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energy for tomorrow's generation

EPR Ely Limited

Report and financial statements

for the year ended 31 March 2011

Registered number 03401618

Directors and advisers

Directors
E J Wilkinson
D P Tilstone

Secretary
Eversecretary Limited
Eversheds House
70 Great Bridgewater Street
Manchester
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Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
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Bankers
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Directors' report for the year ended 31 March 2011

The directors present their report and the audited financial statements for the company for the year ended 31 March 2011

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

Ely Power Station had a difficult year, with 2009 harvest wheat straw in short supply during the first quarter of the financial year due to the extended and extremely cold winter which increased demand from agricultural users This resulted in the station being required to burn a greater proportion of marginal fuels in this period with an adverse impact upon output The annual shutdown in July 2010 was extended by seven days due to discovery works and subsequent repairs to damage identified in the turbine inlet manifold Subsequent to the outage the plant had problems with combustion which in turn gave rise to issues with the wet ash system In addition, in February 2011 an extended unplanned outage was required for the replacement of a number of boiler roof tubes

Operational performance has been much improved since the start of 2011/12

Following the fatality at Ely Power Station in September 2008, the Company pleaded guilty to the charge brought under s3 Health and Safety at Work etc Act 1974, and pleaded guilty (submitted as a basis of plea) to the charge brought under s2 Health and Safety at Work etc Act 1974 The sentencing hearing took place on 11 February 2011 and the Company was fined £120,015 plus a contribution towards prosecution costs of £30,375, the latter amount is recoverable under the Company's liability insurance policy Both sums were ordered to be paid within three months and have subsequently been settled

Nothing further has been heard to date in respect of the associated civil claim, although this is being handled directly by the Company's insurers

The plant is on a long term Power Purchase Agreement the price under contract is linked to the market price for brown electricity and Renewable Obligation Certificates (ROCs) The current market price and outlook for brown electricity and ROCs remains positive

The directors anticipate that sales volumes in 2011/12 will improve on that of the current year and the company will continue to achieve satisfactory trading results

Results and dividends

The results of the company show an operating profit of £533,004 (2010 £1,186,543) and a profit for the financial year of £1,102,517 (2010 loss £305,306)

The directors do not recommend the payment of a dividend

Directors

The directors of the company, who held office during the year and up to the date of signing the financial statements, are given below

E J Wilkinson
D P Tilstone

Directors' report for the year ended 31 March 2011

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law In respect of those liabilities for which directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year

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

The directors of MEIF Renewable Energy (Holdings) Limited manage the group's operations on a group wide basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of EPR Ely Limited The development, performance and position of MEIF Renewable Energy (Holdings) Limited, which includes this company, is discussed in the group's annual report which does not form part of this report

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 straw and electricity price risk as a result of its operations However, given the size of the company's operations, the costs of managing exposure to these price risks 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

Market value of interests in land

In the opinion of its directors the land interests held by the company have an open market value in excess of the net book value

Directors' report for the year ended 31 March 2011

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 each of the directors is 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

Independent auditors

In accordance with section 487(2) of the Companies Act 2006 the auditors, PricewaterhouseCoopers LLP, are deemed to be re-appointed

By order of the board

E J Wilkinson
Director

5 July 2011

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 2011 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

To the members of EPR Ely Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Nicholas Stevenson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 July 2011

Profit and loss account

for the year ended 31 March 2011

	Notes	*2011* £	*2010* £
Turnover	2	**19,341,125**	19,063,232
Cost of sales		**(10,096,415)**	(8,285,253)
Gross profit		**9,244,710**	10,777,979
Administrative expenses		**(8,711,706)**	(9,591,436)
Operating profit	3	**533,004**	1,186,543
Interest receivable and similar income		**-**	41
Interest payable and similar charges	5	**(1,361,430)**	(1,479,665)
Loss on ordinary activities before taxation		**(828,426)**	(293,081)
Tax on loss on ordinary activities	6	**1,930,943**	(12,225)
Profit / (loss) for the financial year	14	**1,102,517**	(305,306)

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

There is no material difference between the loss on ordinary activities before taxation and the profit / (loss) for the year stated above and their historical cost equivalents

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 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	7	**30,531,269**	32,961,726
Investments	8	**-**	-
		30,531,269	32,961,726
Current assets			
Stocks	9	**2,849,322**	1,399,533
Debtors	10	**4,557,347**	3,048,123
Deferred tax assets	6	**787,897**	-
Cash at bank and in hand		**25,853**	63,838
		8,220,419	4,511,494
Creditors: amounts falling due within one year	11	**(46,781,497)**	(45,462,500)
Net current liabilities		**(38,561,078)**	(40,951,006)
Total assets less current liabilities		**(8,029,809)**	(7,989,280)
Provisions for liabilities and charges	6	**-**	(1,143,046)
Net liabilities		**(8,029,809)**	(9,132,326)
Capital and reserves			
Called up share capital	12	**1,000,000**	1,000,000
Profit and loss account	13	**(9,029,809)**	(10,132,326)
Total shareholders' deficit	14	**(8,029,809)**	(9,132,326)

