

**INFINIS HOLDINGS**

Directors' Report and Financial Statements

Year Ended 31 March 2010

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## **INFINIS HOLDINGS**

### **Directors' report and financial statements for the year ended 31 March 2010**

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## **INFINIS HOLDINGS**

### **Opening statement**

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We present our report for Infinis Holdings (the 'Company') and its subsidiaries ('Infinis', 'Infinis Group' or 'Group'). The Infinis Group was formed from the Waste to Energy Division of the Waste Recycling Group in 2006. During the year Infinis acquired the remaining shares and full control of Novera Energy plc, now Novera Energy Limited ('Novera') and post year end Infinis acquired Ardrossan Wind Farm (Scotland) Limited and strengthened its position as one of the largest renewable power generators in the UK.

The Infinis Capital Limited board of directors is responsible for corporate governance of the Infinis Group and we therefore include a Chairman's statement prepared by the Chairman of Infinis Capital Limited. The operations of the Infinis Group are contained within the Infinis Energy Holdings Limited group, so we have incorporated within our directors' report, statements and a business review prepared by the Chief Executive and Chief Financial Officer of Infinis Energy Holdings Limited.

Renewable energy is a key component of the UK Government and European Union energy strategy. As a result, a number of positive policy directives are driving growth in the renewable energy industry. Infinis has established a good platform from which to benefit from this growth.

**Damian Darragh**  
**Director**

**Robert Barr**  
**Director**

## **INFINIS HOLDINGS**

### **Infinis: who we are**

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Infinis forms one of the UK's largest generators of renewable power. We operate a diverse portfolio of landfill gas, onshore wind and hydro projects, producing approximately 10% of the UK's renewable power in the year to 31 March 2010 and employing an average of 454 people during the year across 136 operating sites, with an aggregate generating capacity of 408 MW. This includes 17 MW of hydro generating capacity and two wind farms: the 30 MW Lissett Airfield wind farm in East Yorkshire and the 15 MW Mynydd Clogau wind farm in Wales.

On 21 May 2010 we acquired Ardrossan Wind Farm (Scotland) Limited ("Ardrossan") from Scottish and Southern Energy plc which added a further 30 MW to our operating onshore wind portfolio.

## **INFINIS HOLDINGS**

### **Infinis at a glance**

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#### ***Financial highlights***

Revenue up 25.7% (on a statutory basis) to £143.4 million

Gross profit up 30.2% (on a statutory basis) to £67.3 million

Adjusted EBITDA up 31.5% (on a statutory basis) to £93.1 million

#### ***Operational highlights***

Gigawatt hours exported to the grid from landfill gas generation up 7.5% (on a statutory basis) to 1,760 GWh

#### ***Development highlights***

10 MW landfill gas capacity installed or relocated during the year

#### ***Diversification***

Portfolio extended and diversified with the acquisition of Novera which was acquired during the year and the acquisition of Ardrossan which was acquired post year end

#### **Capacity added**

- 79 MW landfill gas
- 75 MW onshore wind
- 17 MW hydro

#### ***Awards***

Third place in the Sunday Times Best Green Companies awards 2010

Gold Award from the Royal Society for the Prevention of Accidents

## **INFINIS HOLDINGS**

### **Chairman's statement**

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As one of the largest renewable power generators in the UK, Infinis continues to play a significant role in meeting the challenge facing both industry and government in the creation of a sustainable low carbon energy mix

During the year, Infinis increased its generating capacity from 265 MW to 408 MW and has increased its diversity to become a mixed renewable generator adding both onshore wind and hydro operations to our already impressive landfill gas generating abilities. This increase was largely brought about by the acquisition of the remaining shares of, and gaining full control of, Novera during the year. Since the end of the year, we have also completed the acquisition of the Ardrossan wind farm (30 MW) which takes our total generating capacity to 438 MW. This is made up of 346 MW of landfill gas generating capacity, 75 MW of onshore wind and 17 MW of hydro generating capacity.

In the year to 31 March 2010 our exported power represented 10.3% of the UK's renewable electricity and approximately 0.7% of the UK's total electricity consumption.

In December 2009, our main operating subsidiary, Infinis plc (formerly Infinis Limited), completed a successful refinancing, raising £275 million by the issuance of a high yield bond. This, together with the strong cash flow from our operating assets, has enabled us to further invest in our onshore wind business. We acquired a healthy pipeline of wind projects with the acquisition of Novera and, together with our own pipeline, we are well placed to grow our onshore wind business. We currently have 126 MW in planning and have recently received planning committee approval for a 10 MW wind farm at Bullamoor, North Yorkshire. In addition to this we also have a further 100 MW of consented onshore wind farm capacity. In May of this year, we commenced construction of a 22 MW wind farm at Glenkerie in the Scottish Borders.

We continue our focus on operational excellence including improving the performance of our generating assets as well as on increasing the collection of gas from the landfill sites on which we operate. These improvements increase the amount of gas that can be converted to electricity which in turn reduces the amount of greenhouse gases that escape to the atmosphere.

As well as being one of the most significant contributors to the provision of green energy in the UK, we also strive to be green in our workplace and in our work practices. We are very proud that our efforts were recognised when we were recently placed third in the Sunday Times Best Green Companies awards for 2010.

We also continue to focus on health and safety, as the safety of our employees and all those affected by our operations is of prime importance to us. We are proud that our hard work has again been recognised by the Royal Society for the Prevention of Accidents with the awarding of the Gold Award for the second year running.

At the heart of our business is our people and Infinis has continued to grow during the year both organically and by acquisition with our workforce standing at an average of 454 during the year ended 31 March 2010. We have included an "our people" section in our annual report to highlight the investment we make in our people as the most important asset of our business.

Phil Nolan, Chairman, decided to leave the business with effect from 21 June 2010. I would like to thank him for his significant contribution to the development of Infinis as a leading power business and wish him luck with his future plans.

I would like to thank all our employees for the hard work and enthusiasm which has made Infinis one of the most significant contributors to the renewable energy industry in the UK. I look forward to what I am confident will be another successful year ahead.

**Mike Kinski**  
**Chairman**  
**Infinis Capital Limited**

## **INFINIS HOLDINGS**

### **Operating review**

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#### **Summary**

Infinis has continued to perform well over the past 12 months, delivering strong results in its core landfill gas business while achieving a key milestone in its strategic transformation into a diversified renewable generator through the acquisition of the remaining shares of, and gaining full control of, Novera

Our landfill gas activities benefited from both increased output and a higher average selling price per megawatt hour ("MWh"), while direct operating costs and overheads came in below budget. The successful acquisition in November 2009 of publicly quoted Novera not only strengthened the Infinis Group's leadership in the UK landfill gas market (increasing installed capacity from 265 MW to 346 MW) but also gave it an operating platform in onshore wind (45 MW) and hydro (17 MW) generation activities. Adding to this the recent Ardrossan wind farm purchase on 21 May 2010, Infinis now has 438 MW of installed renewable power generation capacity compared to 265 MW a year ago.

Throughout this report we have compared this year's performance to proforma numbers for the previous year. These proforma numbers include the results of Novera as if the acquisition had occurred on 1 April 2009 to provide greater comparability in the performance of the Group.

Underpinning Infinis' current and future success is the strong dedication of its employees who often operate in very challenging circumstances. As a management team, we aim to provide them with ongoing training opportunities and to adopt best-in-class health and safety standards to deliver operational excellence.

#### **Health and safety**

The health and safety of our employees and all who may be affected by our activities is a top priority for us. We continuously review our approach to health and safety management, benchmarking our performance against waste management, power generation and other companies. We have made progress in improving our health and safety performance, reducing our RIDDOR accident frequency rate from 0.6 to 0.4 over the past 12 months and are now outperforming the waste management and the utilities industry averages by a significant margin.

Our work in this area has been recognised by the Royal Society for the Prevention of Accidents with the awarding of a Gold Award and by the British Safety Council with the awarding of the International Safety Shield. We remain committed to continual improvement in this essential area.

#### **Landfill gas**

The main operational Key Performance Indicators ("KPIs") in our landfill gas operations are number of gigawatt hours ("GWh") exported to the grid and direct operating cost per MWh.

The number of GWh exported to the grid was 2,067 on a proforma basis compared to the previous proforma year of 2,015 GWh. This reflects our focus on increased efficiency and utilisation of our engines to convert available landfill gas into electricity. During the year our unscheduled outage hours reduced significantly, thus ensuring more available engine hours and therefore increased electricity production. Key contributing factors to this achievement have been increased investment in technical and management skills training and the roll-out of documented best practices across all engine technician teams to ensure rigorous periodic engine maintenance. We have also continued to invest in our state-of-the-art central Logistics Centre from which we monitor and control our engine and environmental compliance performance across 124 landfill gas generating sites on a 24 hour, seven days a week basis.

During the year ending 31 March 2010, we commissioned an additional 10 MW of capacity at 9 sites with surplus gas by redeploying under-utilised engines from other portfolio sites.

Direct operating cost per MWh on a proforma basis was £18.51 in the year compared to £18.85 in the previous year. This decrease reflects the increased generation and focus on cost control within the business.

Our main operational counterparties are the waste companies with whom we work, most notably Waste Recycling Group ("WRG"), Veolia, Cory, Biffa and Viridor. We work proactively with these counterparties to minimise the operational risk, including environmental and health and safety, on the sites on which we operate.

## **INFINIS HOLDINGS**

### **Operating review (continued)**

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#### **Landfill gas (continued)**

Our main KPI on the commercial side of the landfill gas business is average selling price per MWh. Average selling price per MWh was £72.70 in the year, compared to £64.89 in the previous proforma year. This increase, set against a market context of declining power prices, was achieved as a result of contracting a substantial portion of Infinis' future Renewables Obligation Certificate ("ROC") output for the short-to-medium term at attractive prices prevailing over a year ago, thereby protecting future profits.

Approximately 44% of our output in the year was sold under long-term contracts under the Government's Non Fossil Fuel Obligation ("NFFO") regime. These contracts vary between 10 and 15 years in duration and are protected from inflation through index-linking. The price achieved on these contracts is generally lower than that available on the traded market. The remainder of our power was sold on shorter-term trades to licensed off takers. Currently we have sold forward 87% of this part of our output until October 2011 and 70% until October 2012. Our policy of relatively short-term (12-24 months) contracting continues to enable us to benefit from any short-term increases in the power markets.

Infinis is the largest landfill gas to electricity generator in the UK and is responsible for approximately 45% of all electricity produced from landfill gas. We intend to continue to maintain this strong position both through re-investment into the current business and also by playing a key role in any industry consolidation.

#### **Wind**

The acquisition of Novera broadened the scope of our renewable operating activities to include onshore wind capacity. The Mynydd Clogau (Wales) and Lissett Airfield (England) wind farms have a combined 45 MW of installed capacity and were developed and built by Novera. Together with the recently acquired Ardrossan wind farm (30 MW) in Scotland, Infinis now operates 75 MW of onshore wind capacity.

The main operational KPIs in our wind operations are number of GWh exported to the grid and availability of the turbines measured as a percentage of hours available to operate/total hours.

The number of GWh exported to the grid was 92.7 GWh compared to the previous proforma year of 33.4 GWh. This reflects the commencement of commercial operations of the Lissett wind farm in April 2009. The average availability of our wind turbines was 99.0% compared to 97.7% in the previous proforma year. Our key operational counterparties for our wind operations are SKM, Vestas and Nordex. We work proactively with these counterparties to minimise the operational risk, including environmental and health and safety, on the sites on which we operate.

Our main KPI on the commercial side of the wind operations business is average selling price per MWh. Average selling price per MWh was £84.76 in the year, compared to £73.45 in the previous proforma year. This increase was due to the Lissett Airfield output being sold under the ROC regime compared to the output for Mynydd Clogau which is sold under the NFFO regime.

#### **Hydro**

The Novera acquisition increased our diversity further by adding 10 hydro operating sites, mainly located in Wales and Scotland, with a capacity of 17 MW.

The main operational KPIs in our hydro operations are number of GWh exported to the grid and availability of the turbines measured as a percentage of hours available to operate/total hours.

The number of GWh exported to the grid was 49.6 GWh compared to the previous proforma year of 45.7 GWh. This reflects higher availability of the turbines compared to the previous year. The average availability of our hydro turbines was 94.8% compared to 82.1% in the previous proforma year. This was due to a number of operational issues incurred in the year to 31 March 2009.

## **INFINIS HOLDINGS**

### **Operating review (*continued*)**

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#### **Hydro (*continued*)**

Our key operational counterparties for our hydro operations are the local water authorities where we operate. We work proactively with these counterparties to minimise the operational risk including, environmental and health and safety, on the sites on which we operate.

Our main KPI on the commercial side of the hydro operations business is average selling price per MWh. Average selling price per MWh was £67.12 in the year, compared to £65.18 in the previous proforma year. This increase, set against a market context of declining power prices, was achieved due to the increase in NFFO price compared to last year.

#### **Principal risks and uncertainties**

We consider that the main risks to our operations relate to asset performance, in particular engine and turbine reliability, health, safety and environmental standards and the impact of the weather. We monitor our landfill gas operations on a 24 hour, seven days a week basis from our Logistics Centre and this enables us to monitor and manage our operational risks. We have experienced and dedicated resources to assess and manage our environmental and health and safety risks and we believe we are one of the leaders in our industry in these important areas. We monitor both weather and atmospheric conditions as these affect our landfill gas, wind and hydro operations. We optimise the management of our engine and turbine fleet and gas fields accordingly. Other risks are included in our directors' report.

