EPR Ely Limited

Report and Financial Statements

31 March 2006

Registered No: 3401618

Directors

M S W Stanley	(resigned 20 February 2006)
I A Kay	(resigned 27 January 2006)
D W Owens	(appointed 20 February 2006)
E J Wilkinson	(appointed 27 January 2006)

Secretary

Eversecretary Limited

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers

Barclays Bank Plc
1 Churchill Place
Canary Wharf
London
E14 5HP

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 2006.

Results and dividends

The loss for the year, after taxation, amounted to £2,848,904 (2005 - £552,270). The directors do not recommend the payment of any dividends.

Principal activity and review of the business

The company's primary business is to operate a 38MW electricity power station near Ely in Cambridgeshire, fuelled by the combustion of straw.

EPR Ely Limited's ultimate holding company, Energy Power Resources Limited refinanced the group on 30 September 2005. Coterminous with the refinancing, EPR Ely Limited fully repaid its previous facility with NIB Capital Bank NV and this was replaced with a shareholder loan.

Directors

The directors who serve during the year are shown on page 1.

No directors held any interest in the shares of the company during the year. None of the directors had any beneficial interest in the shares of any group company at, or since 31 March 2006.

Auditors

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

Directors' statement as to disclosure of information to Auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Director EJ WILKINSON

Date 9 JUNE 2006

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 auditor's report

to the shareholders of EPR Ely Limited

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These financial statements have been prepared under 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

ERNST & YOUNG

Independent auditors' report

to the shareholders of EPR Ely Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Registered Auditor
Bristol

Date 16 June 2006

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover	2	17,236,593	17,340,110
Cost of sales		(8,307,175)	(8,136,520)
Gross profit		8,929,418	9,203,590
Administrative expenses		(4,913,688)	(4,452,655)
Operating profit	4	4,015,730	4,750,935
Bank interest receivable		56,253	67,438
Interest payable	6	(8,032,596)	(5,256,335)
		(7,976,343)	(5,188,897)
Loss on ordinary activities before taxation		(3,960,613)	(437,962)
Tax on loss on ordinary activities	7	(1,111,709)	(114,308)
Loss for the financial year	15	(2,848,904)	(552,270)

Statement of total recognised gains and losses

for the year ended 31 March 2006

There are no recognised gains or losses other than the loss of £2,848,904 attributable to the shareholders for the year ended 31 March 2006 (2005 - £552,270).

Balance sheet
at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	8	41,446,613	44,163,133
Investments	9	336,633	382,022
		41,783,246	44,545,155
Current assets			
Debtors	10	3,702,438	3,655,232
Cash at bank		2,376,710	1,993680
		6,079,148	5,648,912
Creditors: amounts falling due within one year	11	11,784,085	7,986,079
Net current liabilities		(5,704,937)	(2,337,167)
Total assets less current liabilities		36,078,309	42,207,988
Creditors: amounts falling due after more than one year	12	48,106,229	50,547,997
Provisions for liabilities and charges			
Deferred taxation	7	329,984	1,168,991
		(12,357,904)	(9,509,000)
Capital and reserves			
Called up share capital	14	1,000,000	1,000,000
Profit and loss account	15	(13,357,904)	(10,509,000)
Equity shareholders' funds	15	(12,357,904)	(9,509,000)

Director EJ WILKINSON

Date 9 JUNE 2006

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Notes to the financial statements

at 31 March 2006

1. Accounting policies

Fundamental accounting concept

At 31 March 2006 the company had net current liabilities. The company is therefore dependent upon the ongoing support of other group companies. The directors have obtained such support so the company will be able to continue to meet its liabilities as they fall due.

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.

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 to 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 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 substantially enacted at the balance sheet date.

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 parent publishes a consolidated cash flow statement.

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.

Notes to the financial statements

at 31 March 2006

1. Accounting policies (continued)

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.

Pensions

Contributions to individual employees pension plans under the company's stakeholder pension arrangement are charged in the profit and loss account as they become payable in accordance with the rules of the arrangement.

2. Turnover

Turnover comprises the sale of renewable electricity net of value added tax.

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

3. Operating profit

This is stated after charging:

	2006	*2005*
	£	*£*
Auditors' remuneration – audit services	18,000	12,000
Depreciation of owned fixed assets	2,716,520	2,716,521
Provision against investments	45,389	45,389

4. Staff costs

	2006	*2005*
	£	*£*
Wages and salaries	572,614	484,527
Social security costs	63,289	44,969
Other pension costs	3,215	315
	639,118	529,811
Average number of employees	23	21

Energy Power Resources Limited provided Head office and administration services during the year for a fixed monthly fee. The total sum charged by Energy Power Resources Limited in respect of such services was £412,404 (2005 - £66,166).

The company paid no remuneration or wages to directors.

