EPR Ely Limited

Report and Financial Statements

31 March 2005

Ernst & Young

Registered No: 3401618

Directors

P Anthony	(resigned 14 March 2005)
A M Harrison	(resigned 14 March 2005)
J Bryant	(resigned 14 March 2005)
M D Chilton	(resigned 14 March 2005)
P C Skertchly	(appointed 5 July 2004, resigned 14 March 2005)
M S W Stanley	(appointed 14 March 2005)
I A Kay	(appointed 14 March 2005)

Secretary

Eversecretary Limited (resigned 14 March 2005, re-appointed 27 April 2005)

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers

HSBC Bank plc
Poultry and Princes Street
London
EC2P 2BX

Registered Office

Level 31 Citypoint
1 Ropemaker Street
London
EC2Y 9HD

Directors' report

The directors present their report and financial statements for the year ended 31 March 2005.

Results and dividends

The loss for the year, after taxation, amounted to £552,270 (2004 - £1,160,498). The directors do not recommend the payment of any dividends.

Principal activity and review of the business

The company's principal activity during the year continues to be the operation of a straw fuelled power station near Ely in Cambridgeshire.

On 17 June 2004 the company concluded a debt rescheduling with its banking syndicate, led by NIB Capital Bank NV., extending the duration of the project loan out to March 2016 from 2012.

As part of the debt rescheduling Energy Power Resources Limited agreed to invest £430,000 in loan notes to be issued by EPR Ely Limited. Of this £215,000 was invested during the year ended 31 March 2005 and £215,000 is to be invested during the following year. The whole of the proceeds are to be retained or applied to capital investment projects. The obligation is supported by an irrevocable letter of credit in favour of EPR Ely Limited.

Under the restated credit agreement, following scheduled debt service, reserve funding and scheduled repayment of new shareholder loans the first £0.3m of surplus cash is applied to accelerate repayment of bank debt. The next £0.3m is applied to fund shareholder returns and the following £0.3m again to bank debt repayment. Thereafter all surplus cash is applied to shareholder subordinated debt repayment.

During June 2004, EPR Ely Limited assumed responsibility for the day to day operations and maintenance of the power station. Previously this was undertaken by FLS under contract. The termination of this contract resulted in a cash payment of £550,000 to EPR Ely Limited. In addition, the relevant FLS staff were transferred to the company.

On 14 March 2005, EPR Ely Limited's ultimate parent company, Energy Power Resources Limited, was acquired by MEIF Renewable Energy Limited, a company registered in the United Kingdom.

Following its acquisition by MEIF Renewable Energy Limited, Energy Power Resources Limited is looking to refinance the group, replacing individual subsidiary third party debt financing with an overall group facility. The impact on EPR Ely Limited will be to repay the current NIB Capital Bank facility and replace it with a parent company loan. It is envisaged that the Energy Power Resources Limited refinancing process will conclude around the end of September 2005.

A new licensing regime (Integrated Pollution Prevention & Control) is being introduced by the government as part of an initiative to reduce emissions of gases and particulates, and all combustion plants will need to apply for a licence by March 2006. The directors estimate that the cost of the application and of achieving compliance will be approximately £70,000 most of which will be spent during the year ending 31 March 2006.

Directors

The directors who served during the year and changes since 31 March 2005 are shown on page 1.

None of the directors had any beneficial interest in the shares of the company or of EPR Ely Power Limited, the immediate holding company, at any time during the year ended 31 March 2005. None of the directors had any beneficial interest in the shares of any group company at, or since, 31 March 2005. The interests of the directors in the shares of Energy Power Resources Limited are shown in the financial statements of that company.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Director MARTIN [illegible] STANLEY

Date 30/9/05.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

Independent auditors' report

to the members of EPR Ely Limited

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Bristol

Date 30 Sept 2005

Profit and loss account

for the year ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	2	17,340,110	18,021,953
Cost of sales		8,136,520	8,724,628
Gross profit		9,203,590	9,297,325
Administrative expenses		4,452,655	5,362,456
Operating profit	3	4,750,935	3,934,869
Bank interest receivable		67,438	60,058
Interest payable	5	5,256,335	5,114,156
		(5,188,897)	(5,054,098)
Loss on ordinary activities before taxation		(437,962)	(1,119,229)
Tax on loss on ordinary activities	6	114,308	41,269
Loss for the financial year	15	(552,270)	(1,160,498)

Statement of total recognised gains and losses

for the year ended 31 March 2005

There are no recognised gains or losses other than the loss of £552,270 attributable to the shareholders for the year ended 31 March 2005 (2004 - £1,160,498).

