

Highland Wood Energy Limited
Filleted Unaudited Financial Statements
31 December 2016

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Highland Wood Energy Limited

Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	6	1,023,690	1,183,437
Current assets			
Stocks		443,050	498,562
Debtors	7	1,243,434	949,845
Cash at bank and in hand		1,023	192,796
		<u>1,687,507</u>	<u>1,641,203</u>
Creditors: amounts falling due within one year	8	<u>1,841,520</u>	<u>1,852,612</u>
Net current liabilities		<u>154,013</u>	<u>211,409</u>
Total assets less current liabilities		<u>869,677</u>	<u>972,028</u>
Creditors: amounts falling due after more than one year	9	<u>450,059</u>	<u>604,579</u>
Net assets		<u>419,618</u>	<u>367,449</u>
Capital and reserves			
Called up share capital		2,000	2,000
Profit and loss account		417,618	365,449
Members funds		<u>419,618</u>	<u>367,449</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of income and retained earnings has not been delivered.

For the year ending 31 December 2016 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Director's responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The statement of financial position
continues on the following page.

The notes on pages 3 to 9 form part of these financial statements.

Highland Wood Energy Limited

Statement of Financial Position *(continued)*

31 December 2016

These financial statements were approved by the board of directors and authorised for issue on 27 June 2017, and are signed on behalf of the board by:



Mr B L Berardelli
Director

Company registration number: SC260419

The notes on pages 3 to 9 form part of these financial statements.

Highland Wood Energy Limited

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Lochaber Rural Complex, Fort William, Inverness, PH33 6SQ.

2. Statement of compliance

These financial statements have been prepared in compliance with the provisions of FRS 102 Section 1A, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 12.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Highland Wood Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Leasehold Property	-	175 years
Plant & Machinery	-	between 20% and 6.67% straight line
Fixtures & Fittings	-	15% reducing balance
Motor Vehicles	-	25% reducing balance
Computer Equipment	-	33% reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Highland Wood Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Highland Wood Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

4. Employee numbers

The average number of persons employed by the company during the year, including the director, amounted to 47 (2015: 47).

5. Tax on profit

Major components of tax expense

	2016 £	2015 £
Current tax:		
UK current tax expense	8,571	–
Tax on profit	<u>8,571</u>	<u>–</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2015: the same as) the standard rate of corporation tax in the UK of 20% (2015: 20%).

	2016 £	2015 £
Profit on ordinary activities before taxation	51,554	128,707
Profit on ordinary activities by rate of tax	10,311	–
Adjustment to tax charge in respect of prior periods	1,837	–
Effect of expenses not deductible for tax purposes	29	–
Effect of capital allowances and depreciation	31,949	–
Utilisation of tax losses	(35,555)	–
Tax on profit	<u>8,571</u>	<u>–</u>

6. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost						
At 1 Jan 2016 and 31 Dec 2016	<u>278,463</u>	<u>1,100,657</u>	<u>84,026</u>	<u>62,091</u>	<u>86,791</u>	<u>1,612,028</u>
Depreciation						
At 1 Jan 2016	1,591	255,781	51,435	51,585	68,199	428,591
Charge for the year	1,591	136,627	4,888	10,506	6,135	159,747
At 31 Dec 2016	<u>3,182</u>	<u>392,408</u>	<u>56,323</u>	<u>62,091</u>	<u>74,334</u>	<u>588,338</u>
Carrying amount						
At 31 Dec 2016	<u>275,281</u>	<u>708,249</u>	<u>27,703</u>	<u>–</u>	<u>12,457</u>	<u>1,023,690</u>
At 31 Dec 2015	<u>276,872</u>	<u>844,876</u>	<u>32,591</u>	<u>10,506</u>	<u>18,592</u>	<u>1,183,437</u>

Highland Wood Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

7. Debtors

	2016	2015
	£	£
Trade debtors	868,096	684,307
Other debtors	375,338	265,538
	<u>1,243,434</u>	<u>949,845</u>

The debtors above include the following amounts falling due after more than one year:

	2016	2015
	£	£
Trade debtors	<u>87,469</u>	<u>76,000</u>

8. Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank loans and overdrafts	155,779	40,732
Trade creditors	990,233	929,742
Corporation tax	8,571	-
Social security and other taxes	150,853	170,265
Other loans	89,184	89,184
Other creditors	446,900	622,689
	<u>1,841,520</u>	<u>1,852,612</u>

The Bank of Scotland plc holds a bond and floating charge over the assets of the company.

