

Enviropower Investments Limited

Directors' report and financial
statements

Registered number 5024248

31 December 2007

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Statutory information

Directors

JL de la Torre Sanchez
J Liebana Alcantarilla
T Nunez Vega

Company secretary

JM Bolton

Registered office

Ground Floor West
900 Pavilion Drive
Northampton Business Park
Northampton
NN4 7RG

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report

The directors (the "Directors") of Enviropower Investments Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the Company is that of the financing of Kent Enviropower Limited, a fellow subsidiary undertaking of the Company's ultimate parent undertaking, Fomento de Construcciones y Contratas, S A ("FCC")

Results and dividends

The result for the year ended 31 December 2007 is set out on page 7. The Company made neither a profit or a loss during the year (2006 £nil). The Directors do not recommend the payment of a dividend (2006 £nil).

Under the terms of the Credit Agreement between Kent Enviropower Limited and the project finance funding banks, the EPC contractor has failed to obtain a Take-over Certificate for the plant, before the Long Stop Date of 4 April 2008 for completion, leading to a technical breach of the Agreement and an Event of Default post year end. Kent Enviropower Limited has received written notification from the funding banks' agent reserving their rights in such an event but at the date of approval of these financial statements has taken no further action. Whilst one of the potential remedies the funding banks have following an Event of Default is to declare all amounts owing under the Credit Agreement to be immediately due and payable or payable on demand, impacting on the recoverability of amounts due to the Company from Kent Enviropower Limited, the Directors believe that Kent Enviropower Limited will shortly enter into negotiations with the funding banks' agent to agree wording and terms for an appropriate waiver to the Credit Agreement. Reference to note 1 "Going Concern" and note 7 "Debtors amounts due within one year" in the Notes to the Financial Statements should be made.

Directors and Directors' interests

The Directors who served as directors of the Company during the year ended 31 December 2007 and up to the date of this report were as follows:

JL de la Torre Sanchez

J Liebana Alcantarilla

T Nunez Vega

JE Trueba Gutierrez (resigned on 28 March 2007)

Elective regime

On 15 March 2004 the Company passed elective resolutions in accordance with section 379A of the Companies Act 1985 as amended (the "Act") to dispense with the formalities of

- the holding of annual general meetings (section 366A of the Act)
- the laying of accounts and reports before the Company in general meeting (section 252 of the Act), and
- the obligation to appoint auditors annually (section 386 of the Act)

Section 253(2) gives members the right to require the laying of accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with section 238(1) of the Act.

Directors' report *(continued)*

Charitable and political donations

No political or charitable donations were made by the Company during the year ended 31 December 2007 *(2006 £nil)*

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to a shareholders' elective resolution passed on 15 March 2004, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

A handwritten signature in black ink, appearing to be 'JM Bolton', with a long horizontal stroke extending to the right.

JM Bolton
Company Secretary

12 May 2008

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 or loss of the Company for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities



KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of Enviropower Investments Limited

We have audited the financial statements of Enviropower Investments Limited for the year ended 31 December 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.

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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 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 Enviropower Investments Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its result 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

30 May 2008

Profit and loss account
year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Operating profit		-	-
Interest receivable and similar income	<i>4</i>	1,346	1,166
Interest payable and similar charges	<i>5</i>	(1,346)	(1,166)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	-	-
Tax on profit on ordinary activities	<i>6</i>	-	-
		<hr/>	<hr/>
Profit for the financial year	<i>12</i>	-	-
		<hr/>	<hr/>

All results are derived from continuing operations

There are no recognised gains and losses in either the current or previous financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on a historical cost basis and that shown in the profit and loss account.

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Current assets			
Debtors amounts due within one year	7	18,050	-
Debtors amounts due after more than one year	8	-	16,704
		<u>18,050</u>	<u>16,704</u>
Creditors amounts falling due within one year	9	<u>(18,050)</u>	<u>-</u>
Net current assets		-	16,704
Creditors amounts falling due after more than one year	10	-	(16,704)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	-	-
Equity shareholders' funds	13	<u>-</u>	<u>-</u>

These financial statements were approved by the board of Directors on 12 May 2008 and were signed on its behalf
 by



T Nunez Vega
Director

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared in accordance with applicable United Kingdom accounting standards

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Accounting convention

The financial statements are prepared under the historical cost convention

Cash flow exemption

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised) from presenting a cash flow statement

Taxation

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

Going concern

Under the terms of the Credit Agreement between Kent Enviropower Limited and the project finance funding banks, the EPC contractor has failed to obtain a Take-over Certificate for the plant, before the Long Stop Date of 4 April 2008 for completion, leading to a technical breach of the Agreement and an Event of Default post year end

Kent Enviropower Limited has received written notification from the funding banks' agent reserving their rights in such an event but at the date of approval of these financial statements has taken no further action

Whilst one of the potential remedies the funding banks have following an Event of Default is to declare all amounts owing under the Credit Agreement to be immediately due and payable or payable on demand, impacting on the recoverability of amounts due to the Company from Kent Enviropower Limited, the Directors understand that Kent Enviropower Limited has been in consultation with the funding banks' agent and so believe that the financial statements should be prepared on a going concern basis. If the going concern assumption was not appropriate it may be necessary to adjust the carrying value of the recorded assets and liabilities

