

SRONDOIRE WIND FARMERS LIMITED

REPORT and FINANCIAL STATEMENTS

AUGUST 31, 2016

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COMPANIES HOUSE

Registered Number: SC477293

SRONDOIRE WIND FARMERS LIMITED**DIRECTORS' REPORT**

The directors submit their report and financial statements for the year to August 31, 2016.

Review of the business, results and dividends

The company is the owner and operator of the Srondoire Wind Farm, a community project based in Argyll with 12.5% of the issued share capital owned by specific project vehicles established by two local communities to hold interests in renewable energy projects. Its principal trading activity is the generation of renewable energy from its wind farm.

Srondoire Wind Farm is a 6MW scheme, operating 3 Vestas turbines. The project qualifies for 0.9 ROC support. Grid connection was made available from September 2015, and this enabled the testing of the turbines to be undertaken. Take over of the main plant took place on March 23, 2016.

Since taking over the assets of the wind farm, the company has performed satisfactorily with generation levels obtained being in line with initial expectations. However, following the removal of levy exemption certificates and a general tightening in the amounts payable for the generation of renewable energy, together with the removal in April 2016 of non-domestic rates relief in Scotland for renewable energy projects, overall revenue and profitability of the company have been subjected to challenges. To counter this, efforts continue to ensure that the operational availability and performance of the turbines is maximised. Opportunities to increase levels of generation are being pursued with the turbine supplier and the local power network operator.

The company reported a profit for the year of £301,003, and this has been transferred to reserves. The directors do not recommend the payment of a dividend.

Directors and their interests

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

D.C Broadfoot
F.G. Hogg
J.A. Lithgow
J.F. Lithgow
A.W.C Wishart

SRONDOIRE WIND FARMERS LIMITED**DIRECTORS' REPORT** (continued)**Directors' responsibilities for the financial statements**

The directors are responsible for preparing the annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and 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;
- state whether applicable 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 proper accounting records that 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

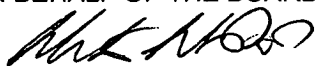
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The financial statements have been prepared in accordance with the provision applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2015).

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487 (2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



A.W.C. WISHART
Director and Company Secretary

March 9, 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SRONDOIRE WIND FARMERS LIMITED

We have audited the financial statements of Srondoire Wind Farmers Limited for the year ended August 31, 2016 which comprise the balance sheet, the profit and loss account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 auditor

As explained more fully in the Directors' Responsibilities Statement set on pages 1 and 2, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 August 31, 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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**SRONDOIRE WIND FARMERS LIMITED** (continued)**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
- the directors were not entitled to prepare financial statements in accordance with the small companies regime.

Grant Thornton UK LLP

Lorraine Macphail
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow

March ¹³~~8~~, 2017

SRONDOIRE WIND FARMERS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED AUGUST 31, 2016**

	<u>Notes</u>	12 month period to August 31, 2016 £	16 month period to August 31, 2015 £
Turnover	2	1,538,553	-
Cost of sales		(712,295)	-
Gross profit		826,258	-
Administrative expenses		(104,111)	(1,919)
Operating profit/(loss)	3	722,147	(1,919)
Interest	4	(358,150)	132
Profit/(loss) before taxation		363,997	(1,787)
Taxation on profit/(loss) on ordinary activities	5	(62,994)	-
Profit/(loss) on ordinary activities after taxation	13	301,003	(1,787)

There were no recognised gains or losses other than the profit/(loss) for the year.

