

**REGISTERED NO.**  
**02902170**

**Fibre Power (Slough) Limited**

**Financial Statements for the year ended 31 March 2010**

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## **Fibre Power (Slough) Limited**

### **Report of the Directors**

The Directors present their report together with the audited Financial Statements for the year ended 31 March 2010. The prior year comparatives are for the 15 month period from 1 January 2008 to 31 March 2009.

#### **1. Principal Activities**

Fibre Power (Slough) Limited's principal activity is the generation of electricity from biomass plant which is sold under a 15 year electricity supply contract.

2009-10 was a very unusual year for FibrePower Slough due to turbine 17 not being in operation for the period including April 09 to Jan 10. During this period, boiler 17 was run using waste derived fuel (FibreFuel) to provide export steam (with surplus steam being spilled to TA16 for electrical generation). From Jan10 onwards, FibrePower Slough reverted to generating via TA17 using alternating months of recycled wood and waste derived fuel.

The principal risks and uncertainties of the company remain consistent with the principal risks of the SHP group. The key business risks and uncertainties affecting the SHP group are considered to relate to fuel supply and potential shortages, plant availability and the resulting impact on ROC revenue, carbon trading, ROC prices and the market of electricity and fuel. The acquisition of the group by SSE has not changed these principal risks and uncertainties.

#### **2. Business Review**

##### **Development and performance review of the business**

The SHP group is part of the Scottish and Southern Energy Group ('SSE' or 'Group'). The power station owned by the SHP group is primarily a multifuelled combined heat and power plant, focusing on renewable fuels. The station has two primary generators, one 40Mwe unit fuelled wholly on Biomass (wood products), and a second 12Mwe unit fuelled by waste or waste wood. Much of the excess heat from the process is supplied to over 30 industrial users of process heat distributed across the Slough Estates Trading estate. SHP also supplies drinking quality water to over 700 domestic and industrial customers.

During the period the SHP Group has been supplying steam & water customers as usual, and supplying the Electricity into the Grid which is now traded by SSE Energy Supply Ltd. Other significant efforts include focussing on integrating its finance & procurement systems and safe systems of work. The plant has seen significant levels of investment which will yield a return in increased reliability of generation assets over the next few years.

##### **Priorities for 2010/11**

The SHP group of companies' key objectives will be to ensure that its generation plant is available to generate electricity, with the maximum possible efficiency, in response to demand and market conditions, while complying fully with all safety standards and environmental regulations. The achievement of these objectives will be supported by the delivery of a programme which has been established to identify improvements in the management and operation of its plant. The continued provision of network services to the customers of the SHP group in an efficient and customer-focussed manner in compliance with applicable regulations is another key priority.

SHP will also be working to ensure that all generation plant is well-maintained and that the activities of the SHP group fully support the activities of its main internal customer, SSE Energy Supply Limited. All these priorities are relevant to the Company.

## **Fibre Power (Slough) Limited**

### **Report of the Directors (continued)**

#### **2. Business Review (continued)**

##### **Development and performance review of the business (continued)**

##### **Principal risks and uncertainties**

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The main financial risks that the Company could face have been considered by the Directors and the Group's Risk Committee. These include mechanical failure at the Company's power stations, competition, availability of fuel, wholesale market prices of electricity, gas and other commodities, economic regulation and government policies and other factors.

The Company transacts with other companies within the Scottish and Southern Energy plc group and is a key part of the Group's business and strategies. The principal risks and uncertainties faced by the Group are set out in the Group's annual report.

#### **3. Results and Dividends**

The loss for the year amounted to £10,194k (2009 – £7,731k 15 months). The directors do not recommend the payment of a dividend, (2009 - £nil).

#### **4 Directors**

The Directors who served during the year were as follows -

Gavin Brydon	(resigned 2 March 2010)
Brandon Rennet	(appointed 2 March 2010)
Paul Smith	

#### **5. Political and Charitable Donations**

During the period no charitable or political donations were made (2009 - £nil).