2 Profit on ordinary activities before taxation

Auditors' remuneration in respect of audit fees has been borne by Waste Recycling Limited, a fellow subsidiary undertaking of Fomento de Construcciones y Contratas, S A

3 Information regarding the Directors and employees

None of the Directors received any remuneration or benefits from the Company during the year ended 31 December 2007 or the year ended 31 December 2006. The Directors are remunerated by its immediate parent company, Fomento de Construcciones y Contratas, S A. The Company had no employees during the current or previous financial year

4 Interest receivable and similar income

	2007 £000	2006 £000
Interest receivable on loan to Kent Enviropower Limited	1,346	1,166

Notes (continued)

5 Interest payable and similar charges

	2007 £000	2006 £000
Interest payable to The Royal Bank of Scotland PLC	142	875
Interest payable on loan from Fomento de Construcciones y Contratas, S A	1,204	291
	<u>1,346</u>	<u>1,166</u>

6 Tax on profit on ordinary activities

	2007 £000	2006 £000
Corporation tax		
United Kingdom corporation tax at 30% (2006 30%)	-	-
Total current tax charge	<u>-</u>	<u>-</u>

7 Debtors: amounts due within one year

	2007 £000	2006 £000
Amount owed from related party - Kent Enviropower Limited	<u>18,050</u>	<u>-</u>

The subordinated facility agreement (the "Subordinated Facility") dated 29 March 2004 between the Company and Kent Enviropower Limited ("KEL") for a principal amount of £14,243,141 provided for the payment of interest by KEL to the Company at a rate payable by the Company under a term facility agreement (the "Facility") dated 29 March 2004 between the Company and, amongst others, The Royal Bank of Scotland plc (unless agreed otherwise between the Company and KEL). On 27 September 2006 the Company's indebtedness with The Royal Bank of Scotland under the Facility was settled by Fomento de Construcciones y Contratas, S A ("FCC"), the Company's new parent company and the Facility novated to FCC. The rate payable by the Company under the Facility is 1% per annum above LIBOR, plus any Mandatory Cost (as defined by the Facility). The principal amount under the Facility is £14,243,141. The Company and KEL have agreed that the same rate of interest should apply under the Subordinated Facility for the current financial year and previous financial year. Since the year end, on 18 April 2008 the Subordinated Facility was amended and the loan is now repayable in full on 31 March 2030.

Under the terms of the Credit Agreement between Kent Enviropower Limited and the project finance funding banks, the EPC contractor has failed to obtain a Take Over Certificate for the plant, before the Long Stop Date of 4 April 2008 for completion, leading to a technical breach of the agreement and an Event of Default post year end. One of the potential remedies this gives the funding banks is to declare all amounts owing under the Credit Agreement to be immediately due and payable or payable on demand. This could potentially impact on the recoverability of the amount owed to the Company from Kent Enviropower Limited.

Kent Enviropower Limited has received written notification from the funding banks' agent reserving their rights in such an event but at the date of approval of these financial statements has taken no further action.

The Directors believe that Kent Enviropower Limited will shortly enter into negotiations with the funding banks' agent to agree wording and terms for an appropriate waiver to the Credit Agreement.

Notes (continued)

8 Debtors: amounts due after more than one year

	2007 £000	2006 £000
Amount owed from related party - Kent Enviropower Limited	-	16,704
	<u> </u>	<u> </u>

9 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Amount owed to related party - Fomento de Construcciones y Contratas, S A	18,050	-
	<u> </u>	<u> </u>

Since the year end, on 23 April, a revised loan agreement between the Company and FCC was signed. This provides that the loan is now repayable on 31 March 2030, (the amended termination date of the Subordinated Facility Agreement between the Company and Kent Enviropower Limited)

10 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amount owed to related party - Fomento de Construcciones y Contratas, S A	-	16,704
	<u> </u>	<u> </u>
	-	16,704
	<u> </u>	<u> </u>

11 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
	<u> </u>	<u> </u>

12 Reserves

	Profit and loss account £000
As at 1 January 2007	-
Profit for the financial year	-
	<u> </u>
At 31 December 2007	-
	<u> </u>

Notes (continued)

13 Reconciliation of movement in shareholders' funds

	2007	2006
	£000	£000
Profit for the financial year	-	-
Opening shareholders' funds	-	-
	<hr/>	<hr/>
Closing shareholders' funds	-	-
	<hr/>	<hr/>

14 Related party transactions

Waste Recycling Group Limited is a related party as both it and the Company have the same ultimate parent undertaking, Fomento de Construcciones y Contratas, S A

Auditors' remuneration in respect of audit fees has been borne by Waste Recycling Limited, a subsidiary of Waste Recycling Group Limited

Kent Enviropower Limited is a related party as both it and the Company have the same ultimate parent undertaking, Fomento de Construcciones y Contratas, S A

15 Ultimate parent company

The Company's immediate parent company is Fomento de Construcciones y Contratas, S A , a company that is registered in Spain

The Directors regard Fomento de Construcciones y Contratas, S A as the ultimate controlling party and the ultimate parent entity

Copies of the financial statements of Fomento de Construcciones y Contratas, S A are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG