EPR Scotland Limited

Report and Accounts

31 March 1998

Registered No: SCO 147994

ERNST & YOUNG

IAM

DIRECTORS
W M Law
W J King
D J Williams
D S Muir

SECRETARY
D S Muir

AUDITORS
Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

SOLICITORS
Dundas & Wilson CS
Madeleine Smith House
6/7 Blythswood Square
Glasgow
G2 4AD

BANKERS
Midland Bank plc
55 Whitefriargate Branch
Hull
Humberside
HU1 2HX

REGISTERED OFFICE
Madeleine Smith House
6/7 Blythswood Square
Glasgow
G2 4AD

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1998.

RESULTS AND DIVIDENDS

The loss for the year, before and after taxation, was £1,670 (1997 - £2,362). The directors do not recommend payment of any dividend, with the loss for the year being carried to reserves.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The company is currently building 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 £22 million, the plant will have a net output of 9.8MW of electricity which will be exported to the national grid.

DIRECTORS AND THEIR INTERESTS

The directors at 31 March 1998 and their interests in the share capital of the company were as follows:

	At 31 March 1998	*At 31 March 1997*
W M Law	-	-
W J King	-	-
D J Williams	-	-

D S Muir was appointed as a director on 27 April 1998.

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.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

David Muir

Director

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of EPR Scotland Limited

We have audited the accounts on pages 5 to 9, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor
Bristol
17 Sept '98

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1998

	Notes	*1998* £	*1997* £
TURNOVER AND GROSS PROFIT		-	-
Administrative expenses		1,670	2,362
OPERATING LOSS	2	(1,670)	(2,362)
Interest payable		-	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,670)	(2,362)
Taxation		-	-
RETAINED LOSS FOR YEAR	7	(1,670)	(2,362)

There were no recognised gains or losses other than the loss for the year.

BALANCE SHEET
as at 31 March 1998

	Notes	1998 £	1997 £
FIXED ASSETS	3		
Intangible assets		-	766,438
Tangible assets		3,409,165	1,131,935
		3,409,165	1,898,373
CURRENT ASSETS			
Debtors - other		16,105	958
Cash at bank		119,775	-
		135,880	958
CREDITORS: amounts falling due within one year	4	1,066,842	1,909,885
NET CURRENT LIABILITIES		(930,962)	(1,908,927)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,478,203	(10,554)
CREDITORS: amounts falling due after more than one year	5	119,427	-
		2,358,776	(10,554)
CAPITAL AND RESERVES			
Share capital	6	2,372,000	1,000
Profit and loss account	7	(13,224)	(11,554)
	7	2,358,776	(10,554)

Director

9 September 1998

ERNST & YOUNG

NOTES TO THE ACCOUNTS
as at 31 March 1998

1. 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 15 years.

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.

2. OPERATING LOSS

This is stated after charging:

	1998 £	*1997* £
Directors' remuneration	-	-
Audit fee	1,500	2,000
Depreciation	-	-

The company had no employees other than the directors.

3. FIXED ASSETS

	Intangible assets Development and expenditure £	*Tangible assets Development construction* £	*Tangible assets Land* £	*Total* £
Cost:				
At 1 April 1997	766,438	-	1,131,935	1,898,373
Additions in year	642,328	762,500	105,964	1,510,792
Transfers	(1,408,766)	1,408,766	-	-
At 31 March 1998	-	2,171,266	1,237,899	3,409,165

Additions for the year include capitalised finance costs of £76,857.

4. CREDITORS: amounts falling due within one year

	1998 £	*1997* £
Bank overdrafts	-	1,456,465
Trade creditors	92,174	47,290
Net amounts owed to other group company	943,316	235,271
Other creditors	31,352	170,859
	1,066,842	1,909,885

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

	1998 £	*1997* £
Bank loan :		
Loan principal drawn down	700,000	-
Less : unamortised debt issue costs	580,573	-
	119,427	-
Loan principal repayable :		
In one year or less, or on demand	-	-
Between one and two years	-	-
Between two and five years	94,000	
	94,000	-
In five years or more	606,000	-
	700,000	-

The company has entered into an agreement in respect of approximately £18.5 million of project finance in the form of a long term bank loan. The loan, to be drawn down as construction work proceeds, bears interest at variable commercial rates and is repayable by instalments following completion of construction work. Repayments are projected to commence in the year to 31 March 2001, with the loan due to be repaid by 31 March 2012. 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.

6. SHARE CAPITAL

	1998 No	*1998* £	*1997* No	*1997* £
Authorised:				
Ordinary shares of £1 each	2,372,000	2,372,000	1,000	1,000
Issued:				
Ordinary shares of £1 each				
Allotted, called up and fully paid	2,372,000	2,372,000	1,000	1,000

2,371,000 Ordinary shares of £1 each were issued fully paid at par during the year to provide finance for the company's power station development.

NOTES TO THE ACCOUNTS
as at 31 March 1998

7. **RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share capital £	*Profit and loss account* £	*Total* £
At 1 April 1996	1,000	(9,192)	(8,192)
Loss for year	-	(2,362)	(2,362)
At 31 March 1997	1,000	(11,554)	(10,554)
Proceeds from issue of shares	2,371,000	-	2,371,000
Loss for year	-	(1,670)	(1,670)
At 31 March 1998	2,372,000	(13,224)	2,358,776

8. **CAPITAL COMMITMENTS**
The directors have authorised and contracted for development work on a project with an estimated cost to completion of approximately £22 million.

9. **HOLDING COMPANY AND GROUP ACCOUNTS**
The parent undertaking of EPR Scotland Limited is Energy Power Resources Limited, a company registered in England. Energy Power Resources Limited is the parent undertaking of the group of undertakings for which group accounts are to be drawn up and of which the company is a member. Copies of the accounts of Energy Power Resources Limited may be obtained from that company's registered office at 15 The Courtyard, Woodlands Lane, Bradley Stoke, Bristol, BS32 4NQ.