WET & WINDY ENERGY LIMITED

REPORT and UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Registered Number : SC138534

WET & WINDY ENERGY LIMITED

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 2018.

Principal activities and review of the business

Wet & Windy Energy Limited has been established as a subsidiary within the Lithgow Group to hold interests that the Group has developed in renewable energy projects. During the year to December 31, 2018 the profit after taxation amounted to £656,858 and this has been transferred to reserves.

During 2018, an ordinary dividend of £750,000 was paid and this has been deducted from reserves.

The Allt Dearg and Srondoire wind farms have both continued to generate strong trading operational profits and positive cash flow, and this has enabled further distributions and dividend payments to flow through to Wet & Windy Energy Limited.

Following the refinancing and conversion of the Inver Hydro operation to a limited company structure in December 2016, the Company has continued divided payments to is shareholders in 2018.

Having ceased trading in December 2016, the company's subsidiary, MRC Energy Limited, has been dormant throughout 2018 and actions have been taken to commence its winding up.

It is anticipated that strong profit and cash flow will continue to be generated from each of the joint venture interests held within the company's renewable energy portfolio

Directors and their interests

The directors of the company during the year were:-

J.A. Lithgow
J.F. Lithgow
J McElhinney (appointed July 16, 2018)

No director, who was not also a director of the holding company, had any interest in the shares of the company or of any other group company during the year.

WET & WINDY ENERGY 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the provisions of FRS 102 Section 1A – small entities.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks. The group, of which the company is a member, has a risk management programme that seeks to limit the adverse effects of the financial performance of the group by monitoring the level of debt finance and the related finance costs. The group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Credit risk

The group has implemented a policy that requires credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to authorisation limits and procedures delegated to company management by the group board, and is subject to regular review.

WET & WINDY ENERGY LIMITED

DIRECTORS' REPORT (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

The group maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for its operations at an acceptable cost.

Interest rate cash flow risk

The group has both interest bearing assets and liabilities. The interest bearing assets only include cash balances. The group has a policy of maintaining debt at both fixed and floating rates, thereby enabling the group to benefit from any reduction in interest rates whilst still maintaining an element of certainty over the future interest cash flows. The group board will regularly review the appropriateness of this policy.

ON BEHALF OF THE BOARD

J. A. LITHGOW
Director
June 25, 2019

WET & WINDY ENERGY LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	2018 £	2017 £
TURNOVER		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(102,554)	(108,803)
Operating loss		(102,554)	(108,803)
Income received from joint venture interests		428,657	343,155
Dividends received		268,281	315,982
Impairment of investment in subsidiary			(81,718)
		594,384	468,616
Interest receivable	3	117,204	70,891
Interest payable	4	(54,730)	(52,819)
Profit on ordinary activities before taxation		656,858	486,688
Taxation on profit on ordinary activities	5	3,578	-
Profit for the financial year		653,280	486,688
Retained earnings at January 1		433,002	546,314
Dividends declared and payable for the period	6	(750,000)	(600,000)
Retained earnings at December 31		336,282	433,002

The notes on pages 6 to 12 form part of these financial statements.

WET & WINDY ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2018

	Notes	2018 £	2017 £
Investment in subsidiary companies	7	-	-
Investment in joint ventures	7	1,010,747	1,071,163
		1,010,747	1,071,163
Debtors: amounts recoverable within one year	8	58,171	105,390
Debtors: amount recoverable outwith one year	9	2,300,000	2,350,000
Cash at bank		208,376	8,657
Creditors: amount falling due within one year	10	(330,193)	(226,065)
Net current assets		2,236,354	2,237,982
		3,247,101	3,309,145
Creditors: amount falling due after more than one year	11	(1,910,819)	(1,876,143)
		1,336,282	1,433,002
Capital and reserves:			
Called up share capital		1,000,000	1,000,000
Profit and loss account		336,282	443,002
		1,336,282	1,433,002

For the year ended December 31, 2018, the company was entitled to exemption from audit under section 477 of the Companies Act 2006, and the members have not required the company to obtain an audit of the financial statements for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirement of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the provisions of FRS 102 Section 1A – small entities.

The financial statements were approved by the directors on June 25, 2019.

J.A. LITHGOW
Director

The notes on pages 6 to 12 form part of these financial statements

Company Registered Number : SC138534

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018

The principal accounting policies of the company adopted in the preparation of the financial statements are set out below, and have remained unchanged from the previous year.

1. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, and in accordance with the provisions of FRS 102 Section 1A – small entities.

Going concern

The directors have assessed, based on current projections, 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.

Investments in subsidiary undertakings

Investments in subsidiary undertakings represent the original cost of acquisition. Provision is made for the diminution in the value of an investment in a subsidiary.

Investment in joint ventures

Investments in joint ventures are carried in the balance sheet at the cost of capital contribution. The investor's share of the results received by the company is included within the profit and loss account.

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.

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
(continued)

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 then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Employees

The company had no employees in the year to December 31, 2018, nor in the year to December 31, 2017. No director received any remuneration during the year to December 31, 2018 or December 31, 2017

3. Interest receivable

	2018	2017
	£	£
Interest receivable from joint venture undertakings	65,508	66,000
Interest receivable from related parties	51,696	4,891
	117,204	70,891

4. Interest payable

	2018	2017
	£	£
Interest payable on balance due to parent undertaking	54,730	52,819

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
(continued)

5. Taxation on profit on ordinary activities

There was taxation payable in the year to December 31, 2018 of £3,578, (£nil, December 31, 2017).

6. Dividends

	2018 £	2017 £
Ordinary dividend paid - 75p per share (2017 – 60p)	750,000	600,000

7. Investments

(a) Interest in subsidiary undertaking

	2018 £	2017 £
Cost as at January 1	-	671,718
Impairment charge brought forward	-	(590,000)
	-	81,718
Impairment charge in year	-	(81,718)
At December 31	-	-

During 2012, the company acquired all of the share capital of MRC Energy Limited at net asset value from a fellow subsidiary within the Lithgow Group. The investment represents:

Subsidiary	Country of Incorporation	Class of Share Capital held	Proportion held by company	Nature of business
MRC Energy Limited	Scotland	£1 ordinary	100%	Renewable energy

MRC Energy Limited made a loss in the year of £24 (2017 – loss of £24) and had net assets at December 31, 2018 of £10 (2017 - £18). MRC Energy Limited is now a dormant company.

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
(continued)

7. Investments
(continued)

(b) Interest in joint ventures.

At December 31, 2018, the company had interests in the following joint ventures.

Joint Venture	Country of Incorporation	Class of Share Capital held	Proportion held by company	Nature of business
Inver Hydro Power Generation LLP	Scotland	Limited liability partnership	40%	Dormant
Allt Dearg Wind Farmers LLP	Scotland	Limited liability partnership	23%	Renewable energy
Srondoire Wind Farmers Limited	Scotland	Ordinary shares	28%	Renewable Energy
Inver Hydro Limited	Scotland	Ordinary shares	50%	Renewable Energy

	2018 £	2017 £
At January 1	1,071,163	1,131,579
Capital contribution made during the year	-	-
Capital contribution repaid during the year	(60,416)	(60,416)
At December 31	1,010,747	1,071,163

Under the Companies Act 2006, Wet & Windy Energy Limited does not require to prepare consolidated financial statements as it is 100% owned by Lithgows Limited (see note 13).

8. Debtors: amounts recoverable within one year

	2018 £	2017 £
Amounts due from parent undertaking		50,500
Amounts due from related party (see note 9)	50,000	50,000
Other debtors	8,171	4,890
	58,171	105,390

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
(continued)

9. Debtors: amounts recoverable outwith one year

	2018 £	2017 £
Amounts due from joint venture undertaking	1,650,000	1,650,000
Amounts due from related parties	650,000	700,000
	2,300,000	2,350,000

A loan of £1,650,000 was advanced to Inver Hydro Limited, a joint venture undertaking, on December 19, 2016. Repayment of this loan is deferred until 2026, and bears interest at a fixed rate of 4% per annum.

A loan of £500,000 was advanced to Ormsary Renewables Limited on November 27, 2017. The shareholders of Ormsary Renewables Limited are James F Lithgow, his wife and a Trust established for their children. James F Lithgow and his wife are directors of Ormsary Renewables Limited. Ormsary Renewables Limited is therefore deemed to be a related party. The loan is unsecured and bears interest at a fixed rate of 7% per annum. The capital sum of the loan capital is to be repaid in 40 fixed quarterly instalments commencing February 28, 2018.

A loan of £250,000 was advanced to Inver Renewables Limited on November 27, 2017. The shareholders and directors of Inver Renewables Limited are John A Lithgow and his wife. Inver Renewables Limited is therefore deemed to be a related party. The loan is unsecured and bears interest at a fixed rate of 7% per annum. Repayment of the capital sum of the loan has been deferred for five years, with the capital to be repaid in 20 fixed quarterly instalments commencing February 28, 2023.

10. Creditors: amounts falling due within one year

	2018 £	2017 £
Loan instalments payable within one year (note 12)	54,355	23,805
Accruals	5,828	2,250
Amounts due to parent undertaking	270,000	200,000
Amounts due to group undertakings	10	10
	330,193	226,065

11. Creditors: amounts falling due outwith one year

	2018 £	2017 £
Loan instalments payable outwith one year (note 12)	200,000	226,143
Amounts due to parent undertaking	1,448,803	1,650,000
	1,648,803	1,876,143

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
(continued)

12. Loans

	2018 £	2017 £
Not wholly repayable within five years	36,480	40,320
Instalments due		
After five years	17,280	21,120
Between two and five years	11,520	11,520
Between one and two years	3,840	3,840
	32,640	36,480
Within one year (note 10)	3,840	3,840
	36,480	40,320

A loan of £57,600 was provided by Allt Dearg Wind Farmers LLP in April 2013. No security was provided in respect of the loan, and it is non-interest bearing. It is repayable over a 15 year period, on a half yearly repayment programme, commencing from October 2013.

	2018 £	2017 £
Not wholly repayable within five years	189,664	209,628
Instalments due		
After five years	89,840	109,806
Between two and five years	59,893	59,893
Between one and two years	19,966	19,964
	169,699	189,663
Within one year (note 10)	19,965	19,965
	189,664	209,628

A second loan of £209,628 was provided by Allt Dearg Wind Farmers LLP in October 2017. No security was provided in respect of the loan, and it is non-interest bearing. It is repayable over a 10.5 year period, on a half yearly repayment programme, commencing from April 2018.

WET & WINDY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
(continued)

	2018 £	2017 £
Not wholly repayable within five years	290,227	-
Instalments due		
After five years	137,476	-
Between two and five years	91,651	-
Between one and two years	30,550	-
	259,677	-
Within one year (note 10)	30,550	-
	290,227	-

A third loan of £305,502 was provided by Allt Dearg Wind Farmers LLP in March 2018. No security was provided in respect of the loan, and it is non-interest bearing. It is repayable over a 10 year period, on a half yearly repayment programme, commencing from October 2018.

13. Guarantees and other financial commitments

The company had no guarantees of other financial commitments as at December 31, 2018, or as at December 31, 2017.

14. Related parties

The company's ultimate parent company is Lithgows Limited, which is registered in Scotland with its registered office at Netherton, Langbank, Renfrewshire PA14 6YG.

During 2013, Allt Dearg Wind Farmers LLP provided the company with a non-interest bearing loan. As at December 31, 2018 there was a balance of £36,480 which remained outstanding on this loan (2017 - £40,320).

In October 2017, Allt Dearg provided the company with a second non-interest bearing loan. As at December 31, 2018 there was a balance of £189,664 (2017 - £209,828) which remained outstanding on this loan.

In March 2018, Allt Dearg provided the company with a third non-interest bearing loan. As at December 31, 2018 there was a balance of £290,227 which remained outstanding on this loan.

Ormsary Farmers is a partnership in which Sir William Lithgow and J.F. Lithgow, both shareholders of the ultimate parent company, are general partners. Ormsary Farmers is a member in Allt Dearg Wind Farmers LLP.

Ormsary Renewables Limited and Inver Renewables Limited are both shareholders in Srondoire Wind Farmers Limited. J.F. Lithgow is a shareholder of Ormsary