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EPR Ely Limited

Report and Financial Statements

for the year ended 31 March 2007

Registered Number 03401618

Directors and advisers

Directors

E J Wilkinson
D P Tilstone

Secretary

Eversecretary Limited
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Registered office

6 Deben Mill Business Centre
Old Maltings Approach
Woodbridge
Suffolk
IP12 1BL

Directors' report for the year ended 31 March 2007

The directors present their report and the audited financial statements for the company for the year ended 31 March 2007

Principal activities

The company's principal activity is to own, operate and maintain a 38MW electricity power station near Ely in Cambridgeshire, fuelled by the combustion of straw

Business review and future developments

The results of the company for the year and financial position at the year end were satisfactory albeit disappointing

Ely power station generated 230,000MWhs during the year, well below expectations There were a number of technical issues during the year requiring unplanned maintenance However, the principal cause of lower output and availability was problems with the turbine, specifically the over heating of the LP As a result the plant was operated at reduced output between August and October The root cause of the over heating thrust bearing was determined as significant silica build up on the LP turbine Siemens (the original equipment manufacturer) was requested to undertake the clean which was performed from 21 October through to 5 November A full HP turbine inspection is currently underway during the main 2007 scheduled outage

During January 2007 an organisational restructure was announced and a full review of staff competencies undertaken at Ely Following a thorough internal review and external recruitment process, the new structure was resourced and implemented from 2 July 2007

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with those of the group and are not managed separately The group has an agreed formal risk management policy and framework that covers identification, mitigation, control, monitoring and review of risks on a regular basis. Further discussion of group wide risks is provided within the directors' report of MEIF Renewable Energy (Holdings) Limited which does not form part of this report

Key performance indicators

Given the straight forward nature of the business, the directors are of the opinion that analysis of key performance indicators is not necessary for an understanding of the development, performance or position of the business

Results and dividends

The company's loss for the financial year was £2,371,690 (2006 £2,848,904)

The directors do not recommend the payment of a dividend

Directors

The directors of the company, who held office during the year, are given below

E J Wilkinson
D P Tilstone (appointed 30 November 2006)
D Owens (resigned 30 November 2006)

Directors' report for the year ended 31 March 2007

Financial risk management

The company's operations expose it to limited financial risk that include price risk and liquidity risk

Given the size of the company, the directors have not delegated responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the company's finance department

Price Risk

The company is exposed to commodity price risk as a result of its operations However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits The directors will revisit the appropriateness of this policy should the company's operations change in size or nature The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Liquidity risk

The company maintains cash balances and has access to short-term finance so as to ensure the company has sufficient available funds for operations

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and 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,
- 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 that 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

Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report for the year ended 31 March 2007

Auditors

PricewaterhouseCoopers LLP were appointed as auditors by the directors on 30 November 2006 They have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the board

E J Wilkinson
Director

15 October 2007

Independent auditors' report

To the members of EPR Ely Limited

We have audited the financial statements of EPR Ely Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 whether in our opinion the information given in the directors' report is consistent with the financial statements In addition we 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

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 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

Independent auditors' report

To the members of EPR Ely Limited

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 2007 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

15 October 2007

Profit and loss account

for the year ended 31 March 2007

	Notes	*2007* £	*2006* £
Turnover	2	**16,629,099**	17,236,593
Cost of sales		**(8,319,008)**	(8,307,175)
Gross profit		**8,310,091**	8,929,418
Administrative expenses		**(4,769,112)**	(4,913,688)
Operating profit	3	**3,540,979**	4,015,730
Interest receivable		**99,999**	56,253
Interest payable	5	**(6,842,541)**	(8,032,596)
Loss on ordinary activities before taxation		**(3,201,563)**	(3,960,613)
Tax on loss on ordinary activities	6	**883,873**	1,111,709
Loss for the financial year	16	**(2,317,690)**	(2,848,904)

All items dealt with in the profit and loss account above relate to continuing operations

The company has no recognised gains or losses other than the results above and therefore no separate statement of total recognised gains and losses has been prepared