#### **6. Employment Policies**

Staff are actively encouraged to be involved in Company affairs in a wide variety of ways. These include monthly team meetings, briefing documents and internal videos. Policies on such matters as Equal Opportunities and Health and Safety are regularly communicated to staff and involvement is supported through local committees. New staff joining the Company receive induction training.

It is Company policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

## **Fibre Power (Slough) Limited**

### **Report of the Directors (continued)**

#### **7. 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 ought to have been taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

ON BEHALF OF THE BOARD



Brandon Rennet  
Director  
21 December 2010

55 Vastern Road  
Reading  
Berkshire  
RG1 8BU

## **Fibre Power (Slough) Limited**

### **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)

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 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 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 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.

## **Report of the Independent Auditors', KPMG Audit Plc Report to the Members of Fibre Power (Slough) Limited**

We have audited the financial statements of Fibre Power (Slough) Limited for the year ended 31 March 2010 as set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

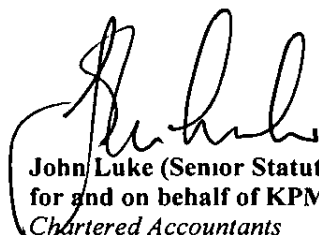
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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.



**John Luke (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

21 December 2010

## **Fibre Power (Slough) Limited**

### **Profit and Loss Account for the year ended 31 March 2010**

	Note	12 months to 31 March 2010 £'000	15 months to 31 March 2009 £'000
Turnover		2,946	6,656
Cost of Sales		(15,027)	(5,291)
Gross (loss)/profit		(12,081)	1,365
Administrative costs		(3,686)	(7,737)
Operating loss	2	(15,767)	(6,372)
Interest payable and similar charges	5	(27)	(1,591)
Loss on ordinary activities before taxation		(15,794)	(7,963)
Tax on loss on ordinary activities	6	5,600	232
Loss for the financial year	13	(10,194)	(7,731)

The above results are derived from continuing activities

Other than the retained loss for the financial year, there are no other recognised gains or losses

The accompanying notes form part of these Financial Statements

# **Fibre Power (Slough) Limited**

## **Balance Sheet as at 31 March 2010**

	Note	31 March 2010 £'000	31 March 2009 £'000
<b>Fixed assets</b>			
Tangible Fixed Assets	7	<u>10,019</u>	<u>22,952</u>
<b>Current assets</b>			
Debtors	8	3,829	6,650
<b>Creditors:</b>			
Amounts falling due within one year	9	<u>(29,078)</u>	<u>(31,130)</u>
<b>Net current liabilities</b>		<u>(25,249)</u>	<u>(24,480)</u>
<b>Total assets less current liabilities</b>		<u>(15,230)</u>	<u>(1,528)</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	10	(1,211)	(4,746)
Other provision	11	(322)	(295)
<b>Net liabilities</b>		<u>(16,763)</u>	<u>(6,569)</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	(16,763)	(6,569)
<b>Shareholders' deficit</b>		<u>(16,763)</u>	<u>(6,569)</u>

The accompanying notes form an integral part of these financial statements

These Financial Statements were approved by the Directors on 21 December 2010 and signed on their behalf by



Brandon Rennet, Director  
Fibre Power (Slough) Ltd  
Registered no 02902170



## **Fibre Power (Slough) Limited**

### **Reconciliation of Movements in Shareholders' deficit**

	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Loss for the financial year	<u>(10,194)</u>	<u>(7,731)</u>
<b>Net reduction to shareholders' funds</b>	<b>(10,194)</b>	<b>(7,731)</b>
Opening shareholders' (deficit) / funds	<u>(6,569)</u>	<u>1,162</u>
<b>Closing shareholders' deficit</b>	<b>(16,763)</b>	<b>(6,569)</b>

## **Fibre Power (Slough) Limited**

### **Notes on the Financial Statements for the year ended 31 March 2010**

#### **1. Principal accounting policies**

##### **Basis of preparation**

The Financial Statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently. The Financial Statements have been prepared under the historical cost convention.