Balance sheet

at 31 March 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	7	44,163,133	46,879,654
Investments	8	382,022	427,411
		44,545,155	47,307,065
Current assets			
Debtors	9	3,655,232	3,777,748
Cash at bank		1,993680	1,396,994
		5,648,912	5,174,742
Creditors: amounts falling due within one year	10	7,986,079	14,548,073
Net current liabilities		(2,337,167)	(9,373,331)
Total assets less current liabilities		42,207,988	37,933,734
Creditors: amounts falling due after more than one year	11	50,547,997	46,340,153
Provisions for liabilities and charges			
Deferred taxation	6	1,168,991	550,311
		(9,509,000)	(8,956,730)
Capital and reserves			
Called up share capital	14	1,000,000	1,000,000
Profit and loss account	15	(10,509,000)	(9,956,730)
Equity shareholders' funds	15	(9,509,000)	(8,956,730)

Director MARTIN SW STANLEY

Date 30/9/05.

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Fundamental accounting concept

As of 31 March 2005, net current liabilities include the principal and accrued interest on group borrowings as described in note 10. Payment of this interest and its associated principal amounts is governed by the terms of the intercreditor agreement and hence subordinated to the project finance. The directors consider it unlikely that payment of any of this principal and interest will be permitted by the intercreditor agreement during the next 12 months. They are confident that the company will generate enough cash flows to meet its operating and loan commitments, subject to restrictions imposed by the intercreditor agreement. However, inherently there can be no certainty in relation to these matters.

As discussed in the Directors' Report, Energy Power Resources Limited is expecting to re-finance the group, replacing the project finance in this company and other fellow subsidiaries with a group loan. When the re-financing occurs, the company will be reliant on group support and the directors have obtained this support.

On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent undertaking publishes a consolidated cash flow statement.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Power Station - over 20 years

Capitalisation of interest

Costs of financing the construction of the power station prior to its being brought into use are included in the cost of the power station.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits in the short to medium term from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2005

1. Accounting policies (continued)

Group accounts

The company is exempt from preparing group financial statements by virtue of S228 of the Companies Act 1985. These financial statements therefore only provide information about the company, not of its group.

Investments

The company's investment in subsidiary undertakings is stated at cost less, where applicable, amounts written off to reflect the value of the underlying net assets of the investment at the balance sheet date.

Capital instruments

Shares are included in shareholders' funds. Other capital instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in the shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to the company's principal activity.

Turnover for the year has arisen wholly in the United Kingdom.

3. Operating profit

This is stated after charging:

	2005	*2004*
	£	*£*
Auditors' remuneration – audit services	12,000	12,000
Depreciation of owned fixed assets	2,716,521	2,716,521
Amortisation of loan issue costs	176,311	165,512
Amounts provided for in respect of amounts owed by group undertakings	-	1,137,805
Investments written off	45,389	45,389

4. Staff costs

	2005	*2004*
	£	*£*
Wages and salaries	484,527	-
Social security costs	44,969	-
Other pension costs	315	-
	529,811	-
Average number of employees	21	-

Notes to the financial statements

at 31 March 2005

4. Staff costs (continued)

In June 2004, when the company was refinanced, the Operations and Maintenance of the Elean Power Station was brought in house. Employees were transferred to EPR Ely Limited at that time.

EPR Limited, a former fellow subsidiary of Energy Power Resources Limited, provided Head office and administration services until January 2005 for a fixed monthly fee. The total sum charged by EPR Limited in respect of such services was £295,176 (2004 - £183,072). Energy Power Resources Limited provided Head office and administration services from February 2005 for a fixed monthly fee. The total sum charged by Energy Power Resources Limited in respect of such services was £66,166.

The company paid no remuneration or wages to directors.

5. Interest payable

	2005	*2004*
	£	*£*
Bank interest	3,473,635	3,666,891
Other interest (group undertakings)	1,782,700	1,447,265
	5,256,335	5,114,156

6. Taxation

a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2005	*2004*
	£	*£*
Current tax:		
Group relief recoverable	(504,372)	(431,996)
Total current tax (note 6 (b))	(504,372)	(431,996)
Deferred tax:		
Origination and reversal of timing differences	618,680	473,265
Tax on loss on ordinary activities	114,308	41,269

Notes to the financial statements

at 31 March 2005

6. Taxation

b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the year differs to the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005	*2004*
	£	*£*
Loss on ordinary activities before taxation	(437,962)	(1,119,229)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2004 – 30%)	(131,389)	(335,769)
Effect of:		
Expenses not deductible for tax purposes	76,460	377,038
Accelerated capital allowances	(449,443)	(858,599)
Unrelieved tax losses carried forward	-	385,334
Total current tax (note 6 (a))	(504,372)	(431,996)

c) Deferred tax provision

	2005	*2004*
	£	*£*
Accelerated capital allowances	7,024,138	7,234,792
Tax losses available	(5,855,147)	(6,684,481)
Provision for deferred taxation	1,168,991	550,311

	£
At 1 April 2004	550,311
Profit and loss account movement arising during the year	449,444
Adjustments in respect of prior years	169,236
At 31 March 2005	1,168,991

Notes to the financial statements
at 31 March 2005

7. Tangible fixed assets

	Freehold land £	*Power station* £	*Total* £
Cost:			
At 1 April 2004 and 31 March 2005	1,375,195	54,328,514	55,703,709
Depreciation:			
At 1 April 2004	-	8,824,055	8,824,055
Provided during the year	-	2,716,521	2,716,521
At 31 March 2005	-	11,540,576	11,540,576
Net book value:			
At 31 March 2005	1,375,195	42,787,938	44,163,133
At 1 April 2004	1,375,195	45,504,459	46,879,654

Included in the cost of the power station is interest amounting to £5,091,679 (2004 - £5,091,679) being the cost of financing the construction of the power station prior to its being brought into use.