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

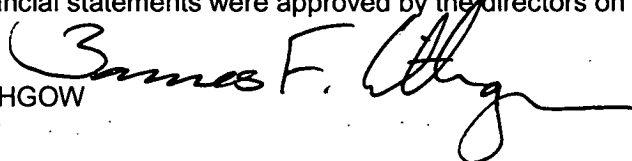
SRONDOIRE WIND FARMERS LIMITED**BALANCE SHEET AT AUGUST 31, 2016**

	<u>Notes</u>	2016 £	2015 £
Fixed assets			
Tangible assets	6	8,346,786	7,366,886
Current assets			
Debtors: amounts falling due within one year	7	316,161	569,475
Debtors: amounts falling after more than one year	7	882,471	-
Cash at bank		935,139	762,166
		<u>2,133,771</u>	<u>1,331,641</u>
Creditors: amounts falling due within one year	8	(669,816)	(6,366,585)
Net current assets/(liabilities)		<u>1,463,955</u>	<u>(5,034,944)</u>
Total assets less current liabilities		9,810,741	2,331,942
Creditors: amounts falling due after one year	9	(8,971,408)	(1,856,579)
Deferred tax	11	(62,967)	-
Net assets		<u>776,366</u>	<u>475,363</u>
Capital and reserves:			
Called up share capital	12	477,150	477,150
Profit and loss account	13	299,216	(1,787)
Shareholders' funds – equity interests		<u>776,366</u>	<u>475,363</u>

The financial statements have been prepared in accordance with the provision applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2015).

The financial statements were approved by the directors on March 9, 2017.

J.F. LITHGOW
Director



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

Company Registered Number: SC477293

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**

The principal accounting policies of the company are outlined below.

1. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective 2008).

Going concern

The directors have assessed, based on current projections and ongoing shareholder support, that the company has adequate resources to meet the ongoing costs of the business for a minimum of 12 months from the date of signing these financial statements. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

Cash Flow

The directors have taken advantage of the exemption under the Financial Reporting Standard for Smaller Entities (effective January 2015) from including a cash flow statement on the grounds that the company is a small company.

Turnover

Turnover represents the amount of goods sold and services provided from the generation of power (stated net of value added tax), and is all within the U.K.

Depreciation

Fixed assets are stated at cost, and where appropriate this includes finance costs incurred during the construction period. Depreciation is calculated to write off the cost of each fixed asset by equal annual instalments over its estimated useful life. The rates most widely used are:

Wind Farm Scheme 5%

No depreciation has been charged during the construction period, such period ending on the date on which the main construction contracts were deemed to have been satisfactorily completed.

The carrying values of tangible fixed assets are reviewed for impairment if events of changes in circumstances indicate the carrying value may not be recoverable.

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 the future, or a right to pay less tax in the 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.

SRONDOIRE WIND FARMERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016

1. Accounting policies (continued)

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability than this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Foreign currencies

Transactions in foreign currencies during the period are converted into sterling at the rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

2. Turnover

Turnover represents the revenue from the company's principal activity.

3. Operating profit/(loss)

This is stated after charging:

	2016 £	2015 £
Auditors remuneration - Audit Services	9,000	-
Depreciation	214,020	-
Charitable donations	18,000	-

No director received any remuneration during this financial year or the previous period.

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**
(continued)**4. Interest**

	2016 £	2015 £
Interest paid on senior debt	315,723	-
Interest paid on subordinated debt	70,406	-
Interest received on loan provided	386,129	-
Interest received on bank deposits	(27,510)	(132)
Net interest	358,150	(132)

5. Taxation on profit/(loss) on ordinary activities

	2016 £	2015 £
Corporation tax charge at 20% in respect of prior period	27	-
Corporation tax charge in respect of current period	-	-
Deferred tax charge at 19% in respect of current period	62,967	-
Net tax charge	62,994	-

6. Tangible fixed assets

	Finance costs £	Machinery, plant and fittings £	Total £
Cost or valuation:			
At September 1, 2015	582,400	6,784,486	7,366,886
Additions	473,164	720,756	1,193,920
At August 31, 2016	1,055,564	7,505,242	8,560,806
Depreciation:			
At September 1, 2015	-	-	-
Additions	26,389	187,631	214,020
At August 31, 2016	26,389	187,631	214,020
Net book value:			
At August 31, 2016	1,029,175	7,317,611	8,346,786
At September 1, 2015:	582,400	6,784,486	7,366,886

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**

(continued)

