

**Highland Wood Energy Limited**

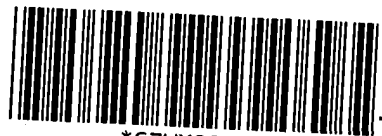
Registered number: SC260419

**Highland Wood Energy Limited**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MARCH 2018**

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## Highland Wood Energy Limited

### COMPANY INFORMATION

<b>Directors</b>	Mr B Berardelli Mr R Burrell
<b>Company number</b>	SC260419
<b>Registered office</b>	Lochaber Rural Complex Torlundy Fort William PH33 6SQ
<b>Auditors</b>	BDO 55 Baker Street London W1U 7EU
<b>Bankers</b>	Bank of Scotland High Street Fort William

# Highland Wood Energy Limited

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# Highland Wood Energy Limited

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2018**

The directors present their report and the financial statements for the 15 month period ended 31 March 2018. During the period the financial year was extended from 31 December 2017 to 31 March 2018, as a result of Aggregated Micro Power Holdings Plc acquiring a 50.1% shareholding in Highland Wood Energy, and aligning the financial year with that of the group.

### **Principal activity**

The business's principal activities include the design and installation of biomass energy projects and the provision of associated services such as contract management, operation and maintenance and fuel supply.

### **Results and dividends**

The loss for the year, after taxation, amounted to £116,181 (2016 - profit £42,983).

### **Directors**

The directors who served during the year were:

Mr Bruno Berardelli  
Mr Richard Burrell (appointed 28 June 2017)

### **Qualifying third party indemnity provisions**

The company has put in qualifying third party indemnity provisions for all of the directors

### **Going concern**

After reviewing the Company's operations, financial position and short and long term cash flow forecasts, the Directors have a reasonable expectation that the company has adequate resources to continue operating and meet its financial obligations. The parent company have provided letter of support for the loan, to support the company for a period of 12 months from signing of the financial statement.

### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Dividends**

No dividends have been proposed (2016: nil)

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

## Highland Wood Energy Limited

### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2018 (continued)

#### Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have been appointed as the auditors on 30 April 2018. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment

#### Approval

The Director's report has been approved by order of the Board

Director



BRUNO BERNARDELLI

Date

27/12/18

## Highland Wood Energy Limited

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018**

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 applicable law and 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 these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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.

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 to 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.

## Highland Wood Energy Limited

### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HIGHLAND WOOD ENERGY LIMITED

#### Qualified Opinion

We have audited the financial statements of Highland Wood Energy Limited ("the Company") for the 15 month period ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice/UK GAAP).

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the period 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.

#### Basis for qualified opinion

With respect to stock having a carrying value of £171,089, the evidence available to us was limited because Highland Wood Energy did not conduct a count of the physical inventories at the 1 January 2017, since we were appointed auditors of the Company in June 2017, and we were unable to obtain sufficient appropriate audit evidence concerning those inventory quantities using other audit procedures. Since opening inventories affect the determination of the results of operations for the current period, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for period ended 31 March 2018.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other Matters

The corresponding figures for the period ended 31 December 2016 are unaudited

# Highland Wood Energy Limited

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Director's Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities and consequently we are unable to determine whether adjustments to stock, the profit for the year and retained earnings might be necessary. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- we are unable to conclude whether or not the Directors' report has been prepared in accordance with applicable legal requirements in respect of the matter set out in the Basis for qualified opinion section above.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are unable to conclude whether or not the Director's report is materially misstated in respect of the matter set out in the Basis for qualified opinion section above.

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- 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

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



## Highland Wood Energy Limited

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.

*BDO LLP*

Marc Reinecke (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London

Date 24 December 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Highland Wood Energy Limited

### STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

	Note	Audited Period ended 31 March 2018 £	Unaudited Year ended 31 December 2016 £
<b>Turnover</b>	3	9,411,984	7,088,864
Cost of sales		<u>(6,777,511)</u>	<u>(6,095,231)</u>
<b>Gross profit</b>		2,634,473	993,633
Administrative expenses		(2,752,664)	(1,059,310)
Other operating Income		19,943	130,108
		<u>                    </u>	<u>                    </u>
<b>Operating (loss)/profit</b>	4	(98,248)	64,431
Interest receivable and similar income		-	2,283
Interest payable and similar charges	8	(19,228)	(15,160)
		<u>                    </u>	<u>                    </u>
<b>(Loss)/profit before tax</b>		(117,476)	51,554
Taxation (charge) on loss	9	1,295	(8,571)
		<u>                    </u>	<u>                    </u>
<b>(Loss)/profit for the financial year</b>		<u>(116,181)</u>	<u>42,983</u>
Other comprehensive income		-	-
<b>(Loss)/profit and total comprehensive (loss)/income for the financial year</b>		<u><u>(116,181)</u></u>	<u><u>42,983</u></u>

The results stated above are derived from continuing operations

The notes on pages 11 to 25 form part of these financial statements.