8. Investments

	Subsidiary undertakings £
Cost:	
At 1 April 2004 and 31 March 2005	700,926
Amounts provided:	
At 1 April 2004	273,515
Provisions for the year	45,389
At 31 March 2005	318,904
Net book value:	
At 31 March 2005	382,022
At 1 April 2004	427,411

The principal subsidiary companies at 31 March 2005, which are wholly owned, are listed below:

Name of company	*Country of registration*	*Nature of business*	*Class of shares*
Ely Power Limited	England and Wales	Holder of NFFO contract	£1 ordinary
Anglian Straw Limited	England and Wales	Straw suppliers	£1 ordinary

The investment in Ely Power Limited is being amortised on a straight line basis over 13 years in line with the length of the NFFO contract life, being its only asset.

Notes to the financial statements

at 31 March 2005

9. Debtors

	2005	*2004*
	£	*£*
Trade debtors	3,493,803	3,617,530
Other debtors	161,429	160,218
	3,655,232	3,777,748

10. Creditors: amounts falling due within one year

	2005	*2004*
	£	*£*
Current instalment due on bank loan (note 12)	2,771,000	9,392,000
Trade creditors	142,017	891,340
Amounts owed to group undertakings	3,325,701	2,828,922
Accruals and deferred income	1,747,361	1,435,811
	7,986,079	14,548,073

Included in amounts owed to group undertakings is £5,814,597 (2004 - £4,040,000) which relates to accrued interest on the £7,000,000 loan from EPR Ely Power Limited (see note 11 below). This amount is shown net of group tax relief due from EPR Ely Power Limited of £1,716,338 (2004 - £1,212,000) and is subordinated to the bank loan by way of the inter-creditor agreement.

11. Creditors: amounts falling due after more than one year

	2005	*2004*
	£	*£*
Loans (note 12)	43,212,293	39,227,369
Amounts owed to group undertakings	7,335,704	7,078,949
Other creditors:		
Unsecured shareholder loan	-	33,835
	50,547,997	46,340,153

Amounts owed to group undertakings include a loan of £7,000,000 from EPR Ely Power Limited. The loan bears interest at 15% per annum and is subordinated to the bank loan by way of the inter creditor agreement.

Notes to the financial statements

at 31 March 2005

12. Loans

The company originally entered into an agreement in respect of £52,000,000 of project finance in the form of a long-term bank loan. The loan was drawn down as construction work proceeded with interest at LIBOR plus 1.6% and is repayable by instalments following completion of construction work. Repayments commenced on 31 August 2001, with the loan due to be repaid by 30 September 2012. In June 2004, the company concluded a refinancing agreement with the lending banks and this has resulted in a rescheduling of loan repayments. The last instalment is now due on 31 March 2016. The repayment schedule as of 31 March 2005 summarised above is based on the position after refinancing. The lending bank has been granted a first ranking debenture by the company as security.

On 1 February 2002, the company entered into a fixed rate swap arrangement with a commercial bank in respect of the entire outstanding amount of this loan at this date. The LIBOR rate after the swap is now fixed at 5.33% per annum.

13. Related party transactions

The company has taken advantage of the exemption given by FRS 8 to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

14. Share capital

		Authorised
	2005	*2004*
	£	*£*
Ordinary shares of £1 each	1,000,000	1,000,000

			Allotted, called up and fully paid	
		2005		*2004*
	No.	*£*	*No.*	*£*
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total shareholders' funds*
	£	*£*	*£*
At 31 March 2003	1,000,000	(8,796,232)	(7,796,232)
Loss for the year	-	(1,160,498)	(1,160,498)
At 31 March 2004	1,000,000	(9,956,730)	(8,956,730)
Loss for the year	-	(552,270)	(552,270)
At 31 March 2005	1,000,000	(10,509,000)	(9,509,000)

Notes to the financial statements

at 31 March 2005

16. Parent undertaking and controlling party

The company's immediate parent undertaking is EPR Ely Power Limited and ultimate controlling party is Macquarie European Infrastructure Fund Limited Partnership (a UK registered partnership domiciled in Guernsey).

The smallest group in which the company is consolidated is that headed by EPR Ely Power Limited. The largest group in which the company is consolidated is that headed by Energy Power Resources Limited.

Copies of the group accounts of both these companies may be obtained from Companies House.