Balance sheet

as at 31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	7	**38,730,092**	41,446,613
Investments	8	**291,244**	336,633
		39,021,336	41,783,246
Current assets			
Stocks	9	**125,121**	-
Debtors	10	**7,083,018**	3,702,438
Cash at bank		**202,038**	2,376,710
		7,410,177	6,079,148
Creditors: amounts falling due within one year	11	**(11,405,079)**	(11,784,085)
Net current liabilities		**(3,994,902)**	(5,704,937)
Total assets less current liabilities		**35,026,434**	36,078,309
Creditors amounts falling due after more than one year	12	**(49,641,134)**	(48,106,229)
Provisions for liabilities and charges	6	**(60,894)**	(329,984)
		(14,675,594)	(12,357,904)
Capital and reserves			
Called up share capital	15	**1,000,000**	1,000,000
Profit and loss account	16	**(15,675,594)**	(13,357,904)
Shareholders' deficit	17	**(14,675,594)**	(12,357,904)

The financial statements on pages 7 to 16 were approved by the board of directors on 15 October 2007 and were signed on its behalf by

E J Wilkinson
Director

Notes to the financial statements

for the year ended 31 March 2007

1. Accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards A summary of the more important accounting policies, which have been applied consistently, are set out below

Going concern

The financial statements have been prepared on a going concern basis, the viability of which is dependent on MEIF Renewable Energy (Holdings) Limited which have confirmed in writing that they will continue to allow the company to pay its debts as they fall due for a period of at least twelve months following the signing of the financial statements

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs at acquisition

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

Stocks

Stocks are stated at the lower of cost or net realisable value

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, "FRS 1", "Cash flow statements (revised 1996) 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 section 228 of the Companies Act 1985 These financial statements therefore only provide information about the company, not of its group

Impairment

The carrying value of the company's assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Notes to the financial statements

for the year ended 31 March 2007

1. Accounting policies (continued)

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

Group Relief

Credits for amounts receivable in respect of tax losses surrendered to group companies are recognised in the year in which the losses are surrendered, as are charges in respect of tax losses claimed from group companies

Pensions

The group operates a defined contribution personal pension scheme for certain qualifying employees Employee contributions of varying amounts together with employer contributions of between 5 0% and 7 5% are paid monthly to the scheme providers

Financial instruments

As the company has not elected to adopt FRS 26, "Financial Instruments Measurement", it is entitled to, and has claimed exemption from, the disclosure requirements of FRS 25, "Financial Instruments" Financial assets and financial liabilities are recognised upon becoming a party to the contractual provisions of the instrument

Trade debtors

Trade debtors are non-interest bearing and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value

Financial liabilities

Financial liabilities instruments are classified according to the substance of the contractual arrangements entered into

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	2007	2006
	£	£
Auditors' remuneration – audit services	19,200	18,000
Depreciation of owned fixed assets	2,716,521	2 716,520
Provision against investments	45,389	45,389

Notes to the financial statements

for the year ended 31 March 2007

4. Employee information

	2007	*2006*
	£	*£*
Wages and salaries	**715,548**	572,614
Social security costs	**75,921**	63,289
Other pension costs (defined contribution payment)	**10,596**	3,215
	802,065	639,118

The average monthly number of persons employed by the company during the year are

	2007	*2006*
	Number	*Number*
Production	**27**	23

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 £415,059 (2006 £412,404)

The company paid no remuneration or wages to its directors

5. Interest payable

	2007	*2006*
	£	*£*
Amortisation of loan issue costs	-	622,706
Bank interest		
- Break cost of interest rate swap	-	1,340,000
- Other bank interest	-	1,666,510
Group interest	**6,842,541**	4,403,380
	6,842,541	8,032,596

6. Taxation

a) Analysis of credit in the period

	2007	*2006*
	£	*£*
Current tax		
Group relief recoverable	**575,707**	441,910
Adjustments in respect of previous periods	**39,076**	(169,208)
Total current tax	**614,783**	272,702
Deferred tax		
Origination and reversal of timing differences	**308,152**	839,007
Adjustments in respect of previous periods	**(39,062)**	-
Tax on loss on ordinary activities	**883,873**	1,111,709

Notes to the financial statements

for the year ended 31 March 2007

6. Taxation (continued)

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% (2006 30%) The differences are explained below