#### **Growing our portfolio**

In the coming year, we are aiming to commission a further 6 to 8 MW of landfill gas capacity across our sites, ahead of the 31 March 2011 grandfathering deadline for full ROC engine accreditation. We also plan to enter the Short Term Operating Reserve ("STOR") peaking programme run by the National Grid by redeploying 13 MW of currently unutilised engine capacity.

The Infinis onshore wind development portfolio has 236 MW consented or submitted for planning approval and we are evaluating the economic merits of several hundreds of MW at feasibility stage. We recently started construction work on the Glenkerrie wind farm, a 22 MW project based in Scotland. Infinis is also looking at ways to grow its hydro asset portfolio.

Infinis has positioned itself on a strong platform within the renewable energy sector to enable it to capitalise on the Government's incentives to grow this sector for the future.

**Eric Machiels**  
**Chief Executive**  
**Infinis Energy Holdings Limited**

## INFINIS HOLDINGS

### Financial review

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#### Highlights

- Revenue growth of 16.8% EBITDA growth of 25.5% (on a proforma basis)
- Significant cash flow from operations reinvested in development and expansion of the business
- £165 million cash in bank at year end
- Completed the acquisition of Novera to expand and diversify our portfolio
- Successfully refinanced Infinis plc by the issuance of a £275 million high yield bond

#### Results

The Group's results for the current year and prior year are shown on both a statutory and proforma basis for the income statement. The statutory basis includes the results of Novera from the point of control. The proforma results include the results for Novera as if the acquisition had occurred on 1 April 2009.

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m	12 month proforma period to 31 March 2010 £m	12 month proforma period to 31 March 2009 £m
Revenue	143.4	114.1	172.6	147.8
Gross profit	67.3	51.6	78.2	61.9
Operating profit	26.5	8.5	24.1	7.9
Impairment loss in investment in associate	(0.0)	(22.9)	(0.0)	(0.0)
Net financing costs	(15.1)	(7.8)	(19.1)	(12.1)
Share of loss in associate / gain on acquisition of associate	3.6	(1.0)		
Profit / (loss) before tax	14.9	(23.3)	5.0	(4.2)
Taxation credit	(5.0)	9.4		
Profit / (loss) after tax	10.0	(13.9)		
EBITDA from continuing operations <sup>2</sup>	71.8	51.6	78.2	62.3
Depreciation and impairment of fixed assets	29.2	26.5	33.9	32.6
Amortisation and impairment of landfill gas reserve	16.1	16.6	20.2	21.8
Tangible and intangible assets and investments <sup>1</sup>	697.2	517.2		
Cash balance	165.1	56.3		
Borrowings	(392.0)	(143.9)		
Net assets	370.1	380.5		

<sup>1</sup> These items are non GAAP measures

<sup>2</sup> EBITDA from continuing operations has been calculated using operating profit and adding back depreciation, amortisation and impairment

## INFINIS HOLDINGS

### Financial review (*continued*)

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#### Results (*continued*)

Revenue was £172.6 million on a proforma basis for the year (2009 proforma £147.8 million). This represents an increase of 16.8% and is primarily due to increased average selling prices from £65.04 to £73.08 and increased output of 115,448 MWh.

Gross profit for the year on a proforma basis was £78.2 million (2009 proforma £61.9 million), which is an increase of 26.3%. This increase reflects an increase in revenue and reduced costs of production per MWh from £18.68 to £18.37.

EBITDA<sup>2</sup> (earnings before interest, tax, depreciation and amortisation) was £78.2 million in the proforma year to 31 March 2010 (2009 proforma £62.3 million). This represents an increase of 25.5%.

During the year Infinis acquired the remaining shares in Novera and has therefore produced consolidated accounts including Novera from the date of control. In the prior year Novera was accounted for as an equity investment.

Tangible and intangible assets were £697.2 million as at 31 March 2010 (£517.2 million as at 31 March 2009). The increase relates to the acquisition of Novera and the inclusion of the tangible and intangible assets at fair value.

Net assets decreased to £370.1 million (£380.5 million as at 31 March 2009). This decrease is due to the accounting for the acquisition of Novera. The excess of purchase price over the fair value of net assets acquired is charged to reserves under IFRS3R and not goodwill.

Borrowings were £392.0 million at 31 March 2010 (£143.9 million at 31 March 2009). The increase in borrowings reflects the high yield bond issue (£275.0 million) and the inclusion of the Novera borrowings (£107.3 million), these have been offset by the repayment of the syndicated loan facility of £130.0 million.

#### Cash position and finance facilities

Infinis focuses on operating cash flow and on managing its cash position in order to maximise value over the long-term for its shareholders. Cash flow from operations is principally reinvested into the business to further develop its capabilities and capacity.

As at 31 March 2010, interest bearing loans and borrowings were £392.0 million and cash and cash equivalents were £165.1 million including £5.7 million in restricted cash.

Infinis Limited re-registered as Infinis plc, a public limited company, during the year in order to issue a high yield bond which is traded on the Luxembourg stock exchange. The high yield bond raised £275.0 million (before costs) at an interest rate of 9.125% repayable on 15 December 2014. The proceeds of this issue were used to repay an existing £135.0 million loan facility of which £130.0 million was outstanding and repaid.

Interest coverage ratio (EBITDA divided by external interest for the year) stood at 4.75 times (6.6 times in the year to 31 March 2009), reflecting the increased borrowings and higher rates of interest.

## **INFINIS HOLDINGS**

### **Financial review (*continued*)**

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#### **Risk management**

The Group's activities expose it to a variety of financial risks such as market prices, economic outlook, credit and interest risks. The Group actively manages its risks and has prepared a risk policy and register to record all the principal risks facing the Group and how to mitigate them. This policy and register is reviewed on at least an annual basis or sooner if a risk profile significantly changes.

#### **Dividend**

During the year no dividends were paid. In the prior year the directors of the Company approved the payment of a dividend of £417,315,000 on 11 September 2008. The dividend was paid to Monterey Capital II SARL and this company repaid an inter-company loan of £417,315,000.

**Jane Aikman**  
**Chief Financial Officer**

## INFINIS HOLDINGS

### Corporate responsibility

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Corporate responsibility has always been at the heart of our business and we have reported on it since our formation, demonstrating our commitment to acting responsibly. Our corporate responsibility report covering the year to 31 March 2010 provides further detail on the information given here.

#### Health and safety

The health and safety of all who may be affected by our activities is a top priority for us. We continuously review our approach to health and safety management, benchmarking our performance against waste management, power generation and other companies. We have made sustained progress in improving our health and safety performance, reducing our RIDDOR accident frequency rate from 2.1 to 0.4 over the 36 month period to 31 March 2010 and are now outperforming the waste management and the utilities industry averages.

(RIDDOR* reportable incidents/hours worked 12 months to 31 March 2010)	x 100,000
Infinis	0.4
Waste management industry average	1.4
Utilities industry average	0.8

\*RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrence Regulations

All areas of corporate responsibility are very much a team effort and none more so than health and safety. We work with all of our employees, contractors, landlords and other interested parties to improve safety for anyone who may be impacted by our work. The engagement of our employees on this programme was demonstrated by an independent survey where our staff comprehensively outperformed the other 22 companies taking part in measures of engagement with health and safety improvement initiatives.

Our work in this area has been recognised by the Royal Society for the Prevention of Accidents and the British Safety Council. We remain committed to continual improvement in this essential area.

#### Environment

In aiming for operational excellence, we measure our performance against recognised external standards where these exist. Our environmental management system covers all areas of the business and is independently certified as compliant with ISO 14001, the international environmental standard.

In addition, we benchmarked our environmental performance against that of other companies through the Sunday Times Best Green Companies awards. In 2010 we achieved the national position of third, up from fifth the previous year. These awards do not assess the inherent green nature of a business but rather they recognise the additional steps that have been taken. Benchmarking against external organisations has been a valuable exercise in helping us identify, and focus on, areas for improvement, which in turn has led to the company moving up the Sunday Times rankings each year.

#### Climate impact

Climate change is one of the greatest long-term challenges facing humanity today. We can minimise the scale of the change, by reducing as far as practicable the emission of greenhouse gases from human activities. At Infinis, this is what we do. We produce electricity from waste, hydro and onshore wind, in the process reducing the quantities of greenhouse gases potentially emitted from landfill gas.

On a proforma basis for the 12 month period to 31 March 2010, we have estimated our operations as being carbon positive by 11 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>e). This describes our net climate impact calculated by setting our operational CO<sub>2</sub>e emissions against the avoided emissions through the management of the methane component of landfill gas and the displaced emissions from grid electricity.

## **INFINIS HOLDINGS**

### **Corporate responsibility *(continued)***

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#### **Climate impact *(continued)***

This figure is based on the following

- Methane is a damaging greenhouse gas with 21 times the global warming potential of carbon dioxide (CO<sub>2</sub>) As a by-product of power generation and through flaring excess gas, we convert methane into less harmful carbon dioxide
- In running our operations, we release CO<sub>2</sub>. The most significant source of emissions for us is associated with the electricity we purchase to power our plant

#### **Waste reduction and disposal**

In comparison to climate change, waste is a relatively minor environmental issue for Infinis. Our main waste type is used lubricating oil from our generating plants. This oil is sold to a third party and is processed for reuse as a lower grade lubricating oil, with the residue used as a fuel. We are constantly looking to reduce all of our waste streams and have recently introduced innovative systems to clean transformer oil for reuse and recycle the plastic pipe work used to collect landfill gas.

#### **Social and community involvement**

Key messages regarding employee welfare and development and our community involvement programmes and respect can be found in the our people section of this report.

#### **Further information**

Additional information can be found in our 2010 corporate responsibility report. Both this report and the associated policy documents are available on our website.

## **INFINIS HOLDINGS**

### **Our people**

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The acquisition of Novera has led to continued growth in the workforce, with the headcount standing at an average of 454 during the year. A significant benefit resulting from this transaction is the additional skills and knowledge added to the business, ranging from wind development expertise and engine packaging capability to hydro operations experience. Plans are already in place to ensure that this knowledge is disseminated across the business.

Employees continue to feel very positive about working for Infinis, as demonstrated by our employee surveys, and voluntary employee turnover remains at the historically low level of 5% per annum.

#### **Employee engagement**

The open culture that is encouraged within Infinis includes ensuring that there are processes in place to enable staff to give feedback to the management team. During the year Infinis conducted its second 'Airtime' employee survey in which the whole workforce was canvassed for their views on what it is like to work for Infinis. The outcome was extremely positive, with levels of employee participation being even higher than when previously conducted. We also ranked very high against our peer group (as surveyed by the survey provider) and were placed first against this peer group regarding health and safety being taken seriously in the workplace. Overall, we were extremely pleased to see that our employees' level of satisfaction had improved on the already high level achieved in our first survey.

Infinis, in turn, strives to keep its employees well-informed of business developments through an internal communication programme. This has been particularly important as we progress towards assimilation of Novera into the business and is achieved through a variety of communication methods, including regular video team briefings that are distributed to all employees. The most high profile communication events of the year are the Infinis annual conferences, attended by all employees. In 2009, these saw internal and external speakers updating delegates on Infinis and sector developments.

#### **Training and development**

At Infinis we strive to create a learning and development culture which is focused on ensuring that employees fulfil their potential. During the year, our training and development programme has benefited from investment of just under £1,000 per employee which represents a significant commitment from Infinis and recognition of the fact that we value the major contribution that employees make to the success of the business.

In addition to the ongoing focus on safety training, there has been a strong emphasis on enhancing the technical skills of the field-based operational teams with both the mechanical/electrical technicians and our landfill gas technicians benefiting from comprehensive training and assessment programmes.

We also invested substantially in our prospective and existing managers, with the launch during the year of our High Performance Development Programme, building on our already successful Senior Management Development Programme. This new programme offers an element of outdoor based learning to reinforce management and leadership skills. Infinis expects to see a return on its investment through improvement in the quality of management in the business.

#### **Reward**

Our approach to remuneration is based on providing competitive salaries together with bonus and incentive schemes that reward individuals and teams for high performance. We regularly benchmark pay packages against external data. Our benefits offering is comprehensive and most notably includes the 'Smallsteps' green benefits package. This package is unique in the sector and provides an education and financial incentive programme, funded by Infinis, that encourages employees to make small changes in their day-to-day lives in order to reduce their personal carbon footprint.

## **INFINIS HOLDINGS**

### **Our people (*continued*)**

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#### **Community involvement**

We are committed to building strong relationships and being seen as a good neighbour by the communities in which we operate. Accordingly, we encourage employees to support charitable activities in the local communities where they live and work. We believe that, by making this positive contribution, local neighbourhoods also gain a better understanding of Infinis and its activities.

The Infinis 'Charity Challenge' was launched in 2008 with these objectives in mind and has seen Infinis donate money into a fund in order to support charities and good causes nominated by employees. This approach has also brought the additional benefit of combining the quest for health and safety excellence with support for charities and good causes, as Infinis increases the value of the fund for every workplace near-miss, incident and accident that is reported. Over the 12 month reporting period, 10 charities and good causes have benefited from donations from the Charity Challenge fund and near-miss reporting has continued to be proactively supported by employees, which is a key way to further improve health and safety standards.