## Highland Wood Energy Limited

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018  
COMPANY NUMBER : SC260419**

	Note	Audited 31 March 2018 £	Audited 31 March 2018 £	Unaudited 31 December 2016 £	Unaudited 31 December 2016 £
<b>Fixed assets</b>					
Tangible assets	10		864,704		1,023,690
Intangible Assets			13,650		-
<b>Current assets</b>					
Stocks	11	426,619		443,050	
Debtors: amounts falling due within one year	12	1,612,063		1,243,434	
Cash at bank and in hand	13	134,597		1,023	
		2,173,279		1,687,507	
<b>Creditors: amounts falling due within one year</b>	14	1,687,030		1,619,725	
<b>Net current assets</b>			486,248		67,782
<b>Total assets less current liabilities</b>			1,364,601		1,091,472
<b>Creditors : amounts falling due after more than one year</b>	18		561,164		671,854
<b>Net assets</b>			803,437		419,618
<b>Capital and reserves</b>					
Called up share capital	15		4,001		2,000
Share Premium account			497,999		-
Profit and loss account			301,437		417,618
			803,437		419,618

The financial statements were approved by the Board of Directors and authorised for issue on 24<sup>th</sup> December 2018

They were signed on its behalf by:

Director



Bruno Bergersen

The notes on pages 11 to 25 form part of these financial statements.

## Highland Wood Energy Limited

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

	Called up share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 January 2017	2,000	-	417,618	419,618
Share issue during the year	2,001	497,999	-	500,000
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(116,181)	(116,181)
	<u>4,001</u>	<u>497,999</u>	<u>301,437</u>	<u>803,437</u>

The notes on pages 11 to 25 form part of these financial statements.

## Highland Wood Energy Limited

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016 (Unaudited)	2,000	365,449	367,449
<b>Comprehensive income for the year</b>			
Profit for the year	-	42,983	42,983
	2,000	408,432	410,432
<b>Effects of changes in accounting policies</b>	-	9,186	9,186
	-	417,618	417,618
<b>Total comprehensive income for the year</b>			
At 31 December 2016 (Unaudited)	2,000	417,618	419,618

The notes on pages 11 to 25 form part of these financial statements.

# Highland Wood Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

Highland Wood Energy Limited is a company incorporated in England & Wales under the Companies Act. Highland Wood Energy is a private entity, and is limited by shares. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates.

The following principal accounting policies have been applied:

#### 1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenues from electricity and RHI (Heat contracts) are recognised at the point of generation and are based on the combination of sales prices achieved, the average market prices observed for ROC sales, published tariff levels and metered generation. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Rendering of services

Operations and maintenance service revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

#### 1.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

# Highland Wood Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

### 1. Accounting policies (continued)

#### 1.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	-	175 years
Plant & Machinery	-	between 20% and 6.67% straight line
Fixtures, fittings & equipments	-	15% reducing balance
Computer equipment	-	33% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 1.4 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

#### 1.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 1.6 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

#### 1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours..

# Highland Wood Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

### 1. Accounting policies (continued)

#### 1.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

#### 1.9 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities within excluding convertible debt and derivatives, are initially measured as transaction price (including transaction costs) and subsequently held at amortised cost.

#### 1.10 Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments.
- Share premium represents the premium above the par value which has been paid for the shares

#### 1.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.



# Highland Wood Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018.

### 1. Accounting policies (continued)

#### 1.12 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

#### 1.13 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 1.14 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure.

#### 1.15 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease. Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

# Highland Wood Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

### 1. Accounting policies (continued)

#### 1.16 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantages has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been prepared.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.
- Disclosures in respect of financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

#### 1.17 Going Concern

After reviewing the Company's operation, financial position and short and long term cash flow forecasts, the Directors have a reasonable expectation that the company has adequate resources to continue operating and meet its financial obligations. The parent company have provided letter of support for the loan, to support the company for a period of 12 months from signing of the financial statement.

### 2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial statements are:

- Determine whether there are indicators of impairment of the company's intercompany loans and investments. Factors taken into consideration in reaching such decision include the ability for the group company to settle its outstanding liabilities and performance of those entities invested in.

