Financial statements Aikengall Community Wind Company Limited

For the year ended 30 November 2011

Company No. SC313596

Officers and professional advisers

Company registration number	SC313596
Registered office	BTO Solicitors 45/51 Hanover Street Edinburgh EH2 2JP
Directors	D A Wood R M H Wood
Secretary	R M H Wood
Bankers	HSBC Bank plc 8 Canada Square London EH14 5HQ
Solicitors	BTO Solicitors 45/51 Hanover Street Edinburgh Midlothian EH2 2JP
Auditors	Ernst & Young LLP The Paragon Building Counterslip Bristol BS1 6BX

Contents

Report of the Directors

The directors present their report and the financial statements of the company for the year ended 30 November 2011.

Principal activity

The principal activity of the company during the year was that of the operation of community renewable energy projects.

Directors

The directors who served the company during the year were as follows:

D A Wood
R M H Wood

Results for the year

During the year the company made a profit of £4,436,938 (2010 profit of £3,473,573).

The company has paid a dividend during the year of £7,100,000 (2010 £750,000).

Future Developments

The directors expect that the company will continue to operate its existing community renewable energy projects for the foreseeable future. There are no other future developments planned.

Principal Risks & Uncertainties

The principal risks to the business are managed via established contractual relationships which provide a long term off-take arrangement for electricity generated and servicing of plant to meet expected generation targets. There are no material uncertainties.

The other key risks within the business can be summarised as follows:

- Interest Rate Risk – the Company has a loan facility that attracts a floating interest rate; this exposes the Company to higher interest charges should LIBOR rates move adversely. The Company has reduced its exposure on its debt by executing interest rate swaps. Management currently considers interest rate risk to be minimal.

- Credit Risk – is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is indicated by the carrying amount of its assets which consist principally of bank balances and receivables. Management believes that because the counter parties are mainly banks and other major corporations that the credit risk is minimal.

- Liquidity Risk – the Company limits its liquidity risk with respect to financing of the project by ensuring that conditions to loan agreements are complied with and loans are drawn down and repaid on due dates to enable the Company to meet its project obligations as they fall due.

Report of the Directors (continued)

- Currency Risk – is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not hedge its currency exposure. However, management is of the opinion that the Company's exposure to currency risk is minimal as the majority of the transactions are executed in GBP.

Going Concern

The directors consider the company's performance on a semi-annual basis, in particular, liquidity, cash-flows, forecasted turnover, borrowings and business risks. The reviews performed during the year have confirmed that the business is well placed to manage future business risks despite the current economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 Accounting Standards (United Kingdom 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 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;
- 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 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.

Auditor Statement

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the Directors (continued)

Auditor

Ernst & Young LLP have been appointed as auditors of the company for the year ended 30 November 2011.

ON BEHALF OF THE BOARD

R M H Wood
Director

Date: 31 May 2012

Independent Auditor's Report to the Members of Aikengall Community Wind Company Limited

We have audited the financial statements of Aikengall Community Wind Company Limited for the year ended 30 November 2011 which comprise the Profit and Loss Account, Statement of total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. 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).

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 auditor's 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 and express an opinion on 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.

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. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 November 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 Auditor's Report to the Members of Aikengall Community Wind Company 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; or

Ernst & Young LLP

Paul Mapleston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date: 1 June 2012

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards.

The accounting policies have remained unchanged from the previous year and are set out below.

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Cash flow statement

The company is exempt from the requirements of Financial Reporting Standard (FRS) 1 Cash Flow Statements to prepare a cash flow statement as it is a wholly owned subsidiary.

The largest and smallest group in which this company is consolidated is Community Wind Power (Holdings) Limited and copies of its annual report are available from Dundas & Wilson CS LLP, Saltire Court, 20 Castle Terrace, Edinburgh, Midlothian, Scotland.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Turnover is recognised at the point at which the electricity is provided.

Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery - 5% straight line per annum

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in future, or a right to pay less tax in future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. The company has not adopted a policy of discounting deferred tax.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Profit and loss account

	Note	2011 £	2010 £
Turnover		**13,080,281**	11,687,741
Cost of sales		**(3,539,156)**	(3,459,967)
Gross profit		**9,451,125**	8,227,774
Other operating income		**69,774**	199,374
Other operating charges		**(1,199,408)**	(1,087,130)
Operating profit	1	**8,411,491**	7,340,018
Interest receivable		**6,753**	6,724
Interest payable and similar charges		**(2,419,199)**	(2,634,374)
Profit on ordinary activities before taxation		**5,999,045**	4,712,368
Tax on profit on ordinary activities	3	**(1,562,107)**	(1,238,795)
Profit for the financial year	13	**4,436,938**	3,473,573

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Statement of historical cost profit and loss

	2011 £	2010 £
Reported profit on ordinary activities before taxation	**5,999,045**	4,712,368
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**242,500**	246,754
Historical cost profit on ordinary activities before taxation	**6,241,545**	4,959,122
Tax on profit on ordinary activities	**(1,562,107)**	(1,238,795)
Historical cost profit for the financial year	**4,679,438**	3,720,327

Notes to the financial statements

Balance sheet

	Note	30 November 2011 £	30 November 2010 £
Fixed assets			
Tangible assets	5	**43,481,956**	45,990,302
Current assets			
Debtors	6	**3,010,436**	3,500,520
Cash at bank		**11,740,397**	13,856,530
		14,750,833	17,357,050
Creditors: amounts falling due within one year	7	**(9,461,495)**	(8,210,047)
Net current assets		**5,289,338**	9,147,003
Total assets less current liabilities		**48,771,294**	55,137,305
Creditors: amounts falling due after more than one year	8	**(38,471,880)**	(43,125,666)
Provisions for liabilities			
Deferred taxation	9	**(3,572,254)**	(2,621,417)
		6,727,160	9,390,222
Capital and reserves			
Called-up equity share capital	11	**100,000**	100,000
Revaluation reserve	12	**4,199,079**	4,441,579
Profit and loss account	13	**2,428,081**	4,848,643
Shareholders' funds	14	**6,727,160**	9,390,222

These financial statements were approved by the directors and authorised for issue on 31 May 2012, and are signed on their behalf by:

R M H Wood
Director

Company Registration Number: SC313596

Notes to the financial statements

1 Operating profit

Operating profit is stated after charging:

	2011	2010
	£	£
Depreciation of owned fixed assets	**2,508,346**	2,512,600
Auditor's fees		
- Audit	**7,000**	5,389
- Tax	**2,500**	2,500
Operating lease costs:		
- Land and buildings	**197,837**	189,522

2 Particulars of employees

During the year the company had nil (2010 nil) employees.

Remuneration in respect of directors was as follows:

	2011	2010
	£	£
Remuneration	**120,000**	120,000

The remuneration of the Directors disclosed above relates to their services to this and other companies in the Community Wind Power (Holdings) Limited Group. Remuneration of the directors was paid by Community Windpower Limited during the period.

No director accrued benefits towards pension entitlements during the period (2010 no directors).

3 Tax on profit on ordinary activities

3(a) Analysis of charge in the year:

	2011	2010
	£	£
Current tax:		
Corporation tax	**611,271**	–
Amounts payable by group companies for group relief	-	1,883
Adjustments in respect of previous periods	-	(23,102)
Total current tax	**611,271**	(21,219)
Deferred tax:		
Origination and reversal of timing differences (note 10)		
Capital allowances	**884,293**	1,260,014
Effect of changes in tax rate on opening liability	**66,544**	-
Total deferred tax (note 10)	**950,837**	1,260,014
Tax on profit on ordinary activities	**1,562,107**	1,238,795

Notes to the financial statements

3 Tax on profit on ordinary activities (continued)

3(b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is lower (2010: lower) than the standard rate of corporation tax in the UK of 26.7% (2010 - 28%).

	2011	2010
	£	£
Profit on ordinary activities before taxation	**5,999,045**	4,712,368
Profit on ordinary activities by rate of tax	**1,599,345**	1,319,463
Expenses not deductible for tax purposes	**133,416**	72,213
Capital allowances for period in excess of depreciation	**(1,121,490)**	(751,648)
Adjustment in respect of previous periods	-	(23,102)
Unrelieved tax losses	-	(638,145)
Total current tax (note 3(a))	**611,271**	(21,219)

3(c) Factors affecting future tax charge:

Legislation was introduced in Finance Act 2011 to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. The effect of this reduction is reflected in the deferred tax liability disclosed in the accounts.

On 21 March 2012 as part of the 2012 Budget, the UK government has announced its intention to legislate to reduce the rate to 24% with effect from 1 April 2012 and further by 1% per annum to 22% with effect from 1 April 2014. The directors estimate that the effect of these changes will be to reduce the company's deferred tax liability by £428,670.

4 Dividends on shares classed as equity

	2011	2010
	£	£
Paid during the year:		
Dividend of £71 per share (2010: £7.50 per share)	**7,100,000**	750,000
Proposed after the year-end (not recognised as a liability):		
Dividend of £35 per share (2010: £nil per share)	**3,500,000**	-

Notes to the financial statements

5 Tangible fixed assets

	Plant & Machinery £
Cost or valuation	
At 1 December 2010	50,166,923
At 30 November 2011	50,166,923
Depreciation	
At 1 December 2010	4,176,621
Charge for the year	2,508,346
At 30 November 2011	6,684,967
Net book value	
At 30 November 2011	**43,481,956**
At 1 December 2010	**45,990,302**

The Directors have considered the carrying value of the fixed assets and conclude that they are fairly stated.

If certain fixed assets had not been revalued, they would have been included on the historical cost basis, at cost of £45,316,923, less depreciation of £6,034,046 and net book value of £39,282,877.

6 Debtors

	2011 **£**	2010 £
Trade debtors	**3,061**	332,374
Amounts owed by group undertakings	**-**	816,122
Prepayments and accrued income	**2,981,889**	2,352,024
Other debtors	**25,486**	-
	3,010,436	3,500,520

Notes to the financial statements

7 Creditors: amounts falling due within one year

	2011	2010
	£	£
Bank loan	**4,737,890**	4,543,864
Less deferred arrangement costs	**(85,702)**	(85,702)
Trade creditors	**610,763**	439,857
Amounts owed to group undertakings	**1,244,000**	1,150,000
Corporation tax creditor	**611,271**	-
Other taxation	**446,096**	397,013
Accruals and other creditors	**1,897,177**	1,765,015
	9,461,495	8,210,047

Included within amounts owed to group undertakings are loan notes 2025 totalling £1,150,000. The loan notes pay a rate of interest on the principal amount outstanding at the rate of the HSBC Bank plc base rate and are redeemable at the option of the Noteholder in any of the years commencing 30 November 2008 up to 30 June 2025, at which time any outstanding balance will be redeemed by the company.

The bank loan is secured by a fixed and floating charge over all of the assets held by the company by HSBC Bank plc. Repayments commenced on 30 June 2009 and amounts are based on the repayment schedule. Interest is charged on the loan balance outstanding amounting to the average of: LIBOR, the appropriate margin and mandatory cost.

The following liabilities disclosed under creditors falling due within one year are secured over the fixed assets by the company:

	2011	2010
	£	£
Bank loan	**4,737,890**	4,543,864

8 Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Bank loan	**39,421,741**	44,161,229
Less deferred arrangement costs	**(949,861)**	(1,035,563)
	38,471,880	43,125,666

The company has entered into an interest rate swap agreement in respect to £36,021,756 of its long term borrowings. At 30 November 2011, there was an unrecognised loss on this of approximately £4,862,000 (2010 loss £3,484,000).

Notes to the financial statements

8 Creditors: amounts falling due after more than one year (continued)

The following liabilities disclosed under creditors falling due after more than one year are secured over the fixed assets by the company:

	2011	2010
	£	£
Bank loan	**39,421,741**	44,161,229

9 Creditors - bank borrowings

Creditors include borrowings which are due for repayment as follows:

	2011	2010
	£	£
Amounts repayable:		
In one year or less or on demand	**4,737,890**	4,543,864
In more than one year but not more than two years	**4,061,792**	4,734,156
In more than two years but not more than five years	**12,268,587**	12,161,831
In more than five years	**23,091,363**	27,265,242
	44,159,631	48,705,093

10 Deferred tax:

The movement in the deferred taxation provision during the year was:

	£
At 1 December 2010	2,621,417
Profit and loss account movement arising during the year	950,837
At 30 November 2011	**3,572,254**

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2011	2010
	£	£
Excess of taxation allowances over depreciation on fixed assets	**3,572,254**	2,621,417
	3,572,254	2,621,417

Notes to the financial statements

11 Share capital

Allotted and called up:

	2011		2010	
	No	£	No	£
Ordinary shares of £1 each	**100,000**	**100,000**	100,000	100,000

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls and were as follows:

	2011	2010
	£	£
Ordinary shares	**-**	-

12 Revaluation reserve

	2011	2010
	£	£
Revaluation of fixed assets	**4,441,579**	4,688,333
Transfer to the Profit and Loss Account	**(242,500)**	(246,754)
Balance carried forward	**4,199,079**	4,441,579

13 Profit and loss account

	£
Balance brought forward	4,848,643
Profit for the financial year	4,436,938
Transfer from revaluation reserve	242,500
Dividends Paid	(7,100,000)
Balance carried forward	**2,428,081**

Notes to the financial statements

14 Reconciliation of shareholders' funds

	2011	2010
	£	£
Profit for the financial year	**4,436,938**	3,473,573
Transfer from revaluation reserve	**(242,500)**	(246,754)
Transfer to profit and loss account	**242,500**	246,754
Dividends Paid	**(7,100,000)**	(750,000)
Net deduction from shareholders' funds	**(2,663,062)**	2,723,573
Opening shareholders' funds	**9,390,222**	6,666,649
Closing shareholders' funds	**6,727,160**	9,390,222

15 Capital commitments

The company had no capital commitments at 30 November 2011 or 30 November 2010.

16 Commitments under operating leases

At 30 November 2011 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2011	2010
	£	£
Operating leases which expire:		
After more than 5 years	**197,837**	169,000

The operating lease commitment is subject to an annual indexation based on RPI.

17 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 November 2011 or 30 November 2010.

18 Related party transactions

The company has taken the exemption available in FRS 8 Related Parties to not disclose transactions with other group companies as it is a wholly owned subsidiary of Community Wind Power (Holdings) Limited which prepares consolidated group accounts.

19 Ultimate parent company

The immediate parent undertaking of this company is Aikengall Community Wind Company (Holdings) Limited, a company incorporated in Scotland. The ultimate parent undertaking of this company is Community Wind Power (Holdings) Limited, a company incorporated in Scotland.

R M H Wood and D A Wood are the controlling parties of the parent company.