The financial statements on pages 7 to 16 were approved by the board of directors on 5 July 2011 and were signed on its behalf by

D P Tilstone
Director

Registered number 03401618

Notes to the financial statements

for the year ended 31 March 2011

1 Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards A summary of the more important accounting policies, which have been applied consistently, are set out below

Going concern

Notwithstanding the fact that the company has net current liabilities, the directors have prepared the accounts on the going concern basis The directors have received confirmation from MEIF Renewable Energy (Holdings) Limited group, of its intention to financially support the company such that the company can meet those obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these accounts

Group accounts

The company has taken advantage of the exception available under section 400 of the Companies Act 2006 not to prepare consolidated financial statements, on the basis that the company's holding company is MEIF Renewable Energy (Holdings) Limited, a company established under UK law that prepares consolidated financial statements

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

Turnover

Amounts disclosed as turnover are net of trade allowances, duties and taxes paid Turnover generated from the biomass fuelled power station is recognised where there is a signed unconditional contract of sale and 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 Turnover generated from gate fees is recognised on receipt of the material

Tangible fixed assets

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

The cost of fixed assets is depreciated over the expected economic lives of the assets as follows

Freehold land	-	nil
Power station	-	over 20 years
Assets under construction	-	nil

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

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

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

for the year ended 31 March 2011

1. Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value

Deferred tax

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

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 Pension costs are recognised in the profit and loss account on an accruals basis

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 29, "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

Equity interests

An equity interest is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

Notes to the financial statements

for the year ended 31 March 2011

2. Turnover

Turnover arises solely from the company's principal activities in the United Kingdom, net of value added tax

3. Operating profit

Operating profit is stated after charging the following

	2011	*2010*
	£	**£**
Auditors' remuneration – audit services	**23,700**	23,900
Depreciation of owned fixed assets	**2,970,526**	2,855,829

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 £420,000 (2010 £415,059)

4. Employee information

	2011	*2010*
	£	**£**
Wages and salaries	**1,084,941**	1,154,309
Social security costs	**115,113**	120,393
Other pension costs (defined contribution payment)	**15,789**	16,381
	1,215,843	1,291,083

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

	2011	*2010*
	Number	*Number*
Production	**34**	36

The company paid no remuneration or wages to its directors during the year

5. Interest payable and similar charges

	2011	*2010*
	£	**£**
Intercompany loan interest payable	**1,361,430**	1,479,665

Notes to the financial statements

for the year ended 31 March 2011

6. Taxation

a) Analysis of (credit) / charge in the year

	2011	*2010*
	£	£
Current tax		
Group relief payable	-	11
Adjustments in respect of previous periods	-	(13,273)
Total current tax	-	(13,262)
Deferred tax		
Origination and reversal of timing differences	**(44,496)**	20,731
Adjustments in respect of previous periods	**(1,947,056)**	4,756
Impact of change in rate	**60,609**	-
Total deferred tax	**(1,930,943)**	25,487
Tax on loss on ordinary activities	**(1,930,943)**	12,225

b) Factors affecting current tax for the year

The tax assessed on the loss on ordinary activities for the year differs to the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

	2011	*2010*
	£	£
Loss on ordinary activities before taxation	**(828,426)**	(293,081)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2010 28%)	**(231,959)**	(82,063)
Effect of		
Expenses not deductible for tax purposes	**187,463**	102,805
Depreciation in excess of capital allowances	**659,071**	594,314
Adjustments in respect of previous periods	**-**	(13,273)
Utilisation of brought forward tax losses	**(614,575)**	(615,045)
Total current tax	-	(13,262)

c) Factors that may affect future charges

On 1 April 2011 the UK corporation tax rate reduced from 28% to 26%, and will reduce by a further 1% a year over the following three years These further reductions have not yet been substantively enacted This rate change will both affect the amount of future cash tax payments to be made by the company and reduce the size of the company's recognised deferred tax asset The effect of the reduction in rate from 26% on the deferred tax balance has not been quantified as it is not considered to be material to the financial statements

Notes to the financial statements

for the year ended 31 March 2011

6. Taxation (continued)

d) Deferred tax

	2011 £	*2010* £
Decelerated capital allowances	**(3,877,521)**	(4,849,862)
Other timing differences	**4,665,418**	3,706,816
Net deferred tax asset (2010 provision)	**787,897**	(1,143,046)

	2011 £	*2010* £
At 1 April	**(1,143,046)**	(1,117,559)
Profit and loss account	**1,930,943**	(25,487)
At 31 March	**787,897**	(1,143,046)

