

Novera Energy plc ('Novera' or 'the Company')
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Novera, one of the leading quoted independent UK renewable energy companies, announces its preliminary results for the 12 months to 31 December 2007.

HIGHLIGHTS*

- Revenue increased 10 per cent to £34.4 million (2006: £31.4 million):
 - Generation increased by 3 per cent to 564 GWh (2006: 546 GWh); and
 - Average price achieved increased 7 per cent to £57/MWh from £53/MWh.As a result of consolidating the operating results from 22 January 2007, actual revenue for the year ended 31 December 2007 was £32.1 million (2006: £2.2 million).
- Costs per MWh (excluding royalties) decreased reflecting successful initiation of operational improvements and we are on track to deliver acquisition operating efficiencies and synergies of £1.3 million per annum from 2008.
- Gross profit before depreciation and amortisation increased 19 per cent to £16.0 million (2006: £13.5 million). As a result of consolidating the operating results from 22 January 2007, actual gross profit before depreciation and amortisation for the year ended 31 December 2007 was £14.9 million (2006: £0.3 million).
- EBITDA increased 26 per cent to £11.2 million on a pro-forma basis (2006: £8.9 million). As a result of consolidating the operating results from 22 January 2007, actual EBITDA for the year ended 31 December 2007 was £10.3 million (2006: £(3.2) million).
- £10.8 million cash at bank at 31 December 2007, of which £6.5 million was in restricted cash bank accounts, with net debt of £78.2 million.
- Good progress towards five year goal of developing wind portfolio of 250MW of wind farm capacity:
 - Construction of Lissett Airfield Wind Farm Yorkshire (30MW) is underway. First production is expected December 2008;
 - Projects with potential capacity in the range of 78-91MW submitted into planning during 2007:
 - Mountboy, Angus, North East Scotland
 - Fleeter Wood, Cumbria
 - Glenkerie, Scottish Borders
 - A'Chruach, West Scotland
 - Further portfolio of projects with a potential capacity of 320MW
- Close to finalising the key commercial contracts for ELSEF, with follow up projects under development.

Commenting on the results, David Fitzsimmons, CEO said: *"Today's strong results demonstrate our success in optimising the performance of our existing assets whilst significantly growing our portfolio. We have exceeded our target to submit 70MW of wind projects into planning in 2007, and continue to make steady progress towards our goal of developing a 250MW wind portfolio by 2011. We are developing an attractive set of Energy from Waste opportunities."*

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

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

* The Directors have presented the consolidated results of the Group in accordance with IFRS. For the purposes of comparison the Directors have also presented the results of the Group on a pro-forma basis which better reflects the underlying performance of the businesses comprising the Group as at 31 December 2007, including 100 per cent. of Novera Macquarie Renewable Energy JV ('NMRE') from 1 January 2006 (refer to Note 5). During 2006 and to 22 January 2007 the Group actually owned 50 per cent of NMRE.

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Notes to Editors:

Novera is a leading independent UK renewable energy company, with a portfolio of landfill gas, waste and wind assets and projects. The Company has 122MW of renewable power generation at 58 sites across the UK and employs over 150 members of staff.

Asset	Detail	Capacity
Landfill Gas (operational)	46 sites	87MW
Hydro (operational)	10 sites	16MW
Industrial (operational)	1 site	4MW
Wind (operational)	Mynydd Clogau	15MW
Wind (in construction)	Lissett Airfield	30MW
Wind (in planning)	Mountboy	6MW
Wind (in planning)	Fleeter Wood	10MW
Wind (in planning)	Glenkerie	22-27MW
Wind (in planning)	A'Chruach	40-48MW
Total		230-243MW

For more details, visit www.noveraenergy.com

CHAIRMAN'S REPORT

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

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

Operational performance improved following the acquisition of the remaining 50 per cent of Novera's joint venture from Macquarie International Infrastructure Fund ('Macquarie') at the start of the year. Our targeted operating improvements were delivered in 2007 and have been incorporated in our future plans for the business. On a pro-forma, illustrative basis revenue was up 10 per cent to £34.4 million (unaudited) driven by increased generation which was up 3 per cent to 564GWh, and higher unit revenue. Statutory revenue was £32.1 million. The pro forma numbers are explained fully within the Financial Review.

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

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

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

Employees

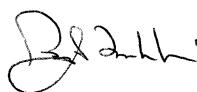
The Group has grown during the past year with the workforce now numbering 154. I would like to take this opportunity to thank the staff for all their efforts and I anticipate another successful year for them all. In support of our expanding Scottish team and development pipeline, we have opened a Scottish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

Outlook

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

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

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



Roy Franklin
Chairman
17 March 2008

OPERATING REVIEW

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

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

Operations

Generation

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

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

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

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

Landfill Gas

At the time that we acquired the remaining 50 per cent of Novera's joint venture from Macquarie we targeted £0.6 million in operating improvements in the first year, with £1.3 million per annum thereafter. During 2007 we made good progress and met our improvement targets. The full set of operating improvements have been included in our 2008 Budget and business plans going forward. These include better management of our external engine maintenance contracts, the optimisation of engine use to maximise the time between overhauls and the successful re-negotiation of lower royalty payments at two sites.

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

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

Hydroelectric

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

Wind

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

Industrial and Water Services

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

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

Pre-construction

Wind

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

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

We reached financial close on Lissett in November 2007. Construction started in December 2007. Civil works are well underway with some roads and piling of wind turbine bases completed. The first turbines are due on site in October, with first generation planned in December 2008. Our approach to development has secured what is probably the shortest programme for a UK wind farm, with only 2.5 years from planning application to the programmed date for first production.

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

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

Energy from Waste

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

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

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

FINANCIAL REVIEW

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

- acquisition of our remaining 50 per cent of Novera Macquarie Renewable Energy Limited (NMRE) for £30.0 million, our 50:50 joint venture with Macquarie;
- raising £38.0 million (before costs) in cash by issuing an additional 69.1 million shares to fund the acquisition of NMRE;
- the change in the domicile of the Parent Company from Australia to the UK;
- continuing investment in our wind development and construction programmes; and,
- securing £31.5 million of non-recourse project finance debt facilities for the Lissett wind farm development.

Financial Overview

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

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

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

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

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

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

- annual revenue record of £34.4 million up 10 per cent (excluding discontinued operations)
 - Landfill gas increased by 11 per cent to £27.0 million
 - Hydroelectric increased by 2 per cent to £3.1 million
 - Wind increased by 8 per cent to £1.9 million
 - Water Services and Industrial increased by 6 per cent to £2.4 million

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

- total cost of sales increased by 3 per cent, significantly less than revenue increases resulting in a record gross profit (before depreciation and amortisation) margin of 46 per cent, an increase of 3 per cent over 2006. This was largely due to increased unit sales revenue, implementation of improvement programme and various one-off items.
- new records achieved across all key earnings measures including gross profit before depreciation and amortisation was up 19 per cent to £16.0 million and EBITDA up 26 per cent to £11.2 million.
- pre-construction expenditure incurred in cash was £3.0 million (2006: £2.4 million) of which £1.8 million (2006: £nil) was capitalised. Pre-construction expenditure is capitalised when the operational and financial viability of the project has been established with reasonable certainty and the decision made to take the project forward to planning. In previous years all pre-construction costs were expensed. This new accounting policy recognises Novera's expertise in project development and management. Wind cash expenditure increased by 118 per cent to £2.4 million (£1.8 million capitalised), reflecting the increase of activity with four planning applications submitted during the year. ELSEF-related expenditure decreased by 54 per cent to £0.6 million.
- Lissett Airfield Wind Farm reached financial closure in November.
- we also settled the Roxwell indemnity (£0.7 million) and Samba warranty claims (£0.4 million), both accounted for as a reduction in the purchase consideration of NMRE.

Change of Domicile from Australia to United Kingdom

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

Acquisition of Remaining 50 per cent of NMRE

The acquisition of the remaining 50 per cent of NMRE from Macquarie was completed on 22 January 2007. The purchase price was £30.0 million.

The acquisition was financed through a placing of 69.1 million shares at 55 pence per share, raising a total of £38.0 million before costs. Immediately following the placing the number of ordinary shares on issue was 124.1 million.

The assets now being consolidated following the NMRE acquisition are the landfill gas, hydro and wind farm assets owned by NMRE. As a result the balance sheet of the Group fundamentally changed from 22 January 2007 onwards, with £70.0 million of fixed assets, £83.3 million of intangible assets and £3.4 million of goodwill coming onto the balance sheet on acquisition date, representing our provisional assessment of fair values of the assets acquired. The Group is not adopting a policy of revaluation.

Cash Position and Finance Facilities

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

As at 31 December 2007, bank loans were £89.0 million and cash on hand was £10.8 million including £6.5 million in restricted cash.

In November, Novera finalised the funding for Lissett. The capital cost has been funded through a combination of new debt facilities and existing cash reserves. Under the debt facility, Fortis Bank has underwritten £31.5 million of limited recourse debt facilities over a 16.5 year term of the project.

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

Power Sales and Trading

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

Risk Management

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

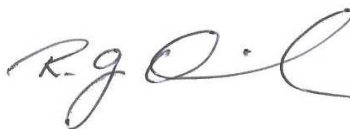
The Group's overall risk management programme focuses on the predictability of revenue and control over operating costs to maximise the financial performance of the Group. Our policies require us to prepare a risk management plan that is reviewed by the Board. The risks faced by Novera are discussed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

Dividend

The directors are not proposing to pay a dividend.



David Fitzsimmons
Chief Executive Officer
17 March 2008



Rory Quinlan
Chief Financial Officer
17 March 2008

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

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

Loss per share attributable to the equity holders:

	2007	2006
	Pence	Pence
Basic	(1.6)	(5.5)
Diluted	(1.6)	(5.5)

Novera Energy plc
Consolidated Balance Sheet
As at 31 December 2007

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

Novera Energy plc**Consolidated Statement of Recognised Income and Expense**

For the year ended 31 December 2007

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

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

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

1. Basis of preparation

The financial statements have been prepared under the historical costs convention, modified where necessary by the revaluation of financial assets and liabilities (including derivative instruments).

The financial information set out in this announcement does not constitute the Group's statutory financial information for the year ended 31 December 2007, but is extracted from those financial statements. The auditors have reported on those financial statements and have given an unqualified report which does not contain a statement under section 237 (2) or 237 (3) of the Companies Act 1985.

i) Compliance with IFRS

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

ii) Basis of Consolidation

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

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

2. Dividend

There were no dividends provided or paid during the 12 months to 31 December 2007.

3. Cash and Cash equivalents

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

The Group has restricted cash for the NMRE facility loan of £5.0 million, which relates to the principal and interest payments payable on 30 June 2008 and £1.5 million relating to the Lissett loan facility.

The effective interest rate on short-term deposits was 4.75 per cent (2006: 3.85 per cent).

4. Cash flow from operating activities

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

5. Acquisitions

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

The acquired business contributed revenues of £29.8 million and net profit of £1.3 million to the Group for the period 22 January 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, Group revenue would have been £34.4 million and net loss after tax of £2.1 million.

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

Details of net assets acquired and goodwill are as follows:

Prior investments in NMRE:

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

Acquisition of additional 50% January 2007:

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

The acquisition was funded through the issue of 69.1 million shares raising £38.0 million. £2.1 million of costs were incurred associated with this share issue.

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

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

Purchase consideration settled in cash	31,002
Cash and cash equivalents in subsidiary acquired	(10,625)
	<u>20,377</u>

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

There were no acquisitions in the year ended 31 December 2006.