The Financial Statements have been prepared on the going concern basis, notwithstanding the loss for the year of £10.2m (2009 £7.7m) and net liabilities of £16.8m (2009 £6.6m), which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Scottish and Southern Energy plc, the Company's ultimate parent company. Scottish and Southern Energy plc has indicated that for at least 12 months, and for the foreseeable future, from the date of approval of these Financial Statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis. The Financial Statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Under Financial Reporting Standard 1 (FRS 1), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated Financial Statements.

As the Company is a wholly owned subsidiary of Scottish and Southern Energy plc, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Scottish and Southern Energy Group.

##### **Turnover**

Turnover comprises the income from the generation and supply of electricity. Turnover is recognised as services are discharged and upon title passing.

##### **Interest**

Interest receivable comprises interest earned on funds invested. Interest paid comprises interest paid on borrowings and the release of discounting on provisions. Interest income and costs are recognised in the profit and loss as they accrue, on an effective interest method.

## **Fibre Power (Slough) Limited**

### **Notes on the Financial Statements (continued) for the year ended 31 March 2010**

#### **1. Principal accounting policies (continued)**

##### **Taxation**

The charge for taxation is based on the profit for the period and takes into account deferred taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date

Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. This is recognised where an obligation to pay more tax in the future has originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

##### **Tangible fixed assets**

All tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	<b>Years</b>
Plant and machinery	20
Furniture, fixtures and fittings	10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's net book value is written down immediately to its recoverable value if the net book value is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing the proceeds with the net book value and are recognised in the profit and loss account.

Expenditure incurred to replace a component of a tangible fixed asset that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the tangible fixed asset to which it relates.

##### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated on a first in, first out basis. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## **Fibre Power (Slough) Limited**

### **Notes on the Financial Statements (continued) for the year ended 31 March 2010**

#### **1. Principal accounting policies (continued)**

##### **Trade and other creditors**

Trade and other creditors are stated at cost. Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit and loss account over the period of the borrowings, using the effective interest method.

##### **Employee benefit obligations: Pensions**

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account in accordance with the contributions incurred in the period.

##### **Decommissioning provision**

The directors of the company estimate the cost of decommissioning the power station at the end of its useful life and make a provision for this amount, albeit on a discounted basis. The estimation of the decommissioning costs requires significant judgement around future inflation rates, interest rates and actual costs of decommissioning. The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Provision is made for the estimated cost of decommissioning. A corresponding decommissioning asset is recognised and is included within property, plant and equipment. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset.

#### **2. Operating loss**

The operating loss is arrived at after charging

	<b>12 months to 31 March 2010 £'000</b>	<b>15 months to 31 March 2009 £'000</b>
Impairment charge (note 7)	<b>12,487</b>	-
Depreciation of tangible fixed assets	<b>1,202</b>	<b>2,008</b>

Audit fees for the Slough Heat and Power Group of £28,000 (2009: £28,000) are borne by the parent company Slough Heat and Power Limited. £1,507 (2009: £1,391) of this was in relation to the audit of Fibre Power (Slough) Limited.

## Fibre Power (Slough) Limited

### Notes on the Financial Statements (continued) for the year ended 31 March 2010

#### 3. Staff costs and numbers

There are no employees directly employed by the Company (2009 nil)

#### 4 Directors' remuneration

In the year to 31 March 2010, no director received remuneration in respect of their service to the Company Both directors are employees of other Scottish and Southern Energy group companies

#### 5. Net interest payable

	12 months to 31 March 2010 £'000	15 months to 31 March 2009 £'000
Interest payable to group undertakings <sup>(1)</sup>	-	1,559
Unwinding of discount on provision	27	32
<b>Net Interest Payable</b>	<b>27</b>	<b>1,591</b>

#### 6. Taxation

	12 months to 31 March 2010 £'000	15 months to 31 March 2009 £'000
Current tax		
UK corporation tax at 28% (2009- 28%) current period	(817)	-
Adjustments in respect of prior periods	(1,248)	-
	<b>(2,065)</b>	<b>-</b>
Deferred tax		
Origination and reversal of timing differences	(3,577)	(359)
Adjustment in respect of prior periods	42	127
<b>Total Deferred Tax</b>	<b>(3,535)</b>	<b>(232)</b>
<b>Total tax credit on loss on ordinary activities</b>	<b>(5,600)</b>	<b>(232)</b>