	2007	*2006*
	£	*£*
Loss on ordinary activities before taxation	**(3,201,563)**	(3,960,612)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 30%)	**(960,469)**	(1,188,184)
Effect of		
Expenses not deductible for tax purposes	**76,611**	76,475
Depreciation in excess of capital allowances	**308,151**	669,799
Adjustments in respect of previous periods	**(39,076)**	169,208
Current tax credit for the period	**(614,783)**	(272,702)

c) Deferred tax provision

	2007	*2006*
	£	*£*
Accelerated capital allowances	**6,882,857**	6,354,339
Tax losses available	**(6,821,963)**	(6,024,355)
Provision for deferred taxation	**60,894**	329,984

	£
At 1 April 2006	329,984
Deferred tax charge – profit and loss account	(269,090)
At 31 March 2007	**(60,894)**

Notes to the financial statements

for the year ended 31 March 2007

7. Tangible fixed assets

	Freehold land	*Power station*	*Total*
	£	*£*	*£*
Cost			
At 1 April 2006 and 31 March 2007	**1,375,195**	**54,328,514**	**55,703,709**
Depreciation			
At 1 April 2006	-	14,257,096	14,257,096
Charge for the year	-	2,716,521	2,716,521
At 31 March 2007	**-**	**16,973,617**	**16,973,617**
Net book value			
At 31 March 2007	**1,375,195**	**37,354,897**	**38,730,092**
At 31 March 2006	1,375,195	40,071,418	41,446,613

Included in the cost of the power station is interest amounting to £5,091,679 (2006 £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 2006 and 31 March 2007	**700,926**
Amounts provided	
At 1 April 2006	364,293
Provisions for the year	45,389
At 31 March 2007	**409,682**
Net book value	
At 31 March 2007	**291,244**
At 1 April 2006	336,633

The principal subsidiary companies at 31 March 2007, which are wholly owned, are listed below

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

for the year ended 31 March 2007

9. Stocks

	2007	*2006*
	£	*£*
Fuel, spare parts and consumables	**125,121**	-

10. Debtors

	2007	*2006*
	£	*£*
Trade debtors	**1,286,194**	1,595,826
Amounts owed by group undertakings	**3,685,223**	1,989,040
Prepayments and accrued income	**2,111,601**	117,572
	7,083,018	3,702,438

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

11. Creditors: amounts falling due within one year

	2007	*2006*
	£	*£*
Inter-company loan (note 13)	-	5,300,000
Trade creditors	**378,181**	706,070
Amounts owed to group undertakings	**10,304,755**	5,118,104
Other taxes and social security	**19,460**	-
Accruals and deferred income	**702,683**	659,911
	11,405,079	11,784,085

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

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

	2007	*2006*
	£	*£*
Amounts owed to group undertakings	**7,000,000**	7,000,000
Inter-company loan (note 13)	**42,641,134**	41,106,229
	49,641,134	48,106,229

Notes to the financial statements

for the year ended 31 March 2007

13. Intercompany loan

On 30 September 2005, the company was refinanced The company' previous 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 is repayable on demand subject to the liquidity position of the company

Refinancing of the company was enabled by the issue of a bank loan to Energy Power Resources Limited by the Royal Bank of Canada acting as agent on behalf of itself and other banks 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

14. Related party transactions

As a 100% owned subsidiary of Energy Power Resources Limited, the company has taken advantage of the exemption granted by FRS 8, "Related party disclosures", not to disclose transactions with related entities that are part of the group

15. Share capital

	2007	*2006*
	£	*£*
Authorised, allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	**1,000,000**	1,000,000

16. Reserves

	Profit and loss account
	£
At 1 April 2006	(13,357,904)
Loss for the financial year	(2,317,690)
At 31 March 2007	**(15,675,594)**

Notes to the financial statements

for the year ended 31 March 2007

17. Reconciliation of shareholders' funds

	2007	2006
	£	£
Loss for the financial year	(2,317,690)	(2,848,904)
Opening shareholders' deficit	(12,357,904)	(9,509,000)
Closing shareholders' deficit	**(14,675,594)**	(12,357,904)

18. Ultimate parent company

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