The Co-operative Bank plc holds a floating charge over the assets of the company.

The Bank of Scotland plc holds a standard security in relation to plot 1, phase 2 Lochaber Rural Complex, Torlundy, Fort William.

The Bank of Scotland plc holds a standard security in relation to plot 2, phase 2 Lochaber Rural Complex, Torlundy, Fort William.m.

Included in the above loans and overdrafts is a secured amount of £124,059 (2015 - £9,012).

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

	2016	2015
	£	£
Bank loans and overdrafts	258,164	388,434
Other loans	163,416	163,416
Other creditors	28,479	52,729
	<u>450,059</u>	<u>604,579</u>

Highland Wood Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

9. Creditors: amounts falling due after more than one year *(continued)*

The Bank of Scotland plc holds a bond and floating charge over the assets of the company.

The Co-operative Bank plc holds a floating charge over the assets of the company.

The Bank of Scotland plc holds a standard security in relation to plot 1, phase 2 Lochaber Rural Complex, Torlundy, Fort William.

The Bank of Scotland plc holds a standard security in relation to plot 2, phase 2 Lochaber Rural Complex, Torlundy, Fort William.

Included in the above loans and overdrafts is a secured amount of £38,487 (2015 - £40,818).

Included within creditors: amounts falling due after more than one year is an amount of £80,819 (2015: £119,523) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The loan falling due after more than five years is repayable by instalments at a fixed rate of interest.

10. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Not later than 1 year	64,934	57,301
Later than 1 year and not later than 5 years	36,478	78,078
	<u>101,412</u>	<u>135,379</u>

11. Related party transactions

The company was under the control of Mr Berardelli throughout the current and previous year. Mr Berardelli is the sole director and majority shareholder.

The director of Highland Wood Energy Ltd and his wife are controlling directors of Lochaber Heat Supply Ltd. Highland Wood Energy Ltd supplies Lochaber Heat Supply Ltd with wood fuel and maintenance services. During the year the value of these transactions was £23,350 (2015 - £28,208). The company also sold equipment to Lochaber Heat Supply Ltd for £nil during the year (2015 - £50,124).

The company is supported with a loan from Dr Berardelli of £252,600 (2015 - £341,784). This loan is interest free.

During the year key management personnel compensation amounted to £306,328 (2015 - £291,054).

12. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 January 2015.

No transitional adjustments were required in equity or profit or loss for the year.

Highland Wood Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

12. Transition to FRS 102 *(continued)*

The company has taken advantage of the exemption in Section 35.10 (v) whereby financial transactions involving related parties comparatives need not be restated but are adjusted in the current year. This has resulted in a credit to retained earnings of £9,186 at 1 January, 2016, relating to interest receivable on the loan to the employee benefits trust scheme.

13. Employee benefits trust

By resolution of the Company's board of Directors on 27 May 2012, a trust known as the Highland Wood Energy Employee Benefits Trust ("Trust"), was established. The Trust is intended to be an employees' share scheme within the meaning of Section 1156 of the Companies Act 2006.

The Trust has four Trustees, of which one is Bruno Berardelli, the director of Highland Wood Energy Limited.

On 27 June 2012 the Director approved a loan facility to the Trust of up to £76,000. The terms of the loan are that it should be repaid ten years after draw down. The purpose of the loan is for the purchase of shares in the Company by the Trust. The first draw down was on 5 July 2012 for £19,000. Further £19,000 draw downs by the Trust took place in July 2013, 2014, and 2015. At the date of approval of these financial statements the loan balance stood at £87,469 (2015 - £76,000)