEFITS

The Group operates a defined contribution pension plan. Up to 31 December 2003 this was an occupational scheme with the assets held separately from those of the Group in a trustee-administered fund. With effect from 31 December 2003 this scheme was replaced by a Stakeholder arrangement.

£212k has been recognised in the Statement of Comprehensive Income for the year (2012: £154k).

19 RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its parent company and fellow subsidiaries of Dalkia plc.

	Sales of services to		Purchase of services from		Interest expense		Outstanding balance 31 December	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Parent								
The Cogeneration Company Ltd	-	-	-	-	-	-	(967)	(967)
Entity with significant influence								
Dalkia plc	-	-	780	775	163	285	(18,693)	(17,720)
Subsidiaries								
Cogenco SRL	-	86	-	-	-	-	(7)	202
Other related parties								
Dalkia Utilities Services plc	5,206	2,982	77	741	-	-	2,438	729
Cogenco SAS	824	618	-	-	-	-	1,535	1,511
CCL Consulting Ltd	-	-	-	-	-	-	(766)	(891)
Cogenco Korea Ltd	-	-	-	-	-	-	68	48
Cogenco Services Ltd	-	-	-	-	-	-	(9)	(9)
Society Valmy Defense 17	-	-	1,154	-	-	-	(282)	-
Geniix Bioenergy Ltd	-	-	-	-	-	-	250	445
	6,030	3,686	2,011	1,516	163	285	(16,433)	(16,652)

20 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is The Cogeneration Company Ltd, a company incorporated in Great Britain and registered in England and Wales. The parent undertaking of the smallest group for which consolidated financial statements are drawn up is The Cogeneration Company Ltd and the UK ultimate parent undertaking for which consolidated financial statements are drawn up is Dalkia plc.

The largest ultimate controlling entity of Dalkia plc is Veolia Environnement S.A. and the smallest is Dalkia International S.A.. Dalkia International S.A. is a joint venture between Veolia Environnement S.A. and Electricité de France. Veolia Environnement S.A., Dalkia International S.A. and Electricité de France are incorporated in France.

Copies of the accounts can be obtained from:

Dalkia plc
Elizabeth House
56 - 60 London Road
Staines-Upon-Thames
TW18 4BQ

Dalkia International S.A.
Quartier Valmy
33 Place Ronde
92981 Paris La Défense
France

Veolia Environnement S.A.
36-38 avenue Kléber
75116 Paris
France

Electricité de France
22-30 avenue de Wagram
75382 Paris Cedex 08
France

21 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the Board of Directors the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Management does not believe that there are any key assumptions concerning the future and other sources of estimation uncertainty at the reporting date, which would cause a material adjustment to the carrying amounts of the Company's assets and liabilities within the next financial year.

22 STANDARDS AND INTERPRETATIONS RECENTLY ISSUED BUT NOT YET ADOPTED

The following new standards, amendments and interpretations, issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee or IFRIC), are not yet effective for the year ended 31 December 2013 and have not been applied in preparing these financial statements. This list contains those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective:

- IFRS 10, IFRS 11, IFRS 12 and IAS27 Investment Entities (Amendments)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36
- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- IFRS 15 Revenue from Contracts with Customers

All of the above apply from 1 January 2014 except for IFRS 15 which is effective from 1 January 2017. The Company is assessing the impact of these new standards on the financial statements.