### 3. Turnover

An analysis of turnover by class of business is as follows:

	<b>Audited Period ended 31 March 2018 £</b>	<b>Unaudited Year ended 31 December 2016 £</b>
All income from Design, installation, fuelling and servicing biomass boilers	3,046,677	3,937,450
Operations and maintenance service revenue	6,098,028	3,093,851
RHI income	267,278	139,952
	<hr/> <b>9,411,984</b> <hr/>	<hr/> <b>7,171,283</b> <hr/>

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 4. Operating profit

The operating profit is stated after charging:

	<b>Audited Period ended 31 March 2018 £</b>	<b>Unaudited Year ended 31 December 2016 £</b>
Depreciation of tangible fixed assets	119,769	159,747
Operating lease expense	39,043	41,513
Loss on disposal	4,185	-
Amortisation of intangible assets	3,000	-
	166,000	201,260

#### 5. Auditors' remuneration

	<b>Audited Period ended 31 March 2018 £</b>	<b>Unaudited Year ended 31 December 2016 £</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	12,000	-
	12,000	-

#### 6. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	<b>Audited Period ended 31 March 2018 Number</b>	<b>Unaudited Year ended 31 December 2016 Number</b>
	41	47
	£	£
Wages and salaries	1,794,503	1,368,302
Social security costs	188,092	142,046
Cost of defined contribution schemes	47,008	44,004
	2,029,603	1,554,352

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 7. Directors' remuneration

	Audited Period ended 31 March 2018 £	Unaudited Year ended 31 December 2016 £
Directors' emoluments	87,941	55,448
Company contributions to defined contribution pension schemes	5,273	554
	93,214	56,002
	93,214	56,002

The highest paid director received remuneration of £87,941 (2016 - £).

#### 8. Interest payable and similar charges

	Audited Period ended 31 March 2018 £	Unaudited Year ended 31 December 2016 £
Other loan interest payable	4,549	15,160
Loans from group undertakings	14,679	-
	19,228	15,160
	19,228	15,160

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 9. Taxation

	Audited Period ended 31 March 2018 £	Unaudited Year ended 31 December 2016 £
(Loss)/profit on ordinary activities before tax	(117,476)	51,554
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 20%)	(22,614)	10,311
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21,319	29
Adjustment to tax charge in respect of prior periods	-	1,837
Effect of capital allowances and depreciation		31,949
Utilisation of tax losses		(35,555)
<b>Total tax charge/ (credit) for the year</b>	<b>(1,295)</b>	<b>8,571</b>

#### Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the March 2015 Budget Statement. The Finance Act 2015 which was substantially enacted on 2 July 2015 includes legislation reducing the main rate of corporation tax from 21% to 20% from 1 April 2015 and further reducing the main rate of corporation tax from 20% to 19% from 1st April 2017.

**Highland Wood Energy Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2018**

10. Tangible assets	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Leasehold equipment £	Total £
<b>Cost</b>						
At 31 December 2016 (unaudited)	278,463	1,100,657	84,026	62,091	86,791	1,612,028
Additions	-	7,381	-	-	1,640	9,021
Disposals	-	(151,712)	-	(62,091)	-	(213,803)
<b>At 31 March 2018</b>	<b>278,463</b>	<b>956,326</b>	<b>84,026</b>	<b>-</b>	<b>88,431</b>	<b>1,407,246</b>
<b>Depreciation</b>						
At 31 December 2016 (unaudited)	3,182	392,408	56,323	62,091	74,334	588,338
Charge for the period	1,989	104,010	6,105	-	7,665	119,769
Eliminated on disposals	-	(103,473)	-	(62,091)	-	(165,564)
<b>At 31 March 2018</b>	<b>5,171</b>	<b>392,9345</b>	<b>62,428</b>	<b>-</b>	<b>81,999</b>	<b>542,543</b>
<b>Carrying amount</b>						
At 31 March 2018	<b>273,292</b>	<b>563,381</b>	<b>21,598</b>	<b>-</b>	<b>6,432</b>	<b>864,704</b>
At 31 December 2016 (Unaudited)	275,281	708,249	27,703	-	12,457	1,023,690

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 10. Tangible assets (continued)

##### Finance Leases

The net book value of plant, machinery and vehicles for the group includes an amount of £6,432 (2016 - £12,457) in respect of assets held under finance leases and hire purchase contracts. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

#### 11. Stocks

	Audited 31 March 2018 £	Unaudited 31 December 2016 £
Raw Materials	283,363	171,090
Work in progress (goods to be sold)	143,256	271,960
	426,619	443,050
	426,619	443,050

#### 12. Debtors

	Audited 31 March 2018 £	Unaudited 31 December 2016 £
Trade debtors	1,315,814	868,096
Other debtors	154,294	287,869
Prepayments and accrued income	54,485	231,2
Employee Benefit trust Loan receivable	87,469	87,469
	1,612,063	1,243,434
	1,612,063	1,243,434

The provision for bad debts for the period was £66,113 (2016: £74,313)

##### Employee benefits trust Loan

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 (2016 - £87,469).

