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energy for tomorrow's generation

EPR Scotland Limited

Report and financial statements

for the year ended 31 March 2011

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
Chartered Accountants and Statutory Auditors
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 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 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 and financial position at the year end were satisfactory.

Westfield Power Station's performance in the first nine months of 2010/11 was disappointing, with numerous fluidised bed failures causing unscheduled outages. Following an internal review during this period, a number of operational modifications were made and since 1 January 2011 Westfield's performance and fluidised bed management has improved markedly. The fluidised bed has worked as designed and availability in the three months to 31 March 2011 was 92%. This improvement has continued into the early part of 2011/12.

The plant is under a competitive Power Purchase Agreement until 31 March 2014.

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 £2,140,458 (2010: £2,002,898) and a profit for the financial year of £908,087 (2010: £889,507).

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' 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.

Directors' report for the year ended 31 March 2011

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 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 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.

Directors' report for the year ended 31 March 2011

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 Scotland Limited

We have audited the financial statements of EPR Scotland 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 pages 3 and 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 Scotland 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

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	**7,469,481**	7,257,341
Cost of sales		**(1,877,145)**	(1,557,806)
Gross profit		**5,592,336**	5,699,535
Administrative expenses		**(3,451,878)**	(3,696,637)
Operating profit	3	**2,140,458**	2,002,898
Interest receivable and similar income		**105**	9,363
Interest payable and similar charges	5	**(606,627)**	(689,511)
Profit on ordinary activities before taxation		**1,533,936**	1,322,750
Tax on profit on ordinary activities	6	**(625,849)**	(433,243)
Profit for the financial year	14	**908,087**	889,507

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 2011

	Notes	*2011* £	*2010* £
Fixed assets			
Tangible assets	7	**5,832,342**	6,056,730
Current assets			
Stocks	8	**505,440**	436,834
Debtors	9	**2,803,098**	1,954,993
Deferred tax assets	6	**2,009,411**	2,635,260
Cash at bank and in hand		**20,695**	61,226
		5,338,644	5,088,313
Creditors: amounts falling due within one year	10	**(6,577,703)**	(7,459,847)
Net current liabilities		**(1,289,059)**	(2,371,534)
Total assets less current liabilities		**4,543,283**	3,685,196
Creditors: amounts falling due after more than one year	11	**(13,770,345)**	(13,770,345)
Net liabilities		**(9,177,062)**	(10,085,149)
Capital and reserves			
Called up share capital	13	**2,372,000**	2,372,000
Profit and loss account	14	**(11,549,062)**	(12,457,149)
Total shareholders' deficit	15	**(9,177,062)**	(10,085,149)

The financial statements on pages 7 and 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: SC147994

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.

Cash flow statement

The directors have taken advantage of the exemption in 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 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 used vary from 2.57% to 6.0% per annum straight line, reflecting the anticipated economic and operating profile of the assets over their useful economic lives. 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 2011

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 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	**9,600**	9,300
Depreciation of owned fixed assets	**699,487**	623,272

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 (2010: £250,920).

4. Employee information

	2011	*2010*
	£	*£*
Wages and salaries	**774,991**	756,214
Social security costs	**80,023**	78,852
Pension costs (defined contribution payment)	**15,181**	11,393
	870,195	846,459

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

	2011	*2010*
	Number	*Number*
Production	**21**	22

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	**606,627**	675,044
Other interest payable	**-**	14,467
	606,627	689,511

Notes to the financial statements

for the year ended 31 March 2011

6. Taxation

a) Analysis of credit in the year

	2011	*2010*
	£	**£**
Current tax:		
Adjustment in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	**489,248**	433,243
Adjustments in respect of prior period	**(17,969)**	-
Impact of change in rate	**154,570**	-
Total deferred tax	**625,849**	433,243
Tax on profit on ordinary activities	**625,849**	433,243

b) Factors affecting current tax credit for the year

The tax assessed on the profit 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*
	£	**£**
Profit on ordinary activities before taxation	**1,533,936**	1,322,750
Profit on ordinary activities multiplied by the standard rate of corporation tax of 28% (2010: 28%)	**429,502**	370,370
Effect of:		
Expenses not deductible for tax purposes	**59,746**	62,874
Capital allowances in excess of depreciation	**124,309**	58,159
Utilisation of brought forward tax losses	**(613,557)**	(491,402)
Total current tax	-	-

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*
	£	*£*
Fixed asset timing differences	**(164,017)**	(52,399)
Tax losses carried forward	**(1,845,394)**	(2,582,861)
Deferred tax asset	**(2,009,411)**	(2,635,260)

	2011	*2010*
	£	*£*
At 1 April	**(2,635,260)**	(3,068,503)
Current year timing differences	**625,849**	433,243
At 31 March	**(2,009,411)**	(2,635,260)

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

7. Tangible fixed assets

	Freehold land	*Power station*	*Other equipment*	*Assets under construction*	*Total*
	£	*£*	*£*	*£*	*£*
Cost					
At 1 April 2010	1,237,899	22,240,387	21,737	1,700	23,501,723
Additions	-	475,099	-	-	475,099
Reclassification	-	1,700	-	(1,700)	-
At 31 March 2011	**1,237,899**	**22,717,186**	**21,737**	**-**	**23,976,822**
Depreciation:					
At 1 April 2010	1,152,899	16,270,357	21,737	-	17,444,993
Charge for the year	-	699,487	-	-	699,487
At 31 March 2011	**1,152,899**	**16,969,844**	**21,737**	**-**	**18,144,480**
Net book value:					
At 31 March 2011	**85,000**	**5,747,342**	**-**	**-**	**5,832,342**
At 31 March 2010	85,000	5,970,030	-	1,700	6,056,730

Notes to the financial statements

for the year ended 31 March 2011

8. Stocks

	2011	*2010*
	£	*£*
Fuel, spare parts and consumables	**505,440**	436,834

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

9. Debtors

	2011	*2010*
	£	*£*
Amounts falling due within one year		
Amounts owed by group undertakings	**1,121,889**	546,233
Prepayments and accrued income	**1,681,209**	1,408,760
	2,803,098	1,954,993

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

10. Creditors: amounts falling due within one year

	2011	*2010*
	£	*£*
Trade creditors	**343,695**	433,179
Amounts owed to group undertakings	**425,016**	2,180,228
Loans due to group undertakings (note 12)	**5,359,000**	4,398,000
Other taxes and social security	**201,281**	120,461
Accruals and deferred income	**248,711**	327,979
	6,577,703	7,459,847

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

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

	2011	*2010*
	£	*£*
Loans due to group undertakings (note 12)	**13,770,345**	13,770,345

Notes to the financial statements

for the year ended 31 March 2011

12. Loans due to group undertakings

	2011 £	*2010* £
Senior loan – interest at LIBOR plus 2%	**18,168,345**	18,168,345
	18,168,345	18,168,345

The repayment schedule is as follows:

	2011 £	*2010* £
Amounts repayable:		
In one year or less or on demand	**5,359,000**	4,398,000
In more than one year but not more than two years	**1,148,000**	961,000
In more than two years but not more than five years	**4,410,000**	3,953,000
	10,917,000	9,312,000
In more than five years	**7,251,345**	8,856,345
	18,168,345	18,168,345

13. Share capital

	2011 £	*2010* £
Authorised, unallocated, called up and fully paid 2,372,000 (2010: 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 2010	(12,457,149)
Profit for the financial year	908,087
At 31 March 2011	**(11,549,062)**

Notes to the financial statements

for the year ended 31 March 2011

15. Reconciliation of movements in total shareholders' deficit

	2011	*2010*
	£	*£*
Profit for the financial year	**908,087**	889,507
Opening total shareholders' deficit	**(10,085,149)**	(10,974,656)
Closing total shareholders' deficit	**(9,177,062)**	(10,085,149)

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 amounted to £2,623 (2010: £2,361).

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.