7. Debtors

	2016 £	2015 £
Income receivable	235,652	-
Amount due from Srondoire Renewables Limited	907,861	432,492
VAT Recoverable	-	136,983
Prepayments and other debtors	55,119	-
	<u>1,198,632</u>	<u>569,475</u>

As at August 31, 2016 an amount of £907,861 was due from Srondoire Renewables Limited in respect of funds advanced to enable the acquisition of the grid connections and construction of a sub-station by the borrower. The company has entered into a long-term agreement with Srondoire Renewables Limited which will allow access to this grid infrastructure. The funds advanced in order for these developments to be progressed were converted into a term loan at the end of February 2016. An interest charge of 6% is applied on the term loan, with the loan to be repaid by 80 quarterly instalments commencing in June 2016. Of the total sum due as at August 31, 2016, the amount of £882,471 falls to be repaid outwith one year.

Srondoire Renewables Limited is a company owned by Inver Renewables Limited, Ormsary Renewables Limited and Stronachullin Renewables Limited, all of whom are shareholders in Srondoire Wind Farmers Limited. D.C. Broadfoot, J.A. Lithgow and J.F. Lithgow are all directors in both Srondoire Wind Farmers Limited and Srondoire Renewables Limited, and accordingly Srondoire Renewables Limited is deemed to be a related party of the company.

8. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade Creditors	3,977	848,245
Retentions	-	55,154
Development loans	-	5,463,186
Senior debt – amounts repayable within one year (note 10)	240,169	-
Subordinated debt – amounts repayable within one year (note 10)	148,898	-
VAT payable	37,980	-
Accruals and other creditors	238,792	-
	<u>669,816</u>	<u>6,366,585</u>

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**
(continued)**9. Creditors: amounts falling due after one year**

	2016 £	2015 £
Retentions	55,154	55,154
Senior debt (note 10)	7,576,175	-
Subordinated debt (note 10)	1,340,079	1,801,425
	<u>8,971,408</u>	<u>1,856,579</u>

10. Loans

	2016 £	2015 £
a. Senior debt – not wholly repayable within five years	7,816,344	-
Instalments due		
After five years	6,341,834	-
Between two and five years	965,827	-
Between one and two years	268,514	-
	<u>7,576,175</u>	<u>-</u>
Within one year (note 8)	240,169	-
	<u>7,816,344</u>	<u>-</u>

The company was advanced monies under development loans to fund the construction of the wind farm. Interest was applied at a fixed rate of 8% per annum on the sums advanced.

On 28 February 2016, the total sums advanced of £7,828,733 were converted into 15 year term loans, to be repaid in six-monthly instalments commencing in August 016. Interest will continue to be applied at a fixed rate of 8% per annum.

The loans advanced are secured by way of a floating charge over all of the property, assets and undertakings of the company, standard securities over the leases, and a fixed charge over the bank accounts of the company.

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**

(continued)

10. Loans

(continued)

	2016 £	2015 £
b. Subordinated debt – not wholly repayable within five years	1,488,977	1,801,425
Instalments due		
After five years	744,488	1,080,855
Between two and five years	446,692	540,428
Between one and two years	148,899	180,142
	1,340,079	1,801,425
Within one year (note 8)	148,898	-
	1,488,977	1,801,425

As detailed in note 15, the company has been provided with subordinated term loans by some of its shareholders. Each of these loans has been provided on similar terms, whereby interest is to be charged at a fixed rate of 8.5% per annum, and repayments are scheduled to be made in 20 equal six-monthly instalments commencing from September 2016. No security has been provided in respect of these subordinated loans.