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 13. Cash and cash equivalents

	Audited 31 March 2018 £	Unaudited 31 December 2016 £
Cash at bank and in hand	134,597	1,023
	<u>134,597</u>	<u>1,023</u>

#### 14. Creditors: Amounts falling due within one year

	Audited 31 March 2018 £	Unaudited 31 December 2016 £
Bank loans and overdrafts	-	155,779
Trade creditors	1,087,071	990,233
Other taxation and social security	174,391	150,853
Other creditors	5,638	20,169
Accruals and deferred income	419,924	302,691
	<u>1,687,030</u>	<u>1,619,725</u>

#### 15. Share capital

	Audited 31 March 2018 £	Unaudited 31 December 2016 £
Allotted, called up and fully paid 4,001 (2016 – 2,000) ordinary shares of £1 each	4,001	2,000
	<u>4,001</u>	<u>2,000</u>

On 28 June 2017, 2001 ordinary shares were issued as part of a share issue for a consideration of £500,000. Every ordinary share is entitled to one voting right.

	Ordinary shares at £1 each Number	£
In issue at 1 Jan 2017 (Unaudited)	2,000	2,000
Issued during the period	2,001	2,001
	<u>4,001</u>	<u>4,001</u>
In issue at 31 March 2018	4,001	4,001



## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 16. Related party transactions

Sales of Biomass Heat to the value of £37,702 to HF Holidays on behalf of Lochaber Heat Supply, an entity which is owned by Alison Berardelli (Bruno Berardelli's wife). Purchase of fuel and servicing installation at HF holidays of £37,702 on behalf of Lochaber Heat Supply.  
Sale of Biomass installation at Ballahullish hotel of £160,000 to Lochaber Heat Supply.  
Rental of yard at Callert for £10,000 from Lochaber Heat Supply.

#### 17. Ultimate parent undertaking and Controlling party

The ultimate parent undertaking is Aggregated Micro Power Holding Plc ('AMPPLC') by virtue of its shareholding.

#### 18. Creditors: amounts falling due after more than one year

	Audited 31 March 2018 £	Unaudited 31 December 2016 £
Amounts owed to group undertakings	91,949	16,562
Government Grants	20,067	23,567
Other creditors	83,078	84,966
	<u>195,094</u>	<u>125,094</u>

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

	Finance lease £ Audited 2018	Loans £ Audited 2018	Energy Savings Trust Loan £ Audited 2018	Total £ Audited 2018
In one year or less, or on demand	19,550	89,184	38,937	147,671
In more than one year but no more than two years	2,867	51,936	77,784	132,677
In more than two years, but no more than five years	-	77,874	85,722	85,722
	22,417	141,120	202,533	366,070
	22,417	141,120	202,533	366,070

	Finance lease £ Unaudited 2016	Loans £ Unaudited 2016	Energy Savings Trust Loan £ Unaudited 2016	Total £ Unaudited 2016
In one year or less, or on demand	19,550	89,184	38,937	147,671
In more than one year but no more than two years	33,179	163,416	77,784	274,469
In more than two years, but no more than five years			124,620	124,620
	52,729	252,600	241,430	546,760
	52,729	252,600	241,430	546,760

The Bank of Scotland plc holds a bond and 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.

Loans consist of the loan received from Berardelli, a balance of £100,000 was received on 30/9/2013 towards the cost of building the Strathallon Biomass Boiler and a further £275,000 was received on 16/4/2015 for working capital. The loan is interest free. 2018: £141,120 (2016: £252,600).

The Energy Savings Trust Loan of £200,000 was advanced on 23/12/2013 and a further £100,000 on 1/7/2014 for the cost of building the Strathallon Biomass Boiler, the loan bears interest of 3.5% per annum. 2018: £202,533 (2016: £241,430).

## Highland Wood Energy Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

#### 19. Operating leases

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

	<b>Audited 31 March 2018 £</b>	<b>Unaudited 31 December 2016 £</b>
Not later than 1 year	141,125	64,934
Later than 1 year and not later than 5 years	166,738	36,478
	<hr/> <b>307,863</b> <hr/>	<hr/> <b>101,412</b> <hr/>