## INFINIS HOLDINGS

### Board of directors<sup>1</sup>

	Infinis Holdings	Infinis Capital Limited				Infinis Energy Holdings Limited
Name	Board	Board	Audit Committee	Finance Committee	Nomination and Remuneration Committee	Board
Jane Aikman		✓				✓
Robert Barr <sup>2</sup> (RB)	✓					
Lord Birt		✓		✓		
Andrew Chadd <sup>2</sup> (AC)		✓	✓	✓	✓	
Damian Darragh <sup>2</sup> (DD)	✓	✓	✓	✓	✓	
Professor Gordon Edge		✓	✓	✓	✓	
Stewart Gibbins						✓
Steven Hardman						✓
Mike Kinski <sup>2</sup> (MK)		✓		✓	✓	
Eric Machiels <sup>2</sup> (EM)		✓				✓
Nils Steinmeyer <sup>2</sup>	Alternate to RB, DD	Alternate To DD, AC, MK, EM				

<sup>1</sup> Directorships are effective as at the date of this report

<sup>2</sup> Employed by Terra Firma Capital Partners Limited

## INFINIS HOLDINGS

### Board of directors (*continued*)

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#### **Eric Machiels**

Eric has been a Business Director of Terra Firma Capital Partners Limited (‘TFCP’) and has been involved with the Infinis Group since September 2007 when he became Development Director of Infinis plc (formerly Infinis Limited). Eric joined the board of Infinis Capital Limited in October 2007. He has been Acting Chief Executive and a board member of the Infinis Operating Subsidiaries<sup>3</sup> since August 2009. On 21 June 2010 Eric was also appointed as Acting Chairman of the Infinis Operating Subsidiaries. Prior to joining Terra Firma, Eric held executive positions within two portfolio companies of Clayton, Dubilier & Rice, a US private equity firm and most recently as MD of Sirva Inc’s Continental European activities from 2004 to 2007. He worked as an Investment Director at UBS Capital from 1999 to 2002.

#### **Jane Aikman**

Jane has been Chief Financial Officer of the Infinis Operating Subsidiaries<sup>3</sup> since July 2007 and joined the board of Infinis Capital Limited in October 2007. Previously, Jane was Group Finance Director at Wilson Bowden plc, where she was part of the team which was instrumental in the sale of that group to Barratt Developments plc. Jane’s earlier career included finance positions with Asia Pulp and Paper Co Ltd (ultimately as Director of Corporate Finance and Investor Relations), Divisional Finance Director at Amey plc and then Finance Director at Pressac plc. Jane is a non-executive director of Halma plc.

#### **Robert Barr**

Robbie is TFCP’s Chief Financial Officer with overall responsibility for the financial management of Terra Firma and its portfolio businesses. He was appointed to the board of Infinis Holdings in September 2009. Prior to joining Terra Firma in 2009, Robbie held a number of senior positions at Vodafone Group Plc including the role of Group Financial Controller and was most recently regional CFO for Vodafone’s businesses outside Western Europe. Robbie is a Fellow of the Institute of Chartered Accountants in England and Wales and has an MA in Mathematics from Magdalen College, Oxford University.

#### **Lord Birt**

Lord Birt was appointed as an independent Non-Executive Director of Infinis Capital Limited in June 2006. He was previously the Prime Minister’s Strategy Adviser from 2000 to 2005 and before that Director-General of the BBC. Lord Birt has been an advisor to McKinsey. Currently he is also Chairman of PayPal (Europe), a non-executive director of Eutelsat and an adviser to Capgemini.

#### **Andrew Chadd<sup>4</sup>**

Andrew is a Finance Director, Portfolio Business for TFCP and joined the Infinis Capital Limited board in August 2010. Since 2002 he has been involved in a number of Terra Firma businesses including Annington Homes, AWAS, ESH, HBS, Odeon/UCI, Thorn and PNG. More recently Andrew was seconded to EMI at the time of its acquisition in August 2007 where he worked on a number of important finance projects, including as acting Chief Financial Officer of EMI Music and throughout as a Director of Maltby Investments Ltd, the borrower under EMI’s lending facility. Prior to joining Terra Firma Andrew was on the COO Team of Nomura International Plc (Principal Finance Group) and prior to that had held finance roles at First Choice Holidays, Dunn and Bradstreet and Unilever. Andrew is a member of the Chartered Institute of Management Accountants.

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<sup>3</sup> ‘Infinis Operating Subsidiaries’ means one or more of Infinis Energy Holdings Limited and its operating subsidiaries.

<sup>4</sup> Andrew replaced Ruth Prior who resigned as a director of the Audit Committee, Finance Committee and Nomination and Remuneration Committee on 2 August 2010.

## **INFINIS HOLDINGS**

### **Board of directors (continued)**

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#### **Damian Darragh**

Damian is a Managing Director at TFCP who specialises in the energy and infrastructure sectors, with a particular focus on renewable power. He has completed a wide range of deals at Terra Firma, including the sale of Waste Recycling Group Limited (WRG), the spin-out and development of the Infinis plc (formerly Infinis Limited) renewable energy business, the acquisitions by the Infinis Group of Infinis (Re-Gen) Limited (formerly Summerlease Re-Generation Limited) and of Novera, the refinancing of Phoenix Natural Gas and the acquisition of EverPower, the US wind energy business. He was appointed a director of Infinis Capital Limited in October 2007. Damian joined Nomura in 1993, following his graduation from the University of Manchester and L'Institut Supérieur D'Electronique du Nord with a degree in Electronic Engineering Science (M Eng), where he worked with Terra Firma's forerunner, the Principal Finance Group. Following a sabbatical completing a Sloan Fellowship MSc at London Business School, he re-joined Terra Firma in 2005.

#### **Professor Gordon Edge CBE**

Gordon has been an independent Non-Executive Director of Infinis Capital Limited since June 2006. He is a long term serial scientific entrepreneur including a founder of Cambridge Consultants in 1961 and of PA Technology in 1970. In 1986 he founded The Generics Group, a leading laboratory based international technology and business consulting and investment company (now the Sagentia Group). He is also the founder of a large number of science based companies around the world and is credited with a major contribution to the Cambridge Phenomenon. Gordon sits on the boards of a number of public and private companies as well as having involvement in defence, university and charitable advisory groups. He received the CBE in 1989 for his contribution to technology.

#### **Stewart Gibbins**

Stewart joined WRG in May 2005 as Operations Director of the Waste to Energy Division. He has been Operations Director of Infinis plc (formerly Infinis Limited) since May 2006 and a board member of the Infinis Operating Subsidiaries<sup>3</sup> since April 2009. Stewart has extensive senior management experience in engineering, project management and operations with Marconi, British Coal, Babcock Group and Rolls-Royce. During his time with Rolls-Royce Stewart managed a fleet of 50 MW gas fired power stations within the UK, Europe and North America and has over 13 years' experience in the power generation sector.

#### **Steven Hardman**

Steven has been a director of the Infinis Operating Subsidiaries<sup>3</sup> since May 2008, when he was appointed Commercial Director, leading the Infinis Group's commercial and legal activities. He expanded his role in April 2009 when he assumed responsibility for the Infinis Operating Subsidiaries<sup>3</sup> wind development function. Steven was previously Group Legal Director for WRG where he was responsible for the entirety of the group's legal affairs. A qualified solicitor, Steven's early career was as a corporate lawyer in the City of London prior to a period with Hanson plc.

#### **Mike Kinski**

Mike is an Operational Managing Director at TFCP and joined the board of Infinis Capital Limited in October 2007. He subsequently became Chairman of Infinis Capital Limited on 21 June 2010. He has been involved in a large number of Terra Firma's investments since 2000 including Hyder plc, some of the pub companies, WRG and East Surrey Holdings. He was the acting Chief Executive Officer of the Voyager Pub Company for a period up to its sale in 2002.

His other current Terra Firma responsibilities are Chairman of Odeon & UCI Cinemas Holdings Limited and a Director of Lakewood Holdings Pty, the governance company for Consolidated Pastoral Company (Terra Firma's cattle business in Australia). He is also supporting the development of EverPower (the recently acquired wind development business in the US).

Prior to joining Terra Firma in 2000, Mike was Group Chief Executive Officer of Stagecoach Holdings Plc and Chief Executive Officer of Power Distribution and Water Operations for Scottish Power Plc. He was also a Government appointed Non-Executive Director of the UK Post Office from 1998 to 2002.

## **INFINIS HOLDINGS**

### **Corporate governance statement**

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**The Infinis Group's corporate governance structure is set by the board of directors of Infinis Capital Limited. The Infinis Group is committed to the highest standards of corporate governance.**

The board of directors of Infinis Capital Limited (the 'Capital Board') believes that effective corporate governance is a fundamental aspect of a well run business and is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business

The following paragraphs describe the key governance structures and internal controls operating within the Infinis Group. Through these mechanisms, the Infinis Group aims to apply the highest standards of corporate governance and to conform with the spirit of the UK Corporate Governance Code wherever practical

#### **Board constitution and procedures**

The Capital Board comprises seven members: a non-executive Chairman (Mike Kinski), two executive directors and four non-executive directors (including two independent non-executive directors). Biographies of Capital Board members are shown on pages 18 to 19.

The Capital Board has a programme which enables it to review critical business issues in a timely and disciplined manner at scheduled Capital Board meetings and enables it to discharge its responsibility to provide leadership to the Infinis Group within a framework of prudent and effective controls and to assess and manage risk.

The Capital Board meets regularly, generally on a monthly basis. In the 12 month period to 31 March 2010 11 scheduled meetings were held plus a number of specific meetings to deal with particular issues.

The Chairman is responsible for the effective running of the Capital Board and for communications with all directors and shareholders of Infinis Capital Limited. An agenda is established for all scheduled Capital Board meetings. The Chairman ensures that all members of the Capital Board receive sufficient information on agenda items, including financial, business and corporate issues and signed minutes of certain Capital Board committees, in advance of each Capital Board meeting, whether they are able to attend or not. This enables the Capital Board members to be regularly appraised on financial, operational and health and safety performance and make informed decisions on issues under consideration. Regular updates on risk management, health and safety and other key company policies are given to the Capital Board.

The principles for the corporate governance of the Infinis Group were adopted by the Capital Board on 30 October 2007. The Capital Board revised its formal schedule of delegated authorities on 31 March 2010. These principles determine the internal policies by which the Infinis Group should operate, without restricting the legal independence of any Infinis Group company and whilst ensuring that key policy and strategic decisions relating to the Infinis Group are made by the Capital Board. The matters which must be brought to the Capital Board for approval include, but are not limited to: the final approval of the annual accounts and the Infinis Group budget, major acquisitions and disposals, and any changes to the Infinis Group's capital structure, financing arrangements and financial policies.

The executive directors are responsible for day-to-day business operations and the development of strategic plans for consideration by the Capital Board as a whole.

Directors also have access to the advice and services of the Company Secretary and external advisers, as appropriate.

#### **Board committees**

The Capital Board has established three committees, each with clearly defined terms of reference, procedures, responsibilities and powers.

## **INFINIS HOLDINGS**

### **Corporate governance statement (*continued*)**

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#### **Finance committee**

The finance committee is chaired by Mike Kinski and also consists of four non-executive directors. In addition, the Chief Executive and the Chief Financial Officer of Infinis Energy Holdings Limited are normally invited to attend meetings. In the 12 month period to 31 March 2010, 21 meetings of the finance committee were held.

This committee is responsible for making recommendations to the Capital Board on financial and investment policy, including the capital structure of the Infinis Group, management of financial risks and the acquisition and divestiture of material corporate premises.

Further, the committee is also responsible for making recommendations to the Capital Board based on proposals by the Chief Executive or the Chief Financial Officer of Infinis Energy Holdings Limited (beyond authority levels delegated to the committee) regarding the creation, acquisition or disposal of subsidiaries, approval of investments or divestments within the Infinis Group, raising of external financing and the granting of securities, guarantees and indemnities as set out in the delegated authorities.

In certain specific circumstances the Capital Board has delegated authority to the committee to make decisions in these areas.

#### **Audit committee**

The audit committee is chaired by Professor Gordon Edge and also consists of two non-executive directors. The Chief Executive and Chief Financial Officer of Infinis Energy Holdings Limited and external auditors are normally invited to attend meetings. The committee meets at least twice during the financial year at appropriate times in the reporting audit cycle and in the 12 month period to 31 March 2010 the committee met twice.

The committee oversees the relationship with the external auditors. It reviews their audit plan and discusses audit findings with them. In addition, the committee reviews the effectiveness of the Infinis Group's internal controls and risk management systems and reports to the Capital Board on its findings. It also ensures that there is proportionate and independent investigation of any matter brought to its attention.

The committee is required to assist the Capital Board to fulfil its responsibilities relating to external financial reporting and associated announcements.

Since the year end the committee has reviewed either as a committee or as part of the Capital Board

- The annual financial statements, including the requirements for financial reporting
- Changes proposed to the Infinis Group's accounting policies and practices
- Significant accounting issues
- The Infinis Group's risk management process
- The requirement for an internal audit function

The committee recommends the appointment and reappointment of the Infinis Group's external auditors and annually reviews a formal letter provided by the external auditors confirming their independence and objectivity within the context of applicable regulatory requirements and professional standards. The committee also reviews the terms, areas of responsibility and scope of the audit (including schedules of unadjusted errors and representation letters) as set out in the external auditors' engagement letter, the overall work plan for the forthcoming year, together with the cost-effectiveness of the audit as well as the auditors' remuneration and performance, any major issues which arose during the course of the audit and their resolution, key accounting and audit judgements, the level of errors identified during the audit, and the recommendations made to management by the auditors and the management's response.

## **INFINIS HOLDINGS**

### **Corporate governance statement (*continued*)**

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#### **Nomination and remuneration committee**

The nomination and remuneration committee is chaired by Mike Kinski and also consists of three non-executive directors. The committee meets at least once a year and at such other times as the Capital Board requires. In the 12 month period to 31 March 2010 the committee met 9 times.

