

First Renewables Limited

Report and Financial Statements

Year ended 31 March 2006



Registered No: 3715615

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 Bridwell 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

Director's Report

The directors submit their report and financial statements for the year ended 31 March 2006.

Results and dividends

The profit for the year, after taxation, amounted to £827,810 (2005 - £571,041). The directors do not recommend the payment of any dividends. Preference dividends were not paid nor are proposed (2005 - £Nil).

Principal activity and review of the business

The company's principal activity during the year continued to be that of an intermediate holding company. The company also provides management services to its joint venture, Yorkshire Windpower Limited.

Directors and their interests

The directors at 31 March 2006 and changes since the year end are listed on page 1.

None of the directors had any beneficial interest in the share capital of the company at any time during the year ended 31 March 2006. None of the directors had any beneficial interests 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 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

Date

 ET WILKINSON
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; 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.

Independent auditor's report

to the shareholders of First Renewables 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 14. 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.


Independent auditor's report

to the shareholders of First Renewables 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 2006 and of its profit 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.


Registered Auditor
Bristol

Date

16 June 2006

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover	2	82,124	124,363
Administrative expenses		60,122	(426,513)
Operating profit/(loss)	3	142,246	(302,150)
Income from shares in joint venture	5	700,000	950,000
Interest receivable and similar income	6	9,918	21,874
		709,918	971,874
Profit on ordinary activities before taxation		852,164	669,724
Tax on profit on ordinary activities	7	(24,354)	(98,683)
Retained profit for the financial year	13	827,810	571,041

Statement of total recognised gains and losses

for the year ended 31 March 2006


There are no recognised gains or losses other than the profit of £827,810 attributable to the shareholders for the year ended 31 March 2006 (2005 – profit of £571,041)

Balance sheet

at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	8	109,979	109,979
Current assets			
Debtors	9	3,383,139	2,653,879
Cash at bank		1,199	2,990
		3,384,338	2,656,869
Creditors: amounts falling due within one year	10	(44,114)	(144,456)
Net current assets		3,340,224	2,512,413
Total assets less current liabilities		3,450,203	2,622,393
Capital and reserves			
Called up share capital	12	13,992,002	13,992,002
Profit and loss account	13	(10,541,799)	(11,369,609)
Shareholder's funds:			
Equity		(876,797)	(1,704,607)
Non-equity	12	4,327,000	4,327,000
	13	3,450,203	2,622,393

Director

 EJ WILKINSON

Date

9 JUNE 2006

Notes to the financial statements

for the year ended 31 March 2006

1. Accounting policies

Basis of preparation

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

Cash flow statement

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

Fixed assets

All fixed assets are initially recorded at cost.

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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

2. Turnover

Turnover, which is wholly derived in the UK, comprises royalty payments and excludes value added tax.

Notes to the financial statements

for the year ended 31 March 2006

3. Operating profit/(loss)

This is stated after charging the following:

	2006 £	2005 £
Auditors' remuneration – audit services	4,249	5,000
Provision against doubtful debts	-	383,792
	<u>4,249</u>	<u>383,792</u>

4. Staff costs

The company paid no remuneration or wages to directors and had no employees during the year.

5. Income from shares in joint venture

	2006 £	2005 £
Dividends receivable	700,000	950,000
	<u>700,000</u>	<u>950,000</u>

6. Interest receivable and similar income

	2006 £	2005 £
Interest from group companies	9,918	21,874
	<u>9,918</u>	<u>21,874</u>

7. Taxation

a) Tax on profit on ordinary activities

	2006 £	2005 £
Current tax:		
Group relief payable/(recoverable)	24,354	(11,246)
Adjustment in respect of previous periods	-	109,929
Total current tax (note 7(b))	<u>24,354</u>	<u>98,683</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	<u>24,354</u>	<u>98,683</u>

Notes to the financial statements

for the year ended 31 March 2006

7. Taxation (continued)

b) Factors affecting current tax charge for period

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%). The differences are reconciled below:

	2006 £	2005 £
Profit on ordinary activities before taxation	852,164	669,724
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005 - 30%)	255,649	200,917
Effect of:		
Expenses not deductible for tax purposes	-	68,703
Depreciation in excess of capital allowances	(798)	(1,064)
(Utilised)/unrelieved tax losses	(5,797)	5,198
Non taxable income	(224,700)	(285,000)
Adjustments in respect of previous periods	-	109,929
Total current tax (note 7(a))	24,354	98,683

c) Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £2,393 (2005 - £8,389) which includes unrelieved tax losses of £nil (2005 - £17,325) available for offset against future taxable profits. In accordance with FRS19 no deferred tax asset has been recognised as its recoverability cannot be predicted with any degree of certainty.

8. Investments

	Shares in associated undertakings £	Loans to fellow subsidiary undertakings £	Total £
Cost:			
At 1 April 2005 and 31 March 2006	50	109,929	109,979
Amounts provided:			
At 1 April 2005 and 31 March 2006	-	-	-
Net book value:			
At 31 March 2006	50	109,929	109,979
At 1 April 2005	50	109,929	109,979

Notes to the financial statements

for the year ended 31 March 2006

8. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of undertaking</i>	<i>Country of incorporation</i>	<i>Description of shares held</i>	<i>Proportion of nominal of value issued shares</i>
Yorkshire Wind Power Limited	UK	Ordinary	50%

9. Debtors

	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Amounts owed by group undertakings	3,332,399	2,338,898
Amounts owed by companies in which the company has a participating interest	-	250,000
Prepayments and accrued income	50,740	64,981
	<u>3,383,139</u>	<u>2,653,879</u>

10. Creditors: amounts falling due within one year

	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Amounts owed to group undertakings	39,114	29,029
Accruals and deferred income	5,000	115,427
	<u>44,114</u>	<u>144,456</u>

11. 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.

Notes to the financial statements

for the year ended 31 March 2006

12. Share capital

	<i>Authorised</i>	
	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	10,000,000	10,000,000
Redeemable preference shares of £1 each	4,327,000	4,327,000
	<u>14,327,000</u>	<u>14,327,000</u>
	<i>Allotted, called up and fully paid</i>	
	<i>2006</i>	<i>2005</i>
	<i>No. £</i>	<i>No. £</i>
Ordinary shares of £1 each	9,665,002 9,665,002	9,665,002 9,665,002
Redeemable preference shares of £1 each	4,327,000 4,327,000	4,327,000 4,327,000
	<u>13,992,002</u>	<u>13,992,002</u>

On 7 May 2002, the company issued 4,327,000 redeemable preference shares of £1 each. The shares carry the same voting rights as ordinary shares and are redeemable by the shareholder at par up to 1 January 2015. On winding up the company, the preference shares are payable at par in priority to any amount repayable on the existing ordinary shares.

13. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 31 March 2004	13,992,002	(11,940,650)	2,051,352
Profit for the year	-	571,041	571,041
At 31 March 2005	13,992,002	(11,369,609)	2,622,393
Profit for the year	-	827,810	827,810
At 31 March 2006	<u>13,992,002</u>	<u>(10,541,799)</u>	<u>3,450,203</u>

14. Parent undertaking and controlling party

Energy Power Resources Limited is the immediate parent company and Macquarie European Infrastructure Fund Limited Partnership (a UK registered partnership domiciled in Guernsey) is the ultimate parent company.

The smallest group in which the company is consolidated is that 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 may be obtained from Companies House.