## Fibre Power (Slough) Limited

### Notes on the Financial Statements (continued) for the year ended 31 March 2009

#### 6. Taxation (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	12 months to 31 March 2010 £'000	15 months to 31 March 2009 £'000
Loss on ordinary activities before tax	(15,794)	(7,963)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 - 28%)	(4,422)	(2,230)
Effects of		
Expenses not deductible for tax purposes		441
Capital allowances in excess of depreciation	3,566	343
Permanent differences	28	(37)
Origination and reversal of timing differences	11	16
Group relief surrendered	-	844
No deferred tax asset created on taxable losses for the period	-	623
Adjustment in respect of prior periods	(1,248)	-
<b>Tax charge for year</b>	<b>(2,065)</b>	<b>-</b>

#### 7. Tangible fixed assets

	Plant and Machinery £'000
<b>Cost:</b>	
At 1 April 2009	31,293
Additions	756
<b>At 31 March 2010</b>	<b>32,049</b>
<b>Depreciation:</b>	
At 1 April 2009	(8,341)
Impairment charge for the year	(12,487)
Charge for the year	(1,202)
<b>At 31 March 2010</b>	<b>(22,030)</b>
<b>Net book value:</b>	
<b>At 31 March 2010</b>	<b>10,019</b>
At 31 March 2009	22,952

During the year it was announced that the company would no longer receive carbon allowances for the biomass plant from 2012. As a result of this announcement an impairment review has been carried out on the value of the plant.

It is anticipated that the site will still have significant redevelopment value in terms of its location and grid connectivity. Therefore, the office buildings and other assets have not been impaired.

## Fibre Power (Slough) Limited

### Notes on the Financial Statements (continued) for the year ended 31 March 2010

#### 8 Debtors

	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Trade receivables	-	242
Amounts owed by group undertakings	1,209	6,408
Corporation tax recoverable	2,065	-
Prepayments and accrued income	555	-
	<u>3,829</u>	<u>6,650</u>

#### 9. Creditors: amounts falling due within one year

	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Accrued and deferred income	316	296
Amounts owed to group undertakings	28,762	30,834
	<u>29,078</u>	<u>31,130</u>

#### 10. Deferred taxation

Deferred taxation is provided as follows

	2010 £'000	2009 £'000
Accelerated capital allowances	1,245	4,764
Other timing differences	(34)	(18)
<b>Provision for deferred tax</b>	<u>1,211</u>	<u>4,746</u>

	at 31 March 2010 £'000
Provision at start of year	4,746
Credited to profit and loss account	(3,535)
<b>Provision at end of year</b>	<u>1,211</u>

## Fibre Power (Slough) Limited

### Notes on the Financial Statements (continued) for the year ended 31 March 2010

#### 11. Provisions

	Decommissioning £'000
At 1 April 2009	295
Unwind of discount	27
<b>At 31 March 2010</b>	<b>322</b>

Provision has been made for the future cost of decommissioning the power station assets owned by the Company. The estimate is based on a forecast of clean-up costs at the time of decommissioning discounted for the time value of money. The timing of costs provided is dependent on the life of the facility.

#### 12. Share capital

	Number	£
Ordinary shares of £1.00 each		
Authorised		
At 1 April 2009 and 31 March 2010	100,000	100,000
Allotted, called up and fully paid		
At 1 April 2009 and 31 March 2010	100	100

#### 13. Reserves

	Profit and loss account £'000
At 1 April 2009	(6,569)
Loss for the year	(10,194)
<b>Balance at 31 March 2010</b>	<b>(16,763)</b>

#### 14. Ultimate holding company

The Company is a subsidiary of Power from Waste Limited. Scottish and Southern Energy plc is the ultimate parent company and is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by Scottish and Southern Energy plc. The consolidated Financial Statements of the group (which include those of the Company) are available from Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.