11. Deferred tax

	2016 £	2015 £
As at September 1	-	-
Amount charged in the year	62,967	-
As at August 31	62,967	-

12. Share capital – equity interests

	2016 £	2015 £
Authorised – 477,150 ordinary shares of £1 each	477,150	477,150
Issued and fully paid – 477,150 ordinary shares of £1 each	477,150	477,150

477,150 ordinary shares of £1 each were issued and subscribed for at par value in the period to August 31, 2015

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**
(continued)**13. Reserves and reconciliation of movement in shareholders' funds**

	<u>Profit & loss account</u> £	<u>Called up share capital</u> £	<u>Total shareholders' funds</u> £
At September 1, 2015	(1,787)	477,150	475,363
Profit in period	301,003	-	301,003
At August 31, 2016	299,216	477,150	776,366

14. Capital commitments

The company had capital commitments of £44,850 as at August 31, 2016 (2015 - £952,648).

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**

(continued)

15. Related parties.

The company has paid the following sums to related parties, all of which have been included within the construction costs capitalised:

	2016 £	2015 £
A lease charge to Kenneths of Stronachullin LLP, whose members include the shareholders of Stronachullin Renewables Limited.	1,000	2,500
A sub-lease charge to SWF Energy LLP, a partnership in which J.F. Lithgow is a member.	2,250	8,250
An administration management fee to Lithgows Limited, the parent company of Wet & Windy Energy Limited.	9,000	72,000
A technical management fee to Ormsary Farmers, a partnership in which J.F. Lithgow is a general partner.	7,022	47,329
Funding costs to Ormsary Farmers, a partnership in which J.F. Lithgow is a general partner.	-	79,376
Funding costs to Kenneths of Stronachullin LLP, whose members include the shareholders of Stronachullin Renewables Limited.	-	4,728
Funding costs to Ormsary Renewables Limited, a shareholder of the company.	44,479	14,042
Funding costs to Inver Renewables Limited, a shareholder of the company.	47,007	13,257
Funding costs to Tarbert & Skipness Renewables Limited, a shareholder of the company.	12,746	-
Funding costs to Tighnabruaich & District Community Renewables Limited, a shareholder of the company.	12,746	-
Funding costs to Stronachullin Renewables Limited, a shareholder of the company.	43,053	8,550
Funding costs to Wet & Windy Energy Limited, a shareholder of the company.	41,410	11,621

In addition, the company has paid the following sums to related parties, all of which have been charged within the profit and loss account in the relevant year:

	2016 £	2015 £
A lease charge to Kenneths of Stronachullin LLP.	9,000	-
A sub-lease charge to SWF Energy LLP.	27,000	-
A charge for the provision of grid connection and infrastructure services to Srondoire Renewables Limited.	80,245	-
An administration management fee to Lithgows Limited.	35,177	-
A technical management fee to Ormsary Farmers.	20,538	-

The company has received interest of £27,510 in the year (2015 - £nil) from Srondoire Renewables Limited in respect of the loan provided.

SRONDOIRE WIND FARMERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 2016**

(continued)

15. Related parties.

(continued)

The company has accrued within the profit and loss account the following funding costs in respect of the subordinated loans provided by related parties. These sums were not paid to the relevant related party until after the year end.

	2016	2015
	£	£
Subordinated loan interest charged by:		
Inver Renewables Limited	16,073	-
Ormsary Renewables Limited	19,614	-
Stronachullin Renewables Limited	16,383	-
Tarbert & Skipness Renewables Limited	6,039	-
Tighnabruaich & District Community Renewables Limited	6,039	-
Wet & Windy Energy Limited	6,258	-

The following balances were also outstanding with related parties at the year end:

	2016	2015
	£	£
Subordinated loans due to shareholders as per note 10:		
Due to Inver Renewables Limited	455,267	455,267
Due to Ormsary Renewables Limited	373,087	373,087
Due to Stronachullin Renewables Limited	380,267	380,267
Due to Tarbert & Skipness Renewables Limited	140,178	140,178
Due to Tighnabruaich District Community Renewables Limited	140,178	140,178
Due to Wet & Windy Energy Limited	-	312,448
Trade creditor balances:		
Due to Lithgows Limited	-	3,616
Due to SWF Energy LLP	-	750

Loan balance:

Amount due by Srondoire Renewables Limited, as per note 7.	907,681	432,492
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