Notes to the financial statements

at 31 March 2006

5. Interest payable

	2006	2005
	£	£
Amortisation of loan issue costs	622,706	-
Bank interest		
- Break cost of interest rate swap	1,340,000	-
- Other bank interest	1,666,510	3,473,635
Group interest	4,403,380	1,782,700
	8,032,596	5,256,335

6. Taxation

a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2006	2005
	£	£
Current tax:		
Group relief recoverable	(441,910)	(504,372)
Adjustments in respect of previous periods	169,208	-
Total current tax (note 6 (b))	(272,702)	(504,372)
Deferred tax:		
Origination and reversal of timing differences	(839,007)	618,680
Tax on loss on ordinary activities	(1,111,709)	114,308

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% (2005 – 30%). The differences are reconciled below:

	2006	2005
	£	£
Loss on ordinary activities before taxation	(3,960,612)	(437,962)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005 – 30%)	(1,188,184)	(131,389)
Effect of:		
Expenses not deductible for tax purposes	76,475	76,460
Depreciated in excess of capital allowances/(accelerated capital allowances)	669,799	(449,443)
Adjustments in respect of previous periods	169,208	-
Total current tax (note 6 (a))	(272,702)	(504,372)

Notes to the financial statements
at 31 March 2006

6. Taxation (continued)

c) Deferred tax provision

	2006 £	2005 £
Accelerated capital allowances	6,354,339	7,024,138
Tax losses available	(6,024,355)	(5,855,147)
Provision for deferred taxation	329,984	1,168,991

	£
At 1 April 2005	1,168,991
Profit and loss account movement arising during the year	(669,799)
Adjustments in respect of prior years	(169,208)
At 31 March 2006	329,984

7. Tangible fixed assets

	Freehold land £	Power station £	Total £
Cost:			
At 1 April 2005 and 31 March 2006	1,375,195	54,328,514	55,703,709
Depreciation:			
At 1 April 2005	-	11,540,576	11,540,576
Provided during the year	-	2,716,520	2,716,520
At 31 March 2006	-	14,257,096	14,257,096
Net book value:			
At 31 March 2006	1,375,195	40,071,418	41,446,613
At 1 April 2005	1,375,195	42,787,938	44,163,133

Included in the cost of the power station is interest amounting to £5,091,679 (2005 - £5,091,679) being the cost of financing the construction of the power station prior to its being brought into use.

Notes to the financial statements

at 31 March 2006

8. Investments

	Subsidiary undertakings
	£
Cost:	
At 1 April 2005 and 31 March 2006	700,926
Amounts provided:	
At 1 April 2005	318,904
Provisions for the year	45,389
At 31 March 2006	364,293
Net book value:	
At 31 March 2006	336,633
At 1 April 2005	382,022

The principal subsidiary companies at 31 March 2006, 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.

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Notes to the financial statements

at 31 March 2006

9. Debtors

	2006	2005
	£	£
Trade debtors	3,584,866	3,493,803
Other debtors	117,572	161,429
	3,702,438	3,655,232

10. Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank loan (note 12)	-	2,771,000
Intercompany loan (note 12)	5,300,000	-
Trade creditors	706,070	142,017
Amounts owed to group undertakings	5,118,104	3,325,701
Accruals and deferred income	659,911	1,747,361
	11,784,085	7,986,079

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

	2006	2005
	£	£
Bank loans (note 12)	-	43,212,293
Amounts owed to group undertakings	7,000,000	7,335,704
Intercompany loan (note 12)	41,106,229	-
	48,106,229	50,547,997

12. Loans

(i) Bank loan

The bank loan was repaid in full during the year as part of a financial restructuring of the entire Energy Power Resources Group (see intercompany loan note).

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 its project loan. This arrangement was terminated on 30 September 2005 on repayment of the bank term loan at a cost of £1,340,000.

Notes to the financial statements

at 31 March 2006

12. Loans (continued)

(ii) Intercompany loan

On 30 September 2005, the company was refinanced. The bank and various intercompany loans were repaid and replaced with a single intercompany loan facility of £46,406,229 from Energy Power Resources Limited. The loan bears interest at 10% per annum on amounts drawn. A commitment fee of 1% per annum is payable on amounts undrawn. Interest, fees and principal are repayable over periods agreed between the company and the lender. Principal once repaid may be redrawn.

The refinancing of the company was enabled by the issue of a bank loan to Energy Power Resources Limited. Under the terms of this loan, the lending bank has been granted a first ranking security over the assets and shares of EPR Ely Limited

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
	2006	*2005*
	£	*£*
Ordinary shares of £1 each	1,000,000	1,000,000

	Allotted, called up and fully paid			
		2006		*2005*
	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 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)
Loss for the year	-	(2,848,904)	(2,848,904)
At 31 March 2006	1,000,000	(13,357,904)	(12,357,904)

Notes to the financial statements

at 31 March 2006

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 headed by Energy Power Resources Limited and the largest group in which the company is consolidated is headed by MEIF Renewable Energy (Holdings) Limited.

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