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energy for tomorrow's generation

EPR Scotland Limited

Report and financial statements

for the year ended 31 March 2009

Registered number: SC147994

Directors and advisers

Directors
E J Wilkinson
D P Tilstone

Secretary
Eversecretary Limited
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Independent auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Registered office
191 West George Street
Glasgow
G2 2LB

Directors' report for the year ended 31 March 2009

The directors present their report and the audited financial statements for the company for the year ended 31 March 2009.

Principal activities

The company's principal activity is to own, operate and maintain a 9.8MW electricity power station near Westfield in Fife, fuelled by the combustion of poultry litter and other biomass.

Business review and future developments

The results of the company for the year were disappointing, although its financial position at the year end was satisfactory.

EPR Scotland Limited's performance in 2008/09 was disappointing, with availability plagued by numerous fluidised bed failures in the first part of the year. These were largely resolved through operator training and replacement of components during the annual outage. However, performance was subsequently adversely impacted by boiler tube failures. Boiler refurbishment is planned for the 2009 outage but interim repair works were undertaken and have led to an improvement since February 2009.

During the year, EPR Scotland received £473,000 from the group's insurers (AIG) as settlement for the business interruption element of its claim following turbine damage discovered in August 2007. The material damage element of the claim, whilst accepted by AIG, is currently on hold as a large element of the related costs charged by Siemens have been disputed by the company.

The 2008/09 results include the business interruption settlement but do not include any provision for the material damage claim. All disputed costs from Siemens have been provided for at 31 March 2009.

During March 2009 the Renewables Obligation (Scotland) Order 2009 was made, and came into force on 1 April 2009. This statutory instrument introduced the concept of banding into the renewables obligation certificate (ROC) regime, with a banded approach reflecting the relative operating costs of various renewable energy generation technologies.

As a result, from 1 April 2009 Westfield power station will qualify for 1½ ROCs for every MWh of electricity produced, which represents a significant uplift from the previous entitlement of 1 ROC for every MWh of electricity produced. The incremental revenue arising from ROC banding provides for a much improved financial outlook for the company.

The plant is under a competitive Power Purchase Agreement until 31 March 2012.

The directors anticipate that sales volumes in 2010 will improve on that of the current year and the company will continue to achieve satisfactory trading results.

Results and dividends

The company's profit for the financial year was £3,886,463 (2008: £1,347,730 loss).

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 2009

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 divisional 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 Scotland 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 risks 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 commodity price risk relating to electricity 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 has an open market value in excess of the net book value.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statement 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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;

Directors' report for the year ended 31 March 2009

- state whether applicable 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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.

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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next meeting of the board of directors.

By order of the board

E J Wilkinson
Director

15 June 2009

Independent auditors' report

to the members of EPR Scotland Limited

We have audited the financial statements of EPR Scotland Limited for the year ended 31 March 2009 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 EPR Scotland 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 2009 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

15 June 2009

Profit and loss account

for the year ended 31 March 2009

	Notes	*2009* £	*2008* £
Turnover	2	**5,681,274**	4,458,870
Cost of sales		**(1,669,274)**	(1,184,436)
Gross profit		**4,012,000**	3,274,434
Administrative expenses		**(3,085,857)**	(3,770,062)
Operating profit / (loss)	3	**926,143**	(495,628)
Interest receivable and similar income		**7,040**	10,027
Interest payable and similar charges	5	**(118,629)**	(1,610,941)
Profit / (loss) on ordinary activities before taxation		**814,554**	(2,096,542)
Tax on profit / (loss) on ordinary activities	6	**3,071,909**	748,812
Profit / (loss) for the financial year	14	**3,886,463**	(1,347,730)

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

There is no material difference between the profit on ordinary activities before taxation and the profit 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 2009

	Notes	*2009* £	*2008* £
Fixed assets			
Tangible assets	7	**6,255,598**	6,822,399
Current assets			
Stocks	8	**280,259**	309,107
Debtors	9	**3,147,427**	1,953,498
Deferred tax assets	6	**3,068,503**	-
Cash at bank and in hand		**239,406**	39,974
		6,735,595	2,302,579
Creditors: amounts falling due within one year	10	**(9,442,505)**	(8,599,752)
Net current liabilities		**(2,706,910)**	(6,297,173)
Total assets less current liabilities		**3,548,688**	525,226
Creditors: amounts falling due after more than one year	11	**(14,523,344)**	(15,386,345)
Net liabilities		**(10,974,656)**	(14,861,119)
Capital and reserves			
Called up share capital	13	**2,372,000**	2,372,000
Profit and loss account	14	**(13,346,656)**	(17,233,119)
Total shareholders' deficit	15	**(10,974,656)**	(14,861,119)

The financial statements on pages 7 and 17 were approved by the board of directors on 15 June 2009 and were signed on its behalf by:

E J Wilkinson
Director

Notes to the financial statements

for the year ended 31 March 2009

1. Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 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 liabilities, the directors have prepared the accounts on the going concern basis. The directors have received confirmation from Energy Power Resources Limited, the principal UK trading subsidiary of the 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.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1, "Cashflow 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 of acquisition.

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

Freehold land	– nil
Power station	– see below
Computer equipment	– depreciated over two years

The cost of the power station is depreciated over its economic life of twenty years at rates estimated to reduce its residual value to nil at the end of that period.

The rates adopted reflected the estimated plant operating profit from electricity sales for the periods ending 31 August 2013, when the original Non-Fossil Fuel Obligation contract was scheduled to an end ("the initial period"), and periods thereafter ("the secondary period"). For the initial period the rate of depreciation is 6.0% per annum straight line and for the secondary period it is 2.57% straight line.

Modifications made to the plant are depreciated on a straight line basis over the remaining useful economic lives of these modifications, commencing when these modifications are brought into use.

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.

Stocks

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

Notes to the financial statements

for the year ended 31 March 2009

1. Accounting policies (continued)

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 exception:

- 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 25, "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 2009

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:	*2009*	*2008*
	£	*£*
Auditors' remuneration - audit services	**10,631**	8,565
Depreciation of owned fixed assets	**591,084**	596,648
Debt issue costs amortisation	**55,085**	55,085

Energy Power Resources Limited provided head office and administrative services during the year for a fixed monthly fee. The total sum charged by Energy Power Resources Limited was £250,920 (2008: £250,920).

4. Employee information

	2009	*2008*
	£	*£*
Wages and salaries	**699,108**	634,023
Social security costs	**74,372**	63,410
Pension costs (defined contribution payment)	**8,356**	8,038
	781,836	705,471

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

	2009	*2008*
	Number	*Number*
Production	**22**	22

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

Notes to the financial statements

for the year ended 31 March 2009

5. Interest payable and similar charges

	2009	*2008*
	£	**£**
Intercompany loan interest payable	**118,629**	1,609,994
Other interest payable	-	947
	118,629	1,610,941

6. Taxation

a) Analysis of credit in the year

	2009	*2008*
	£	**£**
Current tax:		
Group relief receivable	-	(748,812)
Adjustment in respect of previous periods	**(3,406)**	-
Total current tax	**(3,406)**	(748,812)
Deferred tax:		
Prior year origination and reversal of timing differences	**(3,350,831)**	-
Current year origination and reversal of timing differences	**282,328**	-
Total deferred tax	**(3,068,503)**	-
Tax on profit / (loss) on ordinary activities	**(3,071,909)**	(748,812)

b) Factors affecting current tax credit for the year

The tax assessed on the profit/(loss) on ordinary activities for the year differs to the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009	*2008*
	£	**£**
Profit/(loss) on ordinary activities before taxation	**814,554**	(2,096,542)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 30%)	**228,075**	(628,963)
Effect of:		
Expenses not deductible for tax purposes	**54,253**	46,415
Capital allowances in excess of depreciation	**(126,332)**	(166,054)
Other timing differences	-	(210)
Adjustment in respect of prior periods	**(3,406)**	-
Utilisation of brought forward tax losses	**(155,996)**	-
Total current tax	**(3,406)**	(748,812)

Notes to the financial statements

for the year ended 31 March 2009

6. Taxation (continued)

c) Factors that may affect future charges

Significant timing differences are not anticipated for future periods.

d) Deferred tax

		unrecognised
	2009	*2008*
	£	*£*
Fixed asset timing differences	**207,396**	389,181
Tax losses carried forward	**(3,275,702)**	(3,742,623)
Other	**(197)**	(288)
Net deferred tax asset (2008 unrecognised)	**(3,068,503)**	(3,353,730)

		unrecognised
	2009	*2008*
	£	*£*
At 1 April	**(3,353,730)**	(3,888,894)
Prior year adjustments	**2,899**	(301)
Reclassification of IBAs	**-**	129,650
Current year timing differences	**282,328**	166,263
Change in tax rates	**-**	239,552
At 31 March	**(3,068,503)**	(3,353,730)

Deferred tax has been calculated at 28% (2008: 28%).

Notes to the financial statements

for the year ended 31 March 2009

7. Tangible fixed assets

	Freehold land and property	*Power station*	*Computer equipment*	*Total*
	£	£	£	£
Cost:				
At 1 April 2008	1,237,899	21,793,400	21,737	23,053,036
Additions	-	24,283	-	24,283
At 31 March 2009	**1,237,899**	**21,817,683**	**21,737**	**23,077,319**
Depreciation:				
At 1 April 2008	1,152,899	15,056,001	21,737	16,230,637
Charge for the year	-	591,084	-	591,084
At 31 March 2009	**1,152,899**	**15,647,085**	**21,737**	**16,821,721**
Net book value:				
At 31 March 2009	**85,000**	**6,170,598**	**-**	**6,255,598**
At 31 March 2008	85,000	6,737,399	-	6,822,399

8. Stocks

	2009	*2008*
	£	£
Fuel, spare parts and consumables	**280,259**	309,107

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

9. Debtors

	2009	*2008*
	£	£
Amounts falling due within one year		
Amounts owed by group undertakings	**2,145,683**	978,385
Prepayments and accrued income	**1,001,744**	975,113
	3,147,427	1,953,498

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 2009

10. **Creditors:** amounts falling due within one year

	2009	*2008*
	£	*£*
Trade creditors	**483,383**	111,657
Amounts owed to group undertakings	**4,489,669**	4,499,732
Loans due to group undertakings (note 12)	**4,122,916**	3,379,831
Other taxes and social security	**75,273**	152,340
Accruals and deferred income	**271,264**	456,192
	9,442,505	8,599,752

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

11. **Creditors:** amounts falling due after more than one year

	2009	*2008*
	£	*£*
Loans due to group undertakings (note 12)	**14,523,344**	15,386,345

Notes to the financial statements

for the year ended 31 March 2009

12. Loans due to group undertakings

	2009 £	*2008* £
Senior loan – interest at LIBOR plus 2%	**18,168,345**	18,168,345
Intercompany loan – interest at 10% per annum	**492,383**	667,383
	18,660,728	18,835,728
Less: unamortised loan issue expenses	**(14,467)**	(69,552)
	18,646,261	18,766,176

The repayment schedule is as follows:

	2009 £	*2008* £
Amounts repayable:		
In one year or less or on demand	**4,137,383**	3,449,383
In more than one year but not more than two years	**753,000**	863,000
In more than two years but not more than five years	**3,553,000**	2,862,000
	8,443,383	7,174,383
In more than five years	**10,217,345**	11,661,345
	18,660,728	18,835,728
Less: unamortised loan issue expenses	**(14,467)**	(69,552)
	18,646,261	18,766,176

13. Share capital

	2009 £	*2008* £
Authorised, unallocated, called up and fully paid		
2,372,000 (2008: 2,372,000) ordinary shares of £1 each	**2,372,000**	2,372,000

14. Profit and loss account

	Profit and loss account £
At 1 April 2008	(17,233,119)
Profit for the financial year	3,886,463
At 31 March 2009	**(13,346,656)**

Notes to the financial statements

for the year ended 31 March 2009

15. Reconciliation of movements in total shareholders' deficit

	2009	*2008*
	£	*£*
Profit /(loss) for the financial year	**3,886,463**	(1,347,730)
Opening total shareholders' deficit	**(14,861,119)**	(13,513,389)
Closing total shareholders' deficit	**(10,974,656)**	(14,861,119)

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 2009 amounted to £1,643 (2008: £702).

17. Related party transactions

As a 100% owned subsidiary of Macquarie European Infrastructure Fund 1 Limited Partnership, 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 2009 the company was guarantor with other group companies, of loans totalling £93,838,614 (2008: £106,621,111), made by the group's bankers.

19. Ultimate parent company

Energy Power Resources Limited is the immediate parent undertaking and Macquarie European Infrastructure Fund 1 Limited Partnership (a UK registered partnership domiciled in Guernsey) is the ultimate parent undertaking.

The smallest group in which the company is consolidated is 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 of both these companies may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.