Deferred tax has been calculated at 26% (2010 28%)

7. Tangible fixed assets

	Freehold land £	*Power station* £	*Assets under construction* £	*Total* £
Cost				
At 1 April 2010	1,375,195	56,978,755	7,202	58,361,152
Additions	-	524,775	15,294	540,069
Reclassification	-	7,202	(7,202)	-
At 31 March 2011	**1,375,195**	**57,510,732**	**15,294**	**58,901,221**
Depreciation				
At 1 April 2010	-	25,399,426	-	25,399,426
Charge for the year	-	2,970,526	-	2,970,526
At 31 March 2011	-	**28,369,952**	-	**28,369,952**
Net book value				
At 31 March 2011	**1,375,195**	**29,140,780**	**15,294**	**30,531,269**
At 31 March 2010	1,375,195	31,579,329	7,202	32,961,726

Included in the cost of the power station is interest amounting to £5,091,679 (2010 £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

for the year ended 31 March 2011

8. Investments

	Subsidiary undertakings
	£
Cost	
At 1 April 2010 and 31 March 2011	**700,926**
Amortisation	
At 1 April 2010 and 31 March 2011	**700,926**
Net book value	
At 31 March 2011	**-**
At 31 March 2010	-

The principal subsidiary company at 31 March 2011, which was wholly owned, is set out below

Name of company	*Country of registration*	*Nature of business*	*Class of shares*
Anglian Straw Limited	England	Dormant	£1 ordinary

On 1 April 2008 the trade and assets of Anglian Straw Limited were transferred to EPR Ely Limited , as such the value of this investment is £nil

9. Stocks

	2011	*2010*
	£	*£*
Baled straw	**1,512,565**	445,615
Fuel, spare parts and consumables	**1,336,757**	953,918
	2,849,322	1,399,533

The replacement cost of stocks does not differ materially from the numbers disclosed above

10. Debtors

	2011	*2010*
	£	*£*
Amounts falling due within one year		
Trade debtors	**23,514**	52,436
Amounts owed by group undertakings	**3,998**	-
Prepayments and accrued income	**4,529,835**	2,995,687
	4,557,347	3,048,123

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

Notes to the financial statements

for the year ended 31 March 2011

11. Creditors: amounts falling due within one year

	2011 £	*2010* £
Trade creditors	**405,530**	1,246,868
Amounts owed to group undertakings	**60,669**	45,317
Loans due to group undertakings	**44,079,709**	42,523,279
Other taxes and social security	**558,593**	495,263
Accruals and deferred income	**1,676,996**	1,151,773
	46,781,497	45,462,500

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment The intercompany loan is unsecured, bears interest at LIBOR + margin 2011 2 5% (2010 2% per annum) and is repayable on demand

12. Share capital

	2011 £	*2010* £
Authorised, allotted, called up and fully paid		
1,000,000 (2010 1,000,000) ordinary shares of £1 each	**1,000,000**	1,000,000

13. Profit and loss account

	Profit and loss account £
At 1 April 2010	(10,132,326)
Profit for the financial year	1,102,517
At 31 March 2011	**(9,029,809)**

14. Reconciliation of movements in total shareholders' deficit

	2011 £	*2010* £
Profit / (loss) for the financial year	**1,102,517**	(305,306)
Opening total shareholders' deficit	**(9,132,326)**	(8,827,020)
Closing total shareholders' deficit	**(8,029,809)**	(9,132,326)

Notes to the financial statements

for the year ended 31 March 2011

15. Operating lease commitments

At 31 March 2011 the company had the following commitments under non-cancellable operating leases (motor vehicles) expiring as follows

	2011	*2010*
	£	*£*
Under one year	-	7,953
Between one and two years	**13,423**	-
Between two and five years	**15,780**	13,423
	29,203	21,376

16. Pension costs

The company contributes to its employees' personal pension schemes The cost for the year is shown in note 4 Outstanding contributions at 31 March 2011 amount to £2,351 (2010 £2,949)

17. Related party transactions

As a 100% owned indirect subsidiary of Macquarie European Infrastructure Fund LP, 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

18. Contingent liabilities

At 31 March 2011 the company was guarantor with other group companies, of loans totalling £67,263,251 (2010 £79,926,176), made by the group's bankers

19. Ultimate parent company

Energy Power Resources Limited is the immediate parent undertaking and Macquarie European Infrastructure Fund LP (an English limited partnership with its registered office at PO Box 60, Carinthia House, 9-12 The Grange, St Peter Port, Guernsey, GY1 4BF) is the ultimate parent undertaking

Energy Power Resources Limited is the holding company of the smallest group of undertakings for which group financial statements are drawn up and Macquarie European Infrastructure Fund LP is the holding company of the largest group of undertakings for which group financial statements are drawn up Copies of the group financial statements may be obtained from the address above