

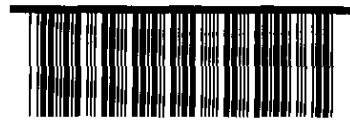
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**EPR SCOTLAND LIMITED**

Report and Accounts

31 March 2001

 **ERNST & YOUNG**



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25/7/02  
25/07/02

# EPR Scotland Limited

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Registered No. SC147994

## **DIRECTORS**

D J Williams (resigned 20 March 2002)  
M D Chilton  
D A McDonald  
P Anthony (appointed 20 March 2002)

## **SECRETARY**

D J Williams (resigned 20 March 2002)  
C McInnes (appointed 20 March 2002)

## **AUDITORS**

Ernst & Young LLP  
One Bridewell Street  
Bristol  
BS1 2AA

## **SOLICITORS**

Dundas & Wilson CS  
191 West George Street  
Glasgow  
G2 2LB

## **BANKERS**

HSBC Bank plc  
55 Whitefriargate  
Hull  
North Humberside  
HU1 2HX

## **REGISTERED OFFICE**

191 West George Street  
Glasgow  
G2 2LB

 **ERNST & YOUNG**

**DIRECTORS' REPORT**

The directors present their report together with the accounts of the company for the year ended 31 March 2001.

**RESULTS AND DIVIDENDS**

The loss for the year, before and after taxation, was £1,725,004 (2000 – loss of £741,611). The directors do not recommend payment of any dividend, with the loss for the year being carried to reserves.

**PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS**

During the year, the company completed the construction of a chicken litter fuelled power station in Fife, Scotland. This project was successful in obtaining a power supply contract under the first Scottish Renewables Obligation. Costing approximately £22 million, the plant has a net electrical output of approximately 10MW.

**DIRECTORS AND THEIR INTERESTS**

The directors during the year ended 31 March 2001 were as follows:

D J Williams (resigned 20 March 2002)  
M D Chilton  
D A McDonald  
P Anthony (appointed 20 March 2002)

None of the directors had any beneficial interest in the shares of the company at any time during the period ended 31 March 2001.

Mr D J Williams, Mr M D Chilton, Mr D A McDonald have interests in the company's ultimate parent undertaking, *Energy Power Resources Limited*, which are disclosed in those accounts.

**DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS**

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

DIRECTORS' REPORT

**AUDITORS**

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

A resolution to re-appoint Ernst & Young<sup>LLP</sup> as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

*W. Schulton*

*John A. L. L.*

Date 17/7/02

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF EPR SCOTLAND LIMITED**

We have audited the company's financial statements for the year ended 31 March 2001 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgements 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.

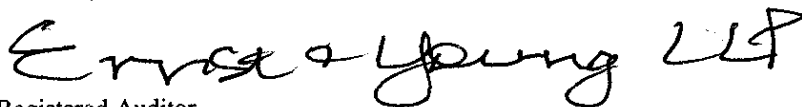
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Going concern**

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 of the financial statements concerning the uncertainty over the resolution of the company's claim against its main turnkey contractor for breach of contract. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor

Bristol

Date



# EPR Scotland Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 March 2001

	Notes	2001 £	2000 £
<b>TURNOVER</b>	3	1,920,708	-
Cost of sales		1,867,274	-
Gross profit		53,434	-
Administrative expenses		(814,948)	(9,633)
Commissioning expenses		-	(731,977)
<b>OPERATING LOSS</b>	4	(761,514)	(741,611)
Interest received		10,535	-
Interest payable		(974,025)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,725,004)	(741,611)
Taxation		-	-
<b>RETAINED LOSS FOR THE YEAR</b>	10	(1,725,004)	(741,611)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2001

There were no recognised gains or losses other than those shown above.

# EPR Scotland Limited

## BALANCE SHEET at 31 March 2001

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	5	20,831,708	19,706,262
<b>CURRENT ASSETS</b>			
Debtors	6	578,517	218,562
Cash at bank		334,292	587,792
		<u>912,809</u>	<u>806,354</u>
<b>CREDITORS: amounts falling due within one year</b>	7	<u>4,410,752</u>	<u>3,031,921</u>
<b>NET CURRENT LIABILITIES</b>		<u>(3,497,943)</u>	<u>(2,225,567)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		17,333,765	17,480,695
<b>CREDITORS: amounts falling due after more than one year</b>	8	<u>17,449,327</u>	<u>15,871,253</u>
		<u>(115,562)</u>	<u>1,609,442</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	9	2,372,000	2,372,000
Profit and loss account	10	(2,487,562)	(762,558)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	10	<u>(115,562)</u>	<u>1,609,442</u>

ERNST & YOUNG

Directors

*MSclulton*

Date 17/7/02

*David L L L L*

NOTES TO THE ACCOUNTS

as at 31 March 2001

1. **GOING CONCERN**

The directors recognise the deficit in the shareholders funds shown on the balance sheet at 31 March 2001. The company has a claim for compensation against its main turnkey contractor for breach of contract, the final outcome of which cannot be determined with any certainty. However, the directors are confident that the dispute will be favourably resolved, resulting in a significant release to the profit and loss account of accrued but disputed invoices currently included in creditors.

In addition, the directors have prepared cash flow information for the period ending 8 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors expect to be able to meet their liabilities as they fall due. In the unlikely event that the company is unable to meet its liabilities as they fall due, the directors are confident that the company's bankers will extend facilities to enable the company to do so. However, inherently there can be no certainty in relation to these matters.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

2. **ACCOUNTING POLICIES**

*Accounting convention*

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

*Development and construction expenditure*

Development expenditure is written off as incurred except that development expenditure incurred on an individual project is carried forward when its future recovery can reasonably be regarded as assured. Any expenditure carried forward will be amortised in line with the expected future sales from the related project. It is anticipated that chicken litter power station development and construction expenditure, less estimated residual values, will be written off evenly over the expected useful life of 20 years.

Interest on external borrowings directly related to specific tangible assets is included in the costs capitalised during the period of development and construction

*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 shareholders' funds. The finance cost 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.

3. **TURNOVER**

Turnover, which is stated net of the value added tax, represents amounts invoiced to third parties and is attributable to the company's principal activity.

Turnover for the year has arisen wholly in the United Kingdom.



# EPR Scotland Limited

## NOTES TO THE ACCOUNTS as at 31 March 2001

### 4. OPERATING LOSS

This is stated after charging:

	2001 £	2000 £
Audit fee	5,000	5,000
Depreciation	600,000	-
Debt issue costs amortisation	26,636	-

The company had no employees other than the directors, whose remuneration is disclosed in the accounts of Energy Power Resources Limited.

### 5. TANGIBLE ASSETS

	Freehold £	Development and construction expenditure £	Computer equipment £	Total £
Cost:				
At 1 April 2000	1,237,899	18,458,362	10,000	19,706,261
Additions	-	1,721,647	3,800	1,725,447
At 31 March 2001	1,237,899	20,180,009	13,800	21,431,708
Depreciation:				
At 1 April 2000	-	-	-	-
Charge for period	-	597,000	3,000	600,000
At 31 March 2001	-	597,000	3,000	600,000
Net book value				
At 31 March 2001	1,237,899	19,583,009	10,800	20,831,708
At 31 March 2000	1,237,899	18,458,362	10,000	19,706,261

Additions for the year include capitalised interest costs of £791,751 (1999 - £747,764)

### 6. DEBTORS

	2001 £	2000 £
Trade debtors	348,399	-
Other debtors	143,181	218,562
Prepayments	86,937	-
	578,517	218,562

NOTES TO THE ACCOUNTS

as at 31 March 2001

7. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	2,670,581	1,597,504
Amounts owed to parent undertaking	1,441,534	1,015,729
Accruals	298,637	418,688
	<u>4,410,752</u>	<u>3,031,921</u>

The company has a claim for compensation against its main turnkey contractor for breach of contract, the final outcome of which cannot be determined with any certainty. However, the directors are confident that the dispute will be favourably resolved, resulting in a significant release to the profit and loss account of accrued but disputed invoices currently included in creditors.

8. CREDITORS: amounts falling due after more than one year

	2001 £	2000 £
Bank loan :		
Loan principal drawn down	17,922,600	16,400,000
Less : unamortised debt issue costs	473,273	528,747
	<u>17,449,327</u>	<u>15,871,253</u>

	2001 £	2000 £
Loan principal repayable :		
In one year or less, or on demand	415,578	493,081
Between one and two years	926,650	926,650
Between two and five years	3,771,465	3,771,465
	<u>5,113,693</u>	<u>5,191,196</u>
In five years or more	12,808,907	11,208,804
	<u>17,922,600</u>	<u>16,400,000</u>

The loan bears interest at variable commercial rates and is repayable by instalments with the loan due to be repaid by 31 March 2013. The lending bank has been granted security including a first ranking security interest over all project assets, contracts and insurances, the company's property interests, and the company's shares.

On 11 April 2002, the company received a waiver from the lending bank for its loan repayments due within one year.

# EPR Scotland Limited

## NOTES TO THE ACCOUNTS as at 31 March 2001

### 9. SHARE CAPITAL

	No.	2001 £	No.	2000 £
Authorised:				
Ordinary shares of £1 each	2,372,000	2,372,000	2,372,000	2,372,000
Issued:				
Ordinary shares of £1 each				
Allotted, called up and fully paid	2,372,000	2,372,000	2,372,000	2,372,000

### 10. RECONCILIATION OF SHAREHOLDERS' FUND AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 1999	2,372,000	(20,947)	2,351,053
Loss for year	-	(741,611)	(741,611)
At 31 March 2000	2,372,000	(762,558)	1,609,442
Loss for year	-	(1,725,004)	(1,725,004)
At 31 March 2001	2,372,000	(2,487,562)	(115,562)

### 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.

### 12. HOLDING COMPANY AND GROUP ACCOUNTS

The parent undertaking of EPR Scotland Limited is Energy Power Resources Limited, a company registered in England. The smallest and largest group in which the company is consolidated is that headed by Energy Power Resources Limited. Copies of its accounts may be obtained from that company's registered office at Renewables House, 330 Bristol Business Park, Coldharbour Lane, Bristol, BS16 1EJ.