

Financial statements Aikengall Community Wind Company Limited

For the year ended 30 November 2012



Company No. SC313596

Officers and professional advisers

Company registration number	SC313596
Registered office	Lindsays Caledonian Exchange 19A Canning Street Edinburgh EH3 8HE
Directors	D A Wood R M H Wood
Secretary	R M H Wood
Bankers	HSBC Bank plc 8 Canada Square London EH14 5HQ
Solicitors	Lindsays Caledonian Exchange 19A Canning Street Edinburgh EH3 8HE
Auditors	Ernst & Young LLP The Paragon Building Counterslip Bristol BS1 6BX

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Report of the Directors

The directors present their report and the financial statements of the company for the year ended 30 November 2012.

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 £5,419,367 (2011 profit of £4,436,938).

The company has paid a dividend during the year of £3,500,000 (2011 £7,100,000).

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:

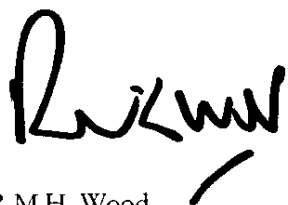
- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the Directors (continued)

Auditor

Ernst & Young LLP have been appointed as auditors of the company for the year ended 30 November 2013.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'R.M.H. Wood', with a short horizontal line underneath the name.

R.M.H. Wood
Director

Date: 28 May 2013

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 2012 which comprise the Profit and Loss Account, Statement of Historical Cost Profit and Loss, Balance Sheet and the related notes 1 to 18. 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 2012 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: *30 May 2013*

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 Lindsays, Caledonian Exchange, 19A Canning Street, Edinburgh EH3 8HE.

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	2012 £	2011 £
Turnover		13,912,737	13,150,055
Cost of sales		(3,565,868)	(3,539,156)
Gross profit		10,346,869	9,610,909
Other operating charges		(1,163,283)	(1,199,408)
Operating profit	1	9,183,586	8,411,491
Interest receivable		5,222	6,753
Interest payable and similar charges		(2,268,409)	(2,419,199)
Profit on ordinary activities before taxation		6,920,399	5,999,045
Tax on profit on ordinary activities	3	(1,501,032)	(1,562,107)
Profit for the financial year	12	<u>5,419,367</u>	<u>4,436,938</u>

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

	2012 £	2011 £
Reported profit on ordinary activities before taxation	6,920,399	5,999,045
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	242,500	242,500
Historical cost profit on ordinary activities before taxation	7,162,899	6,241,545
Tax on profit on ordinary activities	(1,501,032)	(1,562,107)
Historical cost profit for the financial year	<u>5,661,867</u>	<u>4,679,438</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

Balance sheet

	Note	30 November 2012 £	30 November 2011 £
Fixed assets			
Tangible assets	5	<u>40,973,610</u>	<u>43,481,956</u>
Current assets			
Debtors	6	3,037,765	3,010,436
Cash at bank		<u>11,373,111</u>	<u>11,740,397</u>
		14,410,876	14,750,833
Creditors: amounts falling due within one year	7	<u>(8,341,000)</u>	<u>(9,461,495)</u>
Net current assets		<u>6,069,876</u>	<u>5,289,338</u>
Total assets less current liabilities		<u>47,043,486</u>	<u>48,771,294</u>
Creditors: amounts falling due after more than one year	8	(34,504,792)	(38,471,880)
Provisions for liabilities			
Deferred taxation	3(c)	<u>(3,892,167)</u>	<u>(3,572,254)</u>
		<u>8,646,527</u>	<u>6,727,160</u>
Capital and reserves			
Called-up equity share capital	10	100,000	100,000
Revaluation reserve	11	3,956,579	4,199,079
Profit and loss account	12	4,589,948	2,428,081
Shareholders' funds	13	<u>8,646,527</u>	<u>6,727,160</u>

These financial statements were approved by the directors and authorised for issue on 28 May 2013, 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:

	2012	2011
	£	£
Depreciation of owned fixed assets	2,508,346	2,508,346
Auditor's fees		
- Audit	7,000	7,000
- Tax	2,500	2,500
Operating lease costs:		
- Land and buildings	<u>208,187</u>	<u>197,837</u>

2 Particulars of employees

During the year the company had nil (2011 nil) employees.

Remuneration in respect of directors was as follows:

	2012	2011
	£	£
Remuneration	161,656	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 (2011 no directors).

3 Tax on profit on ordinary activities

3(a) Analysis of tax charge in the year:

	2012	2011
	£	£
Current tax:		
Corporation tax	-	611,271
Amounts payable to group companies for group relief	1,181,050	-
Adjustments in respect of previous periods	69	-
Total current tax	<u>1,181,119</u>	<u>611,271</u>
Deferred tax:		
Origination and reversal of timing differences (note 3(c))		
Capital allowances	367,067	884,293
Effect of changes in tax rate on opening liability	(47,154)	66,544
Total deferred tax (note 3(c))	<u>319,913</u>	<u>950,837</u>
Tax on profit on ordinary activities	<u>1,501,032</u>	<u>1,562,107</u>

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 (2011: lower) than the standard rate of corporation tax in the UK of 24.67% (2011 - 26.67%).

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>6,920,399</u>	<u>5,999,045</u>
Profit on ordinary activities by rate of tax	1,707,262	1,599,345
Expenses not deductible for tax purposes	123,460	133,416
Capital allowances for period in excess of depreciation	(649,672)	(1,121,490)
Adjustment in respect of previous periods	69	-
Total current tax (note 3(a))	<u>1,181,119</u>	<u>611,271</u>

3(c) Deferred tax:

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

	£
At 1 December 2011	3,572,254
Profit and loss account movement arising during the year	319,913
At 30 November 2012	<u>3,892,167</u>

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

	2012 £	2011 £
Excess of taxation allowances over depreciation on fixed assets	<u>3,892,167</u>	<u>3,572,254</u>
	<u>3,892,167</u>	<u>3,572,254</u>

3(d) Factors affecting future tax charge:

Announcements were made during the year by the Chancellor of the Exchequer of proposed changes to corporation tax rates which will have an effect on the future tax charge of the company. Reductions in the corporation tax rate to 24% from 1 April 2012 and to 23% from 1 April 2013 were substantively enacted during the year. Consequently deferred tax has been calculated at the yearend using a tax rate of 23%.

Subsequent reductions to 21% from 1 April 2014 and to 20% from 1 April 2015 have been announced but not substantively enacted. The effect of the reduction to 20% would be to reduce the company's deferred tax liability to approximately £3,384,000

Notes to the financial statements

4 Dividends on shares classed as equity

	2012 £	2011 £
Paid during the year:		
Dividend of £35 per share (2011: £71 per share)	<u>3,500,000</u>	<u>7,100,000</u>
Proposed after the year-end (not recognised as a liability):		
Dividend of £23 per share (2011: £35 per share)	<u>2,300,000</u>	<u>3,500,000</u>

5 Tangible fixed assets

	Plant & Machinery £
Cost or valuation	
At 1 December 2011	50,166,923
At 30 November 2012	<u>50,166,923</u>
Depreciation	
At 1 December 2011	6,684,967
Charge for the year	2,508,346
At 30 November 2012	<u>9,193,313</u>
Net book value	
At 30 November 2012	<u>40,973,610</u>
At 1 December 2011	<u>43,481,956</u>

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 £8,299,892 and net book value of £37,017,031.

6 Debtors

	2012 £	2011 £
Trade debtors	-	3,061
Amounts owed by group undertakings	23,102	-
Prepayments and accrued income	3,008,182	2,981,889
Other debtors	6,481	25,486
	<u>3,037,765</u>	<u>3,010,436</u>

Notes to the financial statements

7 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loan	4,061,792	4,737,890
Less deferred arrangement costs	(84,809)	(85,702)
Trade creditors	355,881	610,763
Amounts owed to group undertakings	2,348,372	1,244,000
Corporation tax creditor	68	611,271
Other taxation	362,682	446,096
Accruals and other creditors	1,297,014	1,897,177
	<u>8,341,000</u>	<u>9,461,495</u>

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:

	2012 £	2011 £
Bank loan	<u>4,061,792</u>	<u>4,737,890</u>

8 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Bank loan	35,359,950	39,421,741
Less deferred arrangement costs	(855,158)	(949,861)
	<u>34,504,792</u>	<u>38,471,880</u>

The company has entered into an interest rate swap agreement in respect to £35,360,127 of its long and short term bank loan. At 30 November 2012, there was an unrecognised loss on this of approximately £5,005,000 (2011 loss £4,862,000).

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:

	2012 £	2011 £
Bank loan	<u>35,359,950</u>	<u>39,421,741</u>

9 Creditors - bank borrowings

Creditors include borrowings which are due for repayment as follows:

	2012 £	2011 £
Amounts repayable:		
In one year or less or on demand	4,061,792	4,737,890
In more than one year but not more than two years	4,030,587	4,061,792
In more than two years but not more than five years	12,383,003	12,268,587
In more than five years	18,946,360	23,091,363
	<u>39,421,742</u>	<u>44,159,631</u>

10 Share capital

Allotted and called up:

	2012		2011	
	No	£	No	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

11 Revaluation reserve

	2012 £	2011 £
Revaluation of fixed assets	4,199,079	4,441,579
Transfer to the Profit and Loss Account	(242,500)	(242,500)
Balance carried forward	<u>3,956,579</u>	<u>4,199,079</u>

Notes to the financial statements

12 Profit and loss account

	£
Balance brought forward	2,428,081
Profit for the financial year	5,419,367
Transfer from revaluation reserve	242,500
Dividends Paid	(3,500,000)
Balance carried forward	<u>4,589,948</u>

13 Reconciliation of shareholders' funds

	2012 £	2011 £
Profit for the financial year	5,419,367	4,436,938
Transfer from revaluation reserve	(242,500)	(242,500)
Transfer to profit and loss account	242,500	242,500
Dividends Paid	(3,500,000)	(7,100,000)
Net increase / (deduction) from shareholders' funds	<u>1,919,367</u>	<u>(2,663,062)</u>
Opening shareholders' funds	6,727,160	9,390,222
Closing shareholders' funds	<u>8,646,527</u>	<u>6,727,160</u>

14 Capital commitments

The company had no capital commitments at 30 November 2012 or 30 November 2011.

15 Commitments under operating leases

At 30 November 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2012 £	2011 £
Operating leases which expire:		
After more than 5 years	<u>177,542</u>	<u>197,837</u>

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

16 Contingencies

The directors have confirmed that there were no contingent liabilities as at 30 November 2012 or 30 November 2011, other than the interest rate swap as disclosed in note 8 to the financial statements.

Notes to the financial statements

17 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.

18 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 ultimate parent company.