The committee's specific duties and responsibilities include

- Establishing criteria to be used in selecting directors
- Approving the remuneration of the executive directors and management and providing an objective and independent assessment of any benefits granted to directors and management
- Elaboration of incentive and remuneration plans to be applied within the Infinis Group
- Advising the Capital Board on, and monitoring, a suitable performance-related formula for the Infinis Group overall
- Ensuring that the pension arrangements throughout the Infinis Group are appropriate, well supervised and conform to applicable law

#### **Risk management and internal controls**

The Capital Board has overall responsibility for the Infinis Group's system of risk management and internal control, which are designed to manage the risk of failure to achieve the Infinis Group's objectives where such a risk cannot be eliminated. The Capital Board verifies that the internal control systems within the Infinis Group are appropriate and adequately enforced and (if deemed appropriate by the Capital Board) carries out an annual assessment of the effectiveness of internal controls for the period to the date of the annual report and financial statements. Following the audit committee's report, the Capital Board has considered the Infinis Group's internal control systems for the accounting period under review and is satisfied that they are appropriate and effective. There is a programme for regular review and development which is monitored by the audit committee.

## INFINIS HOLDINGS

### Directors' report

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The directors present their directors' report and financial statements of the Infinis Group for the year ended 31 March 2010

#### Principal activities

The principal activities of the Infinis Group are the generation of electricity from landfill gas, onshore wind and hydro

The principal activity of the Company is that of a holding company

#### Business review

The Chairman's statement, operating review and the financial review provide a comprehensive analysis of the development and performance of the Infinis Group's business during the year ended 31 March 2010

**Financial performance:** The results for the year are set out in the consolidated statement of comprehensive income on page 29. These are summarised below

**Revenue:** Net revenue from electricity sales and royalty income, for the year ended 31 March 2010 was £143.4 million (2009 £114.1 million)

**Operating profit:** Operating profit for the year was £26.5 million (2009 £8.5 million)

**Interest:** Net financing costs of £15.1 million (2009 £7.8 million) have been incurred during the year arising from external loans and the high yield bond

**Profit before tax:** The profit before tax for the year was £14.9 million (2009 loss of £23.3 million)

**Taxation:** Tax charge for the year was £5.0 million (2009 credit of £9.4 million)

**Principal risks and uncertainties:** Certain principal risks and uncertainties affecting the Infinis Group are considered in the operating review. Further principal risks and uncertainties include

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

The development of renewable energy sources relies, in part, on the national and international regulatory and financial support of such development. For several years the EU and the UK have adopted policies and subsidies actively supporting renewable energy. Although the support for renewable energy has been strong in recent years and the EU and the UK periodically reaffirm their desire to sustain and strengthen that support, these measures may be modified or allowed to lapse.

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

Landfill operations are subject to a demanding level of governmental regulation, principally directed at environmental, health, safety and land use issues and related matters. For instance, member states of the EU are subject to the requirements of the Landfill Directive 1999, which aims to minimise the negative environmental impacts of landfill, including from LFG emissions. In the UK, the Landfill (England and Wales) Regulations came into force in June 2002 and gave effect to the Landfill Directive. There are strict technical requirements governing the operation of landfill facilities and these regulations impose a variety of technical requirements on the control of LFG.

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

Our profitability and potential growth is, to a large extent, determined by the prices we receive for our produced electricity. As our LFG output contract portfolio shifts from fixed-price contracts under the NFFO regime to market governed prices under the ROC regime, our revenues are increasingly dependent on wholesale electricity prices and subject to greater volatility. Volatility in the prices for oil, natural gas and carbon and, in particular, a

## **INFINIS HOLDINGS**

### **Directors' report (continued)**

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#### **Principal risks and uncertainties (continued)**

drop in the prices for such traditional energy fuels, may cause electricity generated from LFG to achieve a lower than anticipated market price and adversely affect our business. The market price of electricity is volatile and is affected by a variety of factors including global market demand and market supply. Exchange rate movements between the pound, our operational currency, the dollar, the currency in which oil is traded, and the euro, the currency in which carbon is traded on energy markets, may also impact price volatility.

We also rely on our portion of the recycled buy-out fund payment that The Office of Gas and Electricity Markets (Ofgem) distributes each year on the basis of the aggregate penalty payments it receives from electricity suppliers who did not meet their ROC obligations in the preceding compliance period. We are not able to know or control the amount of the fund or the payment we will receive each year. A material downward fluctuation of the market prices of electricity and related products or the size of the recycled buy-out fund may have a materially adverse effect on our business operations, financial position and operational results.

**Key performance indicators ("KPIs")** The KPIs relating to the Infinis Group are considered in detail in the operating review.

**Environmental, social and community issues** Information on environmental, social and community issues can be found in the corporate responsibility and our people sections of this report.

**Prospects for 2011** With the commitment of the EU to a 20% target of all energy consumption to come from renewable sources by 2020, it is widely expected that renewable electricity generation will need to increase to more than 30% of total electricity generation in the UK. This presents a good opportunity for the Infinis Group to grow and develop as one of the leading companies in its field.

We believe that the Infinis Group has now established itself as a strong business with a good team of people to give it a solid platform to enable it to maximise growth opportunities in the coming years and continue to contribute to a greener tomorrow.

#### **Dividend**

During the year the directors proposed a dividend of £nil (2009: proposed and paid £417,315,000).

#### **Policy and practice on payment of creditors**

It is the policy of the Group to pay its creditors within 30 days of the end of the month in which the invoice was issued.

#### **Employees**

The Infinis Group's policy on employee involvement can be found in the our people section of this report. Our policy on equal opportunities is to recruit, develop and promote employees based on performance regardless of race, gender, religion, age, culture, sexual orientation, disability or background.

#### **Charitable and political donations**

The Group made no political donations or incurred any political expenditure during either financial year. The Group made charitable donations of £8,051 during the year (2009: £5,949).

#### **Private equity fund(s) owning the Company/Infinis Group**

The Company is ultimately owned by Terra Firma Investments (GP) 2 Limited as the general partner of certain funds managed by it.

Terra Firma Capital Partners Limited acts as adviser to Terra Firma Investments (GP) 2 Limited in such capacity.

## INFINIS HOLDINGS

### Directors' report (*continued*)

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#### Directors

The directors who served during the year ended 31 March 2010 and since the year end are as follows

C P T O'Haire	(Resigned 17 September 2009)
Q R Stewart	(Resigned 1 February 2010)
R N Barr	(Appointed 17 September 2009)
M D Darragh	(Appointed 1 February 2010)
Nils Steinmeyer	(Alternate to C P T O'Haire, Q R Stewart, R N Barr and M D Darragh)

#### 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

In accordance with section 487 of the Companies Act 2006 KPMG LLP (a) were deemed to be re-appointed as auditors of the Company for the financial year ended 31 March 2010 at the end of the last period for appointing auditors and (b) are expected to be deemed to be re-appointed as auditors of the Company for the financial year ended 31 March 2011 at the end of the next period for appointing auditors

By order of the board



R N Barr  
Director  
11 August 2010

## **INFINIS HOLDINGS**

### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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The directors are responsible for preparing the directors' report and the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## KPMG LLP

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

### **Independent auditors' report to the members of Infinis Holdings**

We have audited the financial statements of Infinis Holdings for the year ended 31 March 2010 set out on pages 29 to 79. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 auditors**

As explained more fully in the directors' responsibilities statement set out on page 26, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the Group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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

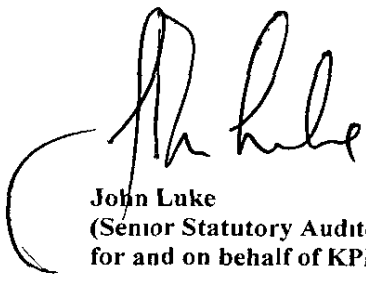
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditors' report to the members of Infinis Holdings (continued)**

**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 parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



**John Luke**  
**(Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

12 August 2017

# INFINIS HOLDINGS

## Consolidated statement of comprehensive income for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
<i>Continuing operations</i>			
Revenue		143,434	114,082
Cost of sales		(76,173)	(62,439)
<b>Gross profit</b>		<b>67,261</b>	<b>51,643</b>
Administrative expenses		(40,807)	(43,171)
Operating profit before amortisation and impairment		42,578	25,078
Amortisation and impairment of intangible assets		(16,124)	(16,606)
<b>Operating profit</b>	4	<b>26,454</b>	<b>8,472</b>
Impairment loss in investment in associate	8	-	(22,972)
Finance costs	4	(15,230)	(8,578)
Finance income	4	125	789
<b>Net financing costs</b>		<b>(15,105)</b>	<b>(7,789)</b>
		<b>11,349</b>	<b>(22,289)</b>
Gain on acquisition of associate	9	5,035	-
Share of loss in associate	8	(1,398)	(1,044)
<b>Profit/(loss) before tax</b>		<b>14,986</b>	<b>(23,333)</b>
Taxation	5	(4,998)	9,406
<b>Profit/(loss) from continuing operations</b>		<b>9,988</b>	<b>(13,927)</b>
<b>Other comprehensive income</b>			
Movement in effective cash flow hedges		1,334	(1,295)
<b>Other comprehensive income for the year, net of tax</b>		<b>1,334</b>	<b>(1,295)</b>
<b>Total comprehensive income for the year</b>		<b>11,322</b>	<b>(15,222)</b>
Attributable to minority interest	8	(1,636)	-
Attributable to parent		12,958	(15,222)
		<b>11,322</b>	<b>(15,222)</b>

All results are from continuing operations

# INFINIS HOLDINGS

## Consolidated statement of financial position at 31 March 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6		245,544		145,612
Goodwill	7		150,114		146,900
Other intangible assets	7		301,543		210,737
Investments	8		-		13,944
			<u>697,201</u>		<u>517,193</u>
<b>Current assets</b>					
Inventories	11	1,879		1,256	
Trade and other receivables	12	52,837		40,957	
Cash and cash equivalents	13	165,072		56,263	
Amounts due from related parties	10	<u>4</u>		<u>4</u>	
			219,792		98,480
<b>TOTAL ASSETS</b>			<u><b>916,993</b></u>		<u><b>615,673</b></u>
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	15		386,268		143,812
Deferred tax	5		91,963		56,238
Provisions	16		<u>6,117</u>		<u>4,220</u>
			484,348		204,270
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	15	5,716		143	
Trade and other payables	17	56,812		30,565	
Provisions	16	<u>-</u>		<u>181</u>	
			62,528		30,889
<b>TOTAL LIABILITIES</b>			<u><b>546,876</b></u>		<u><b>235,159</b></u>
<b>NET ASSETS</b>			<u><b>370,117</b></u>		<u><b>380,514</b></u>

# INFINIS HOLDINGS

## Consolidated statement of financial position at 31 March 2010 (*continued*)

	Note	2010		2009	
		£'000	£'000	£'000	£'000
<b>Equity (attributable to equity holders of the parent)</b>					
Issued share capital		15,760		15,760	
Cash flow hedging reserve		(535)		(1,869)	
Other reserves		(21,568)		-	
Retained earnings		376,460		366,623	
<b>TOTAL EQUITY</b>			<b>370,117</b>		<b>380,514</b>

The financial statements were approved by the board of directors on 2 August 2010 and were signed on its behalf by



R N Barr  
Director

Company number. 4733479

# INFINIS HOLDINGS

## Consolidated statement of cash flow for the year ended 31 March 2010

		2010		2009	
	Note	£'000	£'000	£'000	£'000
<b>Cash flow from operating activities</b>					
Profit/(loss) for the period			9,988		(13,927)
<b>Adjustments for</b>					
Depreciation and impairment of fixed assets	4		29,192		26,494
Amortisation and impairment of landfill gas reserve	4		16,124		16,606
Loan amortisation	4		938		185
Gain on acquisition of associate	9		(5,035)		-
Share of loss in associate	8		1,398		1,044
Impairment of investment in associate	8		-		22,972
Taxation	5		4,998		(9,406)
Loss on disposal of fixed asset	4		24		507
Interest income	4		(125)		(789)
Interest expense			14,292		8,578
Share based payments			-		(121)
<b>Operating cash flow before changes in working capital and provisions</b>			71,794		52,143
(Increase) in provision for doubtful debts		(40)		(263)	
(Increase)/decrease in trade and other receivables		(736)		2,077	
(Increase)/decrease in inventories		(403)		754	
(Decrease)/increase in trade and other payables		(15,527)		836	
Increase/(decrease) in provisions		971		(758)	
Interest paid		(9,798)		(6,136)	
Tax (paid)/received		(2,416)		65	
<b>Cash generated from operations</b>			(27,949)		(3,425)
<b>Net cash flow from operating activities</b>			43,845		48,718
<b>Cash flow from investing activities</b>					
Investment in associate	8	(16,212)		(6,138)	
Acquisition of subsidiary net of tax	9	(38,081)		-	
Interest received	4	125		789	
Purchase of property, plant and equipment		(28,696)		(23,907)	
Disposal proceeds on sale of fixed asset		5		9	
Deferred consideration		-		(181)	
<b>Net cash flow from investing activities</b>			(82,859)		(29,428)

# INFINIS HOLDINGS

## Consolidated statement of cash flow for the year ended 31 March 2010 (continued)

	2010		2009	
	£'000	£'000	£'000	£'000
<b>Cash flow from financing activities</b>				
Receipt of related party receivable	-		417,311	
Dividends paid	-		(417,315)	
Proceeds from borrowings	277,823		19,446	
Repayment of bank loans	(130,000)		(15,034)	
Repayment of loan notes	-		(10,038)	
Issue of share capital	-		15,717	
<b>Net cash flow from financing activities</b>		147,823		10,087
Net increase in cash and cash equivalents		108,809		29,377
Cash and cash equivalents at beginning of year		56,263		26,886
<b>Cash and cash equivalents at 31 March (note 13)</b>		165,072		56,263

## INFINIS HOLDINGS

### Consolidated statement of changes in equity for the year ended 31 March 2010

	Share capital £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Other reserves £'000	Total £'000
Balance at 1 April 2009	15,760	366,623	(1,869)	-	380,514
Profit for the year	-	9,988	-	-	9,988
Change in fair value of interest rate swap	-	-	1,334	-	1,334
Other	-	(151)	-	-	(151)
Movement in the year	-	-	-	(21,568)	(21,568)
<b>Balance at 31 March 2010</b>	<b>15,760</b>	<b>376,460</b>	<b>(535)</b>	<b>(21,568)</b>	<b>370,117</b>
Balance at 1 April 2008	43	797,986	(574)	-	797,455
Share issue	15,717	-	-	-	15,717
Loss for the year	-	(13,927)	-	-	(13,927)
Dividends paid	-	(417,315)	-	-	(417,315)
Change in fair value of interest rate swap	-	-	(1,295)	-	(1,295)
Share-based payments	-	(121)	-	-	(121)
<b>Balance at 31 March 2009</b>	<b>15,760</b>	<b>366,623</b>	<b>(1,869)</b>	<b>-</b>	<b>380,514</b>

On the acquisition of Novera on 27 November 2009 the Group recognised a minority interest of £35,741,000 which was subsequently purchased, see note 9

## **INFINIS HOLDINGS**

### **Notes forming part of the consolidated financial statements for the year ended 31 March 2010**

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#### **1 Accounting policies**

Infinis Holdings (the 'Company') is a company incorporated in England and Wales. The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 73 to 79. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to the financial statements of the Company and of the Group, to each financial year presented.

#### ***Measurement convention***

The financial information has been prepared on a historical cost basis as modified for derivative financial instruments that have been measured at fair value and is presented in sterling. All values are rounded to the nearest thousand (£'000) except where otherwise indicated.

#### ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are prepared for on the same reporting year as the parent company, using materially consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

#### ***Change in accounting policies***

From 1 April 2009 the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisition of non controlling interest
- Determination and presentation of operating segments
- Presentation of financial statements

#### ***Accounting for business combinations***

The Group has adopted early *IFRS 3 Business Combinations (2008)* and *IAS 27 Consolidated and Separate Financial Statements (2008)* for all business combinations occurring in the financial year starting 1 April 2009. All business combinations occurring on or after this date are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively. IFRS 3 (revised) amends certain aspects of accounting for business combinations set out in IFRS 3. Amendments include the requirement to expense all transaction costs as incurred and the requirement for all payments to acquire a business to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through the statement of comprehensive income. IFRS 3 (revised) is applicable prospectively to business combinations on or after the effective date.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

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### 1 Accounting policies (continued)

#### *Accounting for acquisition of non-controlling interest*

The Group has adopted early *IFRS 3 Business Combinations* (2008) and *IAS 27 Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 April 2009. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary, and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively.

#### *Presentation of financial statements*

In the current year, the Company applied *IAS 1 (revised) Presentation of Financial Statements* which was effective from 1 January 2009. The adoption of this revised standard has impacted the presentation and format of the primary statements and notes. The titles of the primary statements have changed to statement of comprehensive income, statement of financial position, statement of cash flow and the statement of changes in equity.

The application of other new and revised standards and amendments that were effective in the year did not have an affect on the financial statements.

#### *Determination and presentation of operating segments*

As of 1 April 2010 the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of *IFRS 8 Operating Segments*. The new accounting policy in respect of segment operating disclosures is presented as follows:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

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#### 1 Accounting policies (continued)

##### *Standards, amendments and interpretations in issue but not yet effective*

The following new standards, amendments to standards and interpretations have been adopted by the EU but are not yet effective and have not been applied by the Company in preparing these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

##### *Standards*

##### *IFRS 9 Financial Instruments – Classification and Measurement (1 January 2013)*

IFRS 9 introduces new requirements for classifying and measuring financial assets and replaces the requirements for accounting for financial assets that are contained in IAS 39. IFRS 9 requires all financial assets to be categorised as fair value through the statement of comprehensive income unless the two conditions, the business model test and the cash flow characteristic test, are met in which case the asset may be categorised and measured at amortised cost.

##### *IAS 24 (revised) Related party transactions (1 January 2011)*

This revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities.

##### *Amendments to standards*

##### *IFRS 2 Share-based payments (amendment) (1 January 2010)*

This amendment clarifies how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements and incorporates the guidance previously included in IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS 2 – Group and treasury share transactions' and as a result the Group will no longer apply IFRIC 8 and IFRIC 11 when this amendment becomes effective.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

#### 1 Accounting policies (continued)

##### *Amendments to standards (continued)*

In addition to the standards and interpretations listed above, the directors also do not consider that the adoption of the following amendments or interpretations will have any impact on the financial information of the Group

<i>IFRIC 12 Service concession arrangements</i>	<i>(1 July 2009)</i>
<i>Annual Improvements to IFRSs April 2009 (amendments)</i>	<i>(1 January 2010)</i>
<i>IFRS 1 (revised) First-time adoption of IFRSs</i>	<i>(1 July 2009)</i>
<i>IAS 39 Financial instruments Recognition and measurement – Accounting for embedded Derivatives</i>	<i>(30 June 2009)</i>
<i>IAS 39 Financial instruments Recognition and measurement – Accounting for eligible hedged items</i>	<i>(1 July 2009)</i>
<i>IAS 32 Financial instruments Presentation – Classification of rights issues</i>	<i>(1 February 2010)</i>
<i>IFRIC 17 Distributions of non cash assets to owners</i>	<i>(1 July 2009)</i>
<i>IFRIC 18 Transfers of assets from customers</i>	<i>(1 July 2009)</i>
<i>IFRIC 19 Extinguishing financial liabilities with equity instruments</i>	<i>(1 July 2010)</i>

##### *Foreign currency*

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 in the statement of comprehensive income.

##### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. During the construction phase, these assets are held separately and depreciation commences once the asset is available for use.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 25 - 50 years
- plant and equipment over the shorter of the life of the lease or the expected life of each asset being 2-40 years
- fixtures and fittings 3 - 20 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

## **INFINIS HOLDINGS**

**Notes forming part of the consolidated financial statements for the year ended 31 March 2010**  
*(continued)*

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### **1 Accounting policies (continued)**

#### ***Research and development***

Expenditure on research activities is recognised in the statement of comprehensive income as an expense as incurred

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### ***Financial risk management***

##### ***Treasury and capital policies***

The Group's treasury function is responsible for managing the Group's exposure to financial risks and operates in line with policies set by the Company's board of directors (the "Board"). The primary objectives are to

- provide cash management,
- ensure availability of cost-effective facilities to finance net investment and working capital, and
- manage interest rate exposure

The Group currently finances activities with a high yield bond issued by Infinis plc (formerly Infinis Limited) on 16 December 2009 for a value of £275 million with an interest rate of 9.125% and a repayment date of 15 December 2014 (the "Bond"), a syndicated loan facility which is secured by a charge on the assets of the Novera Energy (Holdings 2) Limited group, a syndicated loan facility for Lissett Airfield wind farm which is secured by a charge on the assets of the Lissett Airfield Wind Farm Limited group and cash. Prior to the issue of the Bond it was financed via a combination of external bank loans and cash. Other financial assets and liabilities (such as trade debtors and trade creditors) arise from the Group's operating activities. The Group previously entered into derivative transactions, principally an interest rate swap, to manage exposure.

The Board monitors its capital base through regular review of cash flow.

The main risks associated with the Group's financial assets and liabilities are set out below.

##### ***Financial risks***

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

The Group's risk management program focuses on the predictability of revenue and control over operating costs to maximise the financial performance of the Group.

##### ***Market risk***

The majority of electricity generated is supplied under contractual arrangements which are either fixed price or RPI index inflated. The remainder of electricity generated is sold at market related prices which are subject to market fluctuations. To mitigate market risk output is sold under forward contracts of varying length, usually 1-2 years.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

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#### 1 Accounting policies (continued)

##### *Economic risk*

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

##### *Interest rate risk*

The Group has in issue a high yield Bond which will mature on 15 December 2014. Interest is payable semi-annually at a rate of 9.125%. The interest rate on the Bond is fixed.

The Bond is subject to restrictive debt covenants. The Group expects to comply with all covenants to ensure that no default occurs.

Bank loans of the Group currently bear variable interest rate of libor plus margin. It is Group policy to protect at least 90% (2009: 50%) of the loans from exposure to increasing interest rates.

##### *Credit risk*

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

##### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds, preference shares, finance leases and hire purchase contracts.

##### *Foreign exchange risk*

The Group operates solely in the United Kingdom. However it does acquire some assets in foreign currencies, mainly Euros and uses forward contracts to fix the exchange rate used to settle the transaction. This currency exposure is not material as at the date of this report. Currency exposures are reviewed regularly. The finance function is responsible for managing the net position in each foreign currency.

##### *Sensitivity analysis*

At 31 March 2010 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately £0.2 million (2009: £2.8 million).

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

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### 1 Accounting policies (continued)

#### *Financial instruments*

##### *Derivative financial instruments*

The Group utilises derivative financial instruments in the normal course of business in order to hedge its exposure to fluctuations in interest rates and foreign currency fluctuations. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through the statement of comprehensive income.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

##### *Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the statement of comprehensive income in the same period that the hedged item affects the statement of comprehensive income.

##### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, including service concession receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

#### *Leases*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

## **INFINIS HOLDINGS**

**Notes forming part of the consolidated financial statements for the year ended 31 March 2010**  
*(continued)*

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### **1 Accounting policies (continued)**

#### ***Intangible assets and goodwill***

Where a business involves an entity under common control which falls outside the scope of *IFRS 3, Business Combinations*, having regard to *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*, for identifying appropriate accounting methods in circumstances not specifically considered by IFRS, the consolidated accounts are prepared as if the resulting structure had always been in place. Accordingly book values to the wider group – that is, based on the fair values assigned to the separate assets and liabilities, and goodwill arising, on the original acquisition are used. Any difference between the carrying amount of the net assets acquired and the consideration paid is recognised within other reserves.

Business combinations involving entities that are not under common control are accounted for by applying the purchase method and goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses.

#### ***Landfill gas reserve***

The landfill gas reserve represents the gas generative capability of waste deposited in landfill sites at the date of the original acquisition of the site by the Group over which it has rights. The asset was recorded at fair value at the time of the original acquisition, and in accordance with the accounting policy for transactions with entities under common control, is recorded in these financial statements based on the amortised consolidated book value at the date of acquisition. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life. The directors expect the maximum useful life of the Group's landfill gas reserves to extend to the life of the lease.

#### ***Landfill gas generation rights***

The landfill gas generation rights acquired in the current and prior year represent the rights acquired by the Group associated with the gas generative capability of waste currently deposited in the landfill sites together with the gas generative capability arising from expected future tipping. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its useful life. The directors expect the maximum useful life of the Group's landfill gas rights to be up to 16 years.

#### ***Wind energy usage rights***

The wind energy usage rights have been determined from the expected generation from wind on a site by site basis. The wind rights are amortised on a straight-line basis over 20 years. The value of the intangible has been derived using a discounted cash flow method over the expected useful life of the assets.

## **INFINIS HOLDINGS**

### **Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)**

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#### **1 Accounting policies (continued)**

##### ***Hydro usage rights***

The hydro energy usage rights have been determined from the expected generation from hydro on a site by site basis. The hydro rights are amortised on a straight-line basis over 40 years. The value of the intangible has been derived using a discounted cash flow method over the expected useful life of the assets.

##### ***Impairment***

The carrying amounts of the Group'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 the statement of comprehensive income. 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.

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.

When assessing impairment of goodwill, the Company as a whole is considered as a cash-generating unit.

Impairment of landfill gas rights and landfill gas reserves is considered at individual site level which is considered an appropriate cash-generating unit.

##### ***Reversals of impairment***

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and 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 amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

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#### 1 Accounting policies (continued)

##### *Cash and cash equivalents*

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

##### *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 the statement of comprehensive income over the period of the borrowings on an effective interest basis.

##### *Employee benefits*

###### *Share-based payments*

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in the statement of comprehensive income.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

###### *Long-term incentive plans*

The Group operates long-term incentive plans for certain key executives under which the amounts receivable are dependent on the value of Infinis plc (formerly Infinis Limited) upon any sale of Infinis plc (formerly Infinis Limited). These plans are treated as cash-settled share-based payments in accordance with the provisions of *IFRS 2 Share based payments* and the cost of the expected payment is recognised over the expected period of the plan.

## **INFINIS HOLDINGS**

**Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)**

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### **1 Accounting policies (continued)**

#### ***Employee benefits (continued)***

The Group provides pension arrangements for employees and certain directors who are members of the Friends Provident Stakeholder defined contribution scheme. Contributions for this scheme are charged to the Consolidated Statement of Comprehensive Income in the period in which they are payable.

#### ***Trade and other receivables***

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

#### ***Trade and other payables***

Trade and other payables, excluding derivative liabilities, are carried at cost less impairment losses.

#### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### ***Revenue***

Revenue for the Group is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of value added tax. Revenue is recognised where there is a signed unconditional contract of sale and as electricity is exported at the contracted rate on the date of generation except where that rate cannot be determined with reasonable certainty, in this case revenue is recognised when the rate can be ascertained with reasonable certainty. The Group accounts include revenue for ENnate Limited which installs and maintains flares. Revenue is recognised in line with the estimated percentage completion of the projects.

#### ***Net financing costs***

Net financing costs comprise interest payable, interest receivable on funds invested and foreign exchange gains and losses. Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

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#### 1 Accounting policies (continued)

##### *Taxation*

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### 2 Accounting estimates and judgements

Judgements made by the directors in the application of the accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

##### *Landfill gas reserve*

The landfill gas reserve has been recorded in the Group's accounts based on the amounts previously recorded in the Group's consolidated accounts. The landfill gas reserve was originally valued by the Group based on the net cash earnings from electricity generated from the waste deposited in the landfill sites at the date of acquisition by the Group using an industry standard gas production model. A number of assumptions were necessarily made in the estimation, including the method and uniformity of gas production, gas availability, methane content and price, many of which are outside the immediate control of the Group.

##### *Landfill gas rights*

The landfill gas rights have been recorded in the Group's accounts based on the fair value of the rights at the date of acquisition. The landfill gas rights include gas to be produced from waste in the ground at the date of the acquisition plus future tipping.

When the landfill gas reserve is tested for impairment the fair value of the gas asset at the date of the test is also dependent on these assumptions, many of which are outside the immediate control of the Group. Accordingly changes in the industry or to these assumptions could lead to material impairments of the landfill gas reserve value.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

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### 2 Accounting estimates and judgements (continued)

#### *Wind energy usage rights*

The wind energy usage rights have been recorded in the Group's accounts based on the fair value of the rights at the date of acquisition of Novera. The rights relating to operational wind sites have been valued based on the net cash earnings from electricity generated. A number of assumptions were necessarily made in the estimation including wind capacity factor and price which are outside the control of the Group.

#### *Hydro usage rights*

The hydro usage rights have been recorded in the Group's accounts based on the fair value of the rights at the date of acquisition of Novera. The rights relating to operational hydro sites have been valued based on the net cash earnings from electricity generated. A number of assumptions were necessarily made in the estimation including flow rate of water and price which are outside the control of the Group.

#### *Goodwill*

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill relating to acquisitions is not amortised. Goodwill is reviewed for impairment, at each statement of financial position date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill in the opening statement of financial position relates to the goodwill relating to the waste to energy operations arising from acquisitions made by the Group prior to the acquisition of the waste to energy business by the Group. In accordance with the Group's accounting policy for transactions between entities under common control this goodwill has been recorded in the statement of financial position based on the amounts previously recognised in the consolidated accounting records of the Group at the date of the acquisition of the business by the Group. Goodwill acquired during the year relates to the acquisition of Novera (see note 9).

The goodwill has been measured being the excess of the cost of the business combination over the net fair value of the identifiable assets acquired.

Goodwill has been allocated to the appropriate cash-generating unit. Goodwill is assessed for impairment annually by assessing the recoverable amount. Where the recoverable amount of the cash-generating unit is less than the carrying amount an impairment loss is recognised.

### 3 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.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 3 Segment information (continued)

#### 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 124 sites with a capacity of 346 MW

##### Hydro

The hydroelectric segment operates ten hydroelectric generators at sites across the UK with a capacity of 17 MW

##### Wind

The wind segment contains two operational wind farms with a capacity of 45 MW

2010	Landfill gas £'000	Hydro £'000	Wind £'000	Other £'000	Total £'000
Sales to external customers	138,634	1,320	2,825	655	143,434
Operating expenses *	(48,915)	(234)	(610)	(587)	(50,346)
Adjusted EBITDA	89,719	1,086	2,215	68	93,088
Depreciation, impairment and amortisation expense	(41,465)	(626)	(3,225)	-	(45,316)
Segment assets	748,469	31,009	137,515	-	916,993
Segment liabilities	(462,847)	(16,276)	(67,753)	-	(546,876)
Fixed asset additions	71,582	8,572	54,011	-	134,165
					<b>2010</b>
					<b>£'000</b>
Adjusted EBITDA					93,088
Depreciation, impairment and amortisation expense					(45,316)
Administrative expenses **					(21,318)
Net interest payable					(15,105)
Profit before tax and share of loss in associate					11,349
Gain on acquisition of associate					5,035
Share of loss in associate					(1,398)
Profit before tax					14,986

\* Operating expenses are shown as cost of sales net of depreciation

\*\* Administrative expenses are shown net of amortisation expenses, impairment losses and an element of depreciation expenses that are included in administrative expenses

Other assets and liabilities relate to assets and liabilities in companies upstream from the trading entities

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 3 Segment information (continued)

2009	Landfill gas £'000	Hydro £'000	Wind £'000	Other £'000	Total £'000
Sales to external customers	114,082	-	-	-	114,082
Operating expenses	(43,334)	-	-	-	(43,334)
Adjusted EBITDA	70,748	-	-	-	70,748
Depreciation, impairment and amortisation expense	(43,087)	-	(13)	-	(43,100)
Segment assets	597,178	-	18,495	-	615,673
Segment liabilities	(234,582)	-	(577)	-	(235,159)
Fixed asset additions	26,843	-	-	-	26,843
					2009 £'000
Adjusted EBITDA					70,748
Depreciation, impairment and amortisation expense					(43,100)
Administrative expenses					(19,176)
Impairment loss on investment of associate					(22,972)
Net interest payable					(7,789)
Loss before tax and share of loss in associate					(22,289)
Loss on acquisition of associate					-
Share of loss in associate					(1,044)
Loss before tax					(23,333)

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 4 Expenses

	2010 £'000	2009 £'000
<b>Finance (costs) / income</b>		
Interest expense on financial liabilities measured at amortised cost		
Interest payable on loans and swap	(5,399)	(5,983)
Interest payable on Bond	(7,288)	-
Funding of swap break costs	(1,414)	-
Amortisation of arrangement fees	(938)	(185)
Interest on loan notes	(161)	(2,376)
Other	(30)	(34)
Total finance costs	<u>(15,230)</u>	<u>(8,578)</u>
Interest income on loans and receivables		
Bank interest receivable	86	532
Other interest receivable	39	257
Total finance income	<u>125</u>	<u>789</u>

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 4 Expenses (continued)

	2010 £'000	2009 £'000
<b>Depreciation, amortisation, and other items included in consolidated income statement</b>		
Depreciation of property, plant and equipment	26,412	20,513
Amortisation and impairment of intangible fixed assets	16,124	16,606
Impairment of property, plant and equipment	2,780	5,981
Operating lease expense	494	465
Loss on disposal of fixed assets	24	507

#### *Auditors' remuneration*

*Amounts receivable by the auditors and their associates in respect of*

Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	8	8
Audit of financial statements of subsidiaries pursuant to legislation	287	160
Amounts receivable by the auditors and their associates in respect of Taxation	103	1,074
Transaction services	430	-
Other services	85	-

913	1,242
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#### **Staff numbers and cost**

	2010 £'000	2009 £'000
Wages and salaries	15,865	13,450
Social security costs	1,749	1,543
Pension costs	407	514
Share based payments	1,530	-
	19,551	15,507

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year end 31 March 2010  
(continued)

### 4 Expenses (continued)

The average number of persons employed by the Group during the current and prior year was

	2010 Number	2009 Number
Operational staff	328	186
Administration and management	126	96
	<u>454</u>	<u>282</u>

### Employee benefits

#### Long-term incentive plans

The Group operates long-term incentive plans for certain key executives under which the amounts receivable are dependent on the value of Infinis plc (formerly Infinis Limited) upon any sale of Infinis plc (formerly Infinis Limited). These plans are treated as cash-settled share-based payments in accordance with the provisions of *IFRS 2 share based payments* and the cost of the expected payment is recognised over the expected period of the plan.

For cash-settled share-based payment transactions the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The liability is revalued at each statement of financial position date and settlement date with any changes to fair value being recognised in the statement of comprehensive income.

The expected value of the award has been estimated by the directors based on external valuation advice received. The directors have also estimated the expected return term of the plan based on their current expectations as to the likelihood and timing of the sale of Infinis plc (formerly Infinis Limited).

#### Pensions and other post-employment benefit plans

The Group operates a number of defined contribution pension schemes on behalf of all eligible employees. The total expense relating to these plans in the current year was £461,725 (2009: £513,562). The assets of the scheme are held separately from those of the Group in independently administered funds.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

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### 5 Income tax

	2010	2009
Consolidated Statement of Comprehensive Income	£'000	£'000
<i>Current income tax</i>		
Tax charge for current year	2 421	1 126
Adjustments to prior years	(843)	(205)
Total current income tax	1 578	921
<i>Deferred tax</i>		
Origination and reversal of temporary differences	3,278	1,019
Impact of prior periods	142	(11,346)
Total tax charge/(credit) in income statement	4,998	(9,406)

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 5 Income tax (continued)

	2010 £'000	2009 £'000
Profit/(loss) before tax	14 986	(23,333)
At United Kingdom statutory tax rate of 28% (2009 28%)	4,196	(6,533)
Expenses not deductible for tax purposes	1,951	736
Non taxable income	(1,222)	-
Prior year current tax	(843)	(205)
Utilised tax losses	(4)	(64)
Impact of rate change and prior year deferred tax	142	(11,346)
Amortisation/impairment	778	8 006
Total tax	4,998	(9,406)

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 5 Income tax (continued)

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following.

	Liabilities		Assets		Net	
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	11,188	4,807	-	-	11,188	4,807
Intangible assets	82,424	57,053	-	-	82,424	57,053
Other timing differences	-	-	(1,649)	(1,368)	(1,649)	(1,368)
Tax losses	-	-	-	(4,254)	-	(4,254)
	<b>93,612</b>	<b>61,860</b>	<b>(1,649)</b>	<b>(5,622)</b>	<b>91,963</b>	<b>56,238</b>

#### Movement in deferred tax during the year

	As at 1 April 2009	Prior year movement	Acquired during the year	Recognised in income statement	Total
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	4,807	191	2,869	3,321	11,188
Intangible assets	57,053	(146)	29,940	(4,423)	82,424
Other timing differences	(1,368)	97	(504)	126	(1,649)
Tax losses	(4,254)	-	-	4,254	-
	<b>56,238</b>	<b>142</b>	<b>32,305</b>	<b>3,278</b>	<b>91,963</b>

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 6 Property, plant and equipment

31 March 2010

	Land and buildings	Plant and equipment	Wind farm assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
Balance at 1 April 2009	28,619	242,526	-	21,723	292,868
Acquired through business combinations	-	46,641	44,839	8,977	100,457
Additions	7	29,592	-	4,109	33,708
Transfers	-	884	357	(1,241)	-
Disposals	-	(106)	-	(5,012)	(5,118)
<b>Balance at 31 March 2010</b>	<b>28,626</b>	<b>319,537</b>	<b>45,196</b>	<b>28,556</b>	<b>421,915</b>
<b>Depreciation and impairment</b>					
Balance at 1 April 2009	(19,919)	(127,337)	-	-	(147,256)
Depreciation charge for the year	(771)	(24,792)	(849)	-	(26,412)
Depreciation on disposal	-	77	-	-	77
Impairment	-	-	-	(2,780)	(2,780)
<b>Balance at 31 March 2010</b>	<b>(20,690)</b>	<b>(152,052)</b>	<b>(849)</b>	<b>(2,780)</b>	<b>(176,371)</b>
<b>Net book value</b>					
At 31 March 2009	8,700	115,189	-	21,723	145,612
At 31 March 2010	7,936	167,485	44,347	25,776	245,544

Included in the total net book value of plant and equipment is £772,935 (2009 £843,201) in respect of assets held under finance leases. Depreciation for the year on these assets was £70,266 (2009 £70,266)

#### Property, plant and equipment under construction

At 31 March 2010 the amount of expenditure which had been incurred on assets which were in the course of construction was £28,556,000 (2009 £21,723,000)

Included in assets under construction are all costs relating to ongoing projects including development of new sites, engine overhauls, landfill gas pipe work, drilling and wind development costs

During the year ended 31 March 2010 the Group tested the asset value for impairment and recognised an impairment loss of £2,780,000 with regard to capitalised wind development costs (2009 £5,981,000)

# INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

## 6 Property, plant and equipment (continued)

31 March 2009

	Land and buildings	Plant and equipment	Wind farm assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
Balance at 1 April 2008	29,211	220,692	-	18,173	268,076
Additions	32	23,261	-	3,550	26,843
Disposals	(624)	(1,427)	-	-	(2,051)
<b>Balance at 31 March 2009</b>	<b>28,619</b>	<b>242,526</b>	<b>-</b>	<b>21,723</b>	<b>292,868</b>
<b>Depreciation and impairment</b>					
Balance at 1 April 2008	(19,665)	(102,632)	-	-	(122,297)
Depreciation charge for the year	(791)	(19,722)	-	-	(20,513)
Depreciation on disposal	537	998	-	-	1,535
Impairment	-	(5,981)	-	-	(5,981)
<b>Balance at 31 March 2009</b>	<b>(19,919)</b>	<b>(127,337)</b>	<b>-</b>	<b>-</b>	<b>(147,256)</b>
<b>Net book value</b>					
At 31 March 2008	9,546	118,060	-	18,173	145,779
At 31 March 2009	8,700	115,189	-	21,723	145,612

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 7 Intangible assets

	Landfill gas rights £'000	Landfill gas reserve £'000	Hydro energy usage rights £'000	Wind energy usage rights £'000	Total £'000	Goodwill £'000	Total £'000
<b>Cost</b>							
Balance at 1 April 2009	72,829	242,718	-	-	315,547	146,900	462,447
Acquired through business combinations	38,805	-	19,753	48,372	106,930	1,383	108,313
Change in deferred consideration	-	-	-	-	-	1,831	1,831
<b>At 31 March 2010</b>	<b>111,634</b>	<b>242,718</b>	<b>19,753</b>	<b>48,372</b>	<b>422,477</b>	<b>150,114</b>	<b>572,591</b>
<b>Amortisation</b>							
Balance at 1 April 2009	(18,736)	(86,074)	-	-	(104,810)	-	(104,810)
Amortisation for year	(8,548)	(6,888)	(441)	(247)	(16,124)	-	(16,124)
<b>At 31 March 2010</b>	<b>(27,284)</b>	<b>(92,962)</b>	<b>(441)</b>	<b>(247)</b>	<b>(120,934)</b>	<b>-</b>	<b>(120,934)</b>
<b>Net book value</b>							
At 31 March 2009	54,093	156,644	-	-	210,737	146,900	357,637
At 31 March 2010	84,350	149,756	19,312	48,125	301,543	150,114	451,657

The goodwill at 31 March 2010 represents the historical consolidated book value of goodwill recorded in the Group accounts plus the goodwill acquired through business combinations

During the year the deferred contingent consideration on the acquisition of Scottish BioFuel Limited and Scottish BioPower Limited was reviewed and as a result this was increased by £1,831,000

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 7 Intangible assets (continued)

	Landfill gas rights £'000	Landfill gas reserve £'000	Hydro energy usage rights £'000	Wind energy usage rights £'000	Total £'000	Goodwill £'000	Total £'000
<b>Cost</b>							
Balance at 1 April 2008	67,771	242,718	-	-	310,489	148,116	458,605
Change in deferred consideration	-	-	-	-	-	(1,235)	(1,235)
Additions	5,058	-	-	-	5,058	19	5,077
<b>At 31 March 2009</b>	<b>72,829</b>	<b>242,718</b>	<b>-</b>	<b>-</b>	<b>315,547</b>	<b>146,900</b>	<b>462,447</b>
<b>Amortisation</b>							
Balance at 1 April 2008	(9,848)	(78,356)	-	-	(88,204)	-	(88,204)
Amortisation for year	(8,366)	(7,255)	-	-	(15,621)	-	(15,621)
Impairment	(522)	(463)	-	-	(985)	-	(985)
<b>At 31 March 2009</b>	<b>(18,736)</b>	<b>(86,074)</b>	<b>-</b>	<b>-</b>	<b>(104,810)</b>	<b>-</b>	<b>(104,810)</b>
<b>Net book value</b>							
At 31 March 2008	57,923	164,362	-	-	222,285	148,116	370,401
At 31 March 2009	54,093	156,644	-	-	210,737	146,900	357,637

In deciding whether a goodwill impairment charge is required the carrying value of goodwill is compared with the recoverable amount of cash-generating units (CGUs) which is based on value in use calculations. These calculations use the cash flow projections based on management approved budgets.

Growth rates of 1-3% (2009: 3%) are used which do not exceed the long-term average growth rates for the business in which the CGU operates. The discount rates used are pre-tax and reflect specific risks relating to the respective business segments. The rates are calculated with reference to the Group's estimated weighted average cost of capital which is 8% (2009: 8%).

The calculation of value in use for landfill gas rights and reserves is most sensitive to the following key assumptions. The method and uniformity of gas production, gas availability, methane content and price, many of which are outside the immediate control of the Group.

The calculation of value in use for wind and hydro energy usage rights is most sensitive to price and assumptions regarding wind and rainfall.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

#### 8 Investment in associates

On 27 November 2009 the Group acquired control of Novera. Refer to note 9 for details of the acquisition. Up to 27 November 2009 the interest in Novera was accounted for in the consolidated financial statements using the equity method of accounting.

	2010 £'000	2009 £'000
As at 1 April	13,944	-
Transfer from available for sale assets	-	31,822
Additions to equity	16,212	6,138
Share of loss for the year	(1,398)	(1,044)
Impairment of equity accounted investments	-	(22,972)
Transfers to investments in subsidiary	(28,758)	-
	<u>-</u>	<u>13,944</u>

In relation to the Group's interests in associate, the assets, liabilities, income and expenses are shown below

	2010 £'000	2009 £'000
Total assets for Novera Energy Limited (formerly Novera Energy plc)	-	198,192
Total liabilities for Novera Energy Limited (formerly Novera Energy plc)	-	(139,900)
Net investments in associate	-	13,944
Revenue for Novera Energy Limited (formerly Novera Energy plc)	37,481	35,514
Loss for Novera Energy Limited (formerly Novera Energy plc)	(3,769)	(3,544)
Share of loss for the year	(1,398)	(1,044)

Included in the net investment figure as at 31 March 2009 is an impairment charge of £22,972,000 representing the Board's assessment of the recoverable amount based on the market value of the shares of Novera Energy plc (now Novera Energy Limited) at 31 March 2009.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 9 Acquisition of Novera

On 27 November 2009 the Group acquired 3.5% of the share capital in Novera to increase its shareholding to 50.4% thus acquiring control. Following a formal public offer Infinis acquired the remaining shares in Novera over a period up until 5 March 2010 which was the effective date of acquisition of 100%. Novera delisted from the Alternative Investment Market on 15 January 2010. Novera operates a renewable energy portfolio consisting of landfill gas, wind farms and hydroelectric energy generating assets. It is also involved in the development of onshore wind farm sites. The goodwill arising on acquisition can be attributable to synergies from combining operations of two relatively similar businesses.

The acquired business contributed revenue of £15.2 million and loss of £7.8 million to the Group for the period 27 November 2009 to 31 March 2010. If the acquisition had occurred on 1 April 2009 the contribution to revenue would have been £45.4 million and the contribution to net loss after tax would have been £8.6 million.

#### Prior investments in Novera:

	£'000
Fair value of original 46.9% holding	33,793
Carrying value of investment prior to acquiring control	28,758
Gain on acquisition	5,035

#### Acquisition of additional 3.5% acquired 27 November 2009 resulting in acquisition of control

	£'000
Fair value of net assets acquired	2,525
Goodwill on acquisition	1,383
Consideration paid	3,908
Consideration paid on acquiring non controlling interest post acquisition	55,284
Cash acquired in acquisition	(21,111)
Net consideration paid on acquisition	38,081

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 9 Acquisition of Novera (continued)

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

	Carrying value £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	72,868	34,062	106,930
Tangible assets	101,213	(756)	100,457
Trade and other receivables	11,790	-	11,790
Cash and cash equivalents	21,111	-	21,111
Trade and other payables	(11,264)	(3,852)	(15,116)
Interest bearing loans and borrowings	(109,806)	(508)	(110,314)
Derivative financial instruments	(10,494)	-	(10,494)
Deferred tax	(21,461)	(10,844)	(32,305)
	<u>53,957</u>	<u>18,102</u>	<u>72,059</u>
Previously held 46.9%			33,793
Net assets acquired 3.5%			2,525

During the year the Group incurred acquisition-related costs of £2,875,544 relating to external legal fees and due diligence costs. These costs have been included in administrative expenses in the Group's Consolidated Statement of Comprehensive Income.

#### Acquisition of non controlling interest

Post acquisition of Novera, the Group acquired the remaining non controlling interest in a number of transactions. As at 31 March 2010 the Group holds 100% of the share capital of Novera. The Group paid a consideration of £55,284,599 for the acquisition of the non controlling interest.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 10 Amounts due from related parties

	2010 £'000	2009 £'000
Amounts due from related parties	<u>4</u>	<u>4</u>

### 11 Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	<u>1,879</u>	<u>1,256</u>

### 12 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	12,678	9,485
Prepayments and accrued income	38,914	31,211
Other receivables	1,245	261
	<u>52,837</u>	<u>40,957</u>

All of the Group's trade and other receivables are denominated in sterling. At 31 March 2010 the amount of provision for doubtful debts included in the accounts is £303,000 (2009 £263,000)

#### *Aged analysis of trade receivables*

	2010 £'000	2009 £'000
Up to one month - not due	12,133	8,364
1 to 3 months - past due	596	1,285
3 to 6 months - past due	94	99
Greater than 6 months - past due	158	-
	<u>12,981</u>	<u>9,748</u>
Provision for doubtful debts	(303)	(263)
Total trade receivables	<u>12,678</u>	<u>9,485</u>

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010  
(continued)

### 13 Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank and in hand	165,072	56,263
£5,748,000 of the above cash balance is restricted (2009 £nil)		

### 14 Share capital and reserves

<i>Authorised</i>	2010 No	2009 No.
Ordinary shares of £1 each	126,504,220	126,504,220
12% A preference shares of 0.0007p each	120,674,600	120,674,600
Non-cumulative irredeemable B preference shares of £1 each	200,000,000	200,000,000
C preference shares of £1 each	15,717,476	15,717,476

#### *Allotted, called up and fully paid*

	£	£
Ordinary shares of £1 each	42,500	42,500
A preference shares	845	845
C preference shares	15,717,476	15,717,476
	15,760,821	15,760,821
Shares classified in shareholders' funds	15,760,821	15,760,821

## **INFINIS HOLDINGS**

**Notes forming part of the consolidated financial statements for the year ended 31 March 2010**  
**(continued)**

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### **14 Share capital and reserves (continued)**

#### **Rights attaching to each class of share**

The ordinary shares entitle the holder to participate in the profits of the Company after payment in full of all dividends due to the preference shareholders. The preference shares do not carry any rights to convert into ordinary shares.

The ordinary shareholders are entitled to attend and vote at general meetings of the Company. The holders of the A and C preference shares and the non-cumulative irredeemable B preference shares are entitled to receive notice of and to attend and speak at general meetings of the Company but the preference shares do not carry voting rights.

#### **Other reserves**

The other reserves balance has been created on the acquisition of the non controlling interest in Novera. Refer to note 9.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (*continued*)

### 15 Interest-bearing loans and borrowings

	2010 £'000	2009 £'000
<b>Current</b>		
Obligations under finance leases and hire purchase contracts	152	143
Loans payable	5,564	-
	<u>5,716</u>	<u>143</u>
<b>Non-current</b>		
Obligations under finance leases and hire purchase contracts	461	614
Loans payable	369,100	126,651
Loan notes	16,707	16,547
	<u>386,268</u>	<u>143,812</u>

### Maturity profile

	2010 £'000	2009 £'000
Between one and two years	5,716	143
Between two and five years	310,871	614
More than five years	75,397	143,198
	<u>391,984</u>	<u>143,955</u>

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

### 15 Interest-bearing loans and borrowings (continued)

	2010		2009	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair value £'000
<b>Financial assets</b>				
Cash and cash equivalents	165,072	165,072	56,263	56,263
<b>Loans and receivables</b>				
Trade receivables	12,678	12,678	9,485	9,485
Accrued income	38,914	38,914	31,211	31,211
Other receivables	1,245	1,245	261	261
Amounts owed by a related party	4	4	4	4
<b>Total financial assets</b>	<b>217,913</b>	<b>217,913</b>	<b>97,224</b>	<b>97,224</b>
<b>Financial liabilities</b>				
Trade payables and accruals	46,542	46,542	28,696	28,696
Interest-bearing loans	391,984	404,150	143,955	143,955
Provisions	6,117	6,117	4,401	4,401
<b>Derivative financial instruments</b>				
Interest rate swap	10,270	10,270	1,869	1,869
<b>Total financial liabilities</b>	<b>454,913</b>	<b>467,079</b>	<b>178,921</b>	<b>178,921</b>

		Nominal interest rate	Year of maturity	Carrying amount	Contractual cash flows	In less than one year	Between one and two years	Between two and five years	In more than five years
<b>Liquidity risk</b>	Currency								
At 31 March 2010									
<b>Non-derivative financial liabilities</b>									
Finance lease liabilities	sterling	6.66%	2014	613	690	188	188	314	-
Loan notes	sterling	Libor	2012	16,585	17,561	-	-	17,561	-
High yield Bond	sterling	9.125%	2014	266,827	400,469	25,094	25,094	350,281	-
Barclays facility	sterling	6.2%	2022	78,544	112,754	8,696	9,566	27,668	66,824
Lissett loan facility	sterling	5.8%	2024	29,277	42,246	2,878	2,944	4,745	31,679

On 16 December 2009 Infinis plc (formerly Infinis Limited) issued a high yield Bond for a value of £275 million. The existing unsecured syndicated loan facility of £135 million was repaid with part of the proceeds received from issuing the Bond.

The Bond is stated net of unamortised loan costs of £8,173,850. These costs are allocated to the statement of comprehensive income over the five year term of the Bond.

The fair value of the interest-bearing high yield Bond has been calculated using a discount rate equal to the Group's estimated weighted average cost of capital.

The syndicated loan facility of £78.5 million (2009: £nil) is secured by a charge on the assets of the Novera Energy (Holdings 2) Limited group of companies, which comprises of substantially all the tangible and intangible assets of the Novera Renewable Energy Limited group.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (continued)

#### 15 Interest-bearing loans and borrowings (continued)

The Lissett Airfield syndicated loan facility of £29.2 million (2009: £nil) is secured by a charge on the assets of the Lissett Airfield Wind Farm Limited group. £nil million (2009: £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 £0.9 million (2009: £0.5 million). These costs are allocated to the statement of comprehensive income over the 20 year term (2009: 5 year term) of the life of the loan at a constant rate.

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% (2009: 50%) 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 March 2010 the swaps in place cover approximately 90% of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates vary between 4.9% and 5.3% and the variable rates are based on *libor*.

The Group has C loan notes in issue redeemable on the earliest of 10 May 2012 and an 'Exit' (being various events relating to the disposal by Terra Firma Capital Partners partnerships of their interest in the Infinis Group).

#### 16 Provisions

	Environmental provisions £'000	Contingent consideration £'000	Total £'000
At 1 April 2009	2,014	2,387	4,401
Related party adjustment	-	(1,086)	(1,086)
Movement in the year	971	1,831	2,802
At 31 March 2010	<u>2,985</u>	<u>3,132</u>	<u>6,117</u>
Current 2010			-
Non-current 2010			<u>6,117</u>
			<u>6,117</u>
Current 2009			181
Non-current 2009			<u>4,220</u>
			<u>4,401</u>

The environmental provision relates to remediation costs and aftercare costs. The remediation costs relate to known issues at various sites and the aftercare costs relate to one site within the Infinis (Re-Gen) Limited acquisition.

The contingent consideration relates to the acquisition of Scottish BioPower Limited. During the year the deferred contingent consideration on the acquisition of Scottish BioFuel Limited and Scottish BioPower Limited was reviewed and as a result this was increased by £1,831,000.

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010 *(continued)*

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### 17 Trade and other payables

	2010 £'000	2009 £'000
Cash-settled share-based payments	661	661
Trade payables	4,767	4,103
Accruals and deferred income	40,517	22,808
Derivative financial instruments	10,270	1,869
Corporation tax creditor	597	1,124
	<u>56,812</u>	<u>30,565</u>

### 18 Commitments and contingencies

#### Operating leases

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows

	2010 £'000	2009 £'000
Less than one year	531	834
Between one and five years	1,153	900
More than five years	560	722
	<u>2,244</u>	<u>2,456</u>

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (*continued*)

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#### 18 Commitments and contingencies (*continued*)

During the year the Group acquired the 18 Jenbacher generating units which were previously leased. On 6 December 2007 the Group acquired a 10 year lease on its Head Office premises at an annual rental of £96,750 plus service charges.

For motor vehicles the length of the lease outstanding varies between less than one year and up to 3 years and the value of these outstanding at 31 March 2010 was £369,000 split between £248,000 due within one year and £121,000 due between 2 and 5 years. For office rental, Slutchers Lane is the longest lease and expires in July 2015. The annual rental payable is £45,000.

#### Capital commitments

During the year, Infinis plc (formerly Infinis Limited) entered into various contracts relating to the development of generation of electricity from landfill gas. The commitment outstanding at 31 March 2010 was £17.2 million (2009: £5.9 million).

#### 19 Related party disclosures

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

The Company has the ability to exercise a controlling influence over its subsidiaries. Consequently the directors also consider these subsidiary undertakings to be related parties.

A balance of £4,000 (2009: £4,000) is currently outstanding between the Group and Monterey Capital II SARL.

The Novera group of companies (the "Novera Group") has an interest in two immaterial joint ventures. During the four month period since the acquisition of the Novera Group, the joint ventures were charged £40,648 of management charges as an arm's length transaction. At 31 March 2010 a receivable of £289,000 was due from the joint ventures.

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 period in respect of these balances was £nil.

## INFINIS HOLDINGS

### Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (*continued*)

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#### 20 Ultimate parent company and parent company of larger group

The directors regard TFCP Holdings Limited, a company registered in Guernsey, as the ultimate controlling parent entity

There were no transactions between the Group and TFCP Holdings Limited during the year

#### Transactions with other related parties

##### *Directors' interests*

None of the directors who held office at 31 March 2010 had an interest in the shares of the Company

#### Compensation of key management personnel (including directors) of the Group

	2010 £'000	2009 £'000
Emoluments	2,520	2,121
Pension costs	53	173
Total compensation paid to key management personnel	<u>2,573</u>	<u>2,294</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £723,269 and Group pension contributions of £5,000 were made to a money purchase scheme on his behalf (2009 emoluments and amounts receivable under long-term incentive schemes of the highest paid director £706,560 and Group pension contributions of £90,000)

## INFINIS HOLDINGS

Notes forming part of the consolidated financial statements for the year ended 31 March 2010 (*continued*)

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### 21 Post statement of financial position events

On 21 May 2010 the Group acquired the entire share capital of Ardrossan Wind Farm (Scotland) Limited (Ardrossan") for cash consideration of £28.1 million and outstanding project debt of £25.7 million. The acquisition was funded using existing cash held within the business. Due to the proximity of the transaction to year end, the Group has yet to undertake a detailed assessment of Ardrossan Wind Farm (Scotland) Limited's balance sheet at acquisition date and accordingly provisional fair values are not available.

The Group expects to recognise goodwill and intangible assets in accordance with IFRS 3 (Revised), with goodwill relating to synergies expected from the ensuing integration. To date, transaction costs of £nil have been expensed in the Consolidated Statement of Comprehensive Income and since the year end a further £40,000 costs have been incurred and expensed.

The Board believes the benefits of this transaction to be the increased market share of the Group's operational wind farms. Ardrossan Wind Farm (Scotland) Limited's turnover and net profit for its financial year ended 31 March 2010 were £9,273,000 and £2,702,000 respectively. Ardrossan Wind Farm (Scotland) Limited's principal activity is the generation of renewable electricity from its 30 MW wind farm located in Ardrossan, Scotland.

On 15 July 2010 financial close was achieved on the Glenkerie wind farm.

## INFINIS HOLDINGS

### Company statement of financial position at 31 March 2010

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Investment	24	15,749	15,749
<b>Current assets</b>			
Debtors	25	23,551	23,161
Cash at bank	26	10	10
<b>Total assets</b>		<u>39,310</u>	<u>38,920</u>
<b>Creditors, amounts falling due within one year</b>	27	<u>(1,081)</u>	<u>(734)</u>
<b>Net assets</b>		<u>38,229</u>	<u>38,186</u>
<b>Capital and reserves</b>			
Called up share capital	28	15,760	15,760
Retained earnings	29	22,469	22,426
<b>Shareholders' funds</b>		<u>38,229</u>	<u>38,186</u>

The financial statements were approved by the board of directors on 2 August 2010 and were signed on its behalf by



**R N Barr**  
Director

Company number: 4733479

## INFINIS HOLDINGS

### Notes forming part of the Company's financial statements for the year ended 31 March 2010

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#### 22 Summary of significant accounting policies

##### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a statement of cash flow on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

##### *Investments*

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

##### *Taxation*

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the statement of financial position date, except as otherwise required by FRS 19 "Deferred Taxation"

##### *Classification of financial instruments issued by the Company*

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

## INFINIS HOLDINGS

### Notes forming part of the Company's financial statements for the year ended 31 March 2010 (continued)

#### 22 Summary of significant accounting policies (continued)

##### Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

#### 23 Information regarding directors and employees

None of the directors received any remuneration or benefits from the Company during the current or prior year. The Company had no employees during the current year or prior year.

#### 24 Investment in subsidiary undertaking

	2010 £'000	2009 £'000
Investment in Infinis Capital Limited	15,749	15,749

The Company's principal subsidiary undertakings at 31 March 2010 were

Name	Country of incorporation	Principal activities	Classified percentage of shares
Infinis plc (formerly Infinis Limited)	England and Wales	Generation and sale of electricity from landfill gas	Ordinary 100% <sup>2</sup>
Infinis (Re-Gen) Limited	England and Wales	Generation and sale of electricity from landfill gas	Ordinary 100% <sup>2</sup>
ENnate Limited	England and Wales	Supply, installation and maintenance of flares	Ordinary 100% <sup>2</sup>
Scottish BioFuel Limited	Scotland	Fuel trading	Ordinary 100% <sup>2</sup>
Scottish BioPower Limited	Scotland	Development company	Ordinary 100% <sup>2</sup>
Infinis Capital Limited	England and Wales	Intermediate holding company	A Preference/B Preference/A Ordinary/D Ordinary/E Ordinary/Z Ordinary 100% <sup>1</sup> B Ordinary 99.99% <sup>1</sup> C Ordinary 81.33% <sup>1</sup>
Infinis Investments Limited	England and Wales	Intermediate holding company	Ordinary A/Preference 100% <sup>2</sup> Ordinary B 5.55% <sup>1</sup> Ordinary B 94.45% <sup>2</sup>
Infinis Finance plc	England and Wales	Intermediate holding company	Cumulative Preference 100% <sup>2</sup> Ordinary 0.01% <sup>1</sup> Ordinary 99.99% <sup>2</sup>
Infinis Acquisitions	England and Wales	Intermediate holding company	Cumulative Preference 100% <sup>2</sup> Ordinary 0.01% <sup>1</sup> Ordinary 99.99% <sup>2</sup>
Infinis Energy Limited	England and Wales	Intermediate holding company	Ordinary 100% <sup>2</sup>

## INFINIS HOLDINGS

Notes forming part of the Company's financial statements for the year ended 31 March 2010 (continued)

Infinis Energy Holdings Limited	England and Wales	Intermediate holding company	Ordinary 100% <sup>2</sup>
Infinis Wind Holdings Limited	England and Wales	Wind farm development	Ordinary 100% <sup>2</sup>
Infinis Wind (Greengairs) Limited	England and Wales	Wind farm development	Ordinary 100% <sup>2</sup>
Novera Energy Limited (formerly Novera Energy plc)	England and Wales	Intermediate holding company	Ordinary 100% <sup>2</sup>
Novera Energy Pty Limited	Australia	Intermediate holding company	Ordinary 100% <sup>2</sup>
Novera Renewable Energy Limited	Bermuda	Intermediate holding company	Ordinary 100% <sup>2</sup>
Novera Energy (Holdings 1) Limited	England and Wales	Renewable energy generation	Ordinary 100% <sup>2</sup>
Novera Energy (Holdings 2) Limited	England and Wales	Intermediate holding company	Ordinary 100% <sup>2</sup>
Novera Energy Generation No 1 Limited	England and Wales	Intermediate holding company	Ordinary 100% <sup>2</sup>
Mynydd Clogau Windfarm Limited	England and Wales	Generation and sale of electricity from wind	Ordinary 100% <sup>2</sup>
Novera Energy Generation No 3 Limited	England and Wales	Intermediate holding company	Ordinary 100% <sup>2</sup>
Novera Energy Services UK Limited	England and Wales	Management of sludge drying plants (now non-trading)	Ordinary 100% <sup>2</sup>
Novera Ventures Limited	England and Wales	Developing renewable energy projects	Ordinary 100% <sup>2</sup>
Lissett Airfield Wind Farm Limited	England and Wales	Generation and sale of electricity from wind	Ordinary 100% <sup>2</sup>

1 Directly held by the Company

2 Indirectly held by the Company

## INFINIS HOLDINGS

Notes forming part of the Company's financial statements for the year ended 31 March 2010 (*continued*)

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**25 Debtors**

	2010 £'000	2009 £'000
Amounts due from Group companies	<u>23,551</u>	<u>23,161</u>

**26 Cash at bank**

	2010 £'000	2009 £'000
	<u>10</u>	<u>10</u>

**27 Creditors: amounts falling due within one year**

	2010 £'000	2009 £'000
Amounts owed to Group companies	1,065	724
Other creditors	<u>16</u>	<u>10</u>
	<u>1,081</u>	<u>734</u>

## INFINIS HOLDINGS

Notes forming part of the Company's financial statements for the year ended 31 March 2010 (continued)

### 28 Share capital and reserves

	2010 No	2009 No
<i>Authorised</i>		
Ordinary shares of £1 each	126,504,220	126,504,220
12% A preference shares of 0.0007p each	120,674,600	120,674,600
Non-cumulative irredeemable B preference shares of £1 each	200,000,000	200,000,000
C preference shares of £1 each	15,717,476	15,717,476
<i>Allotted, called up and fully paid</i>		
	2010 £	2009 £
Ordinary shares of £1 each	42,500	42,500
A preference shares	845	845
C preference shares	15,717,476	15,717,476
	15,760,821	15,760,821
Shares classified in liabilities	-	-
Shares classified in shareholders' funds	15,760,821	15,760,821
	15,760,821	15,760,821

## INFINIS HOLDINGS

Notes forming part of the Company's financial statements for the year ended 31 March 2010 (*continued*)

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### 29 Profit and loss account

	2010 £'000	2009 £'000
At beginning of year	22,426	120,119
Profit for the year	43	319,622
Dividends paid	-	(417,315)
	<u>22,469</u>	<u>22,426</u>

### 30 Related parties

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

The Company has the ability to exercise a controlling influence over its subsidiary undertakings, which are members of the Group. The directors therefore consider its subsidiary undertakings to be related parties.

### 31 The ultimate parent

The directors regard TFCP Holdings Limited, a company registered in Guernsey, as the ultimate controlling parent entity.

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

The Company's immediate parent undertaking is Monterey Capital II SARL, a company incorporated in Luxembourg.

## **INFINIS HOLDINGS**

### **Other information**

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#### **Directors**

R N Barr  
M D Darragh

#### **Secretary**

S J Calder

#### **Registered office**

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

#### **Auditors**

KPMG LLP  
8 Salisbury Square  
London  
EC4 8BB

Infinis Holdings  
Registered in England and Wales  
Registered number 4733479

[www.infinis.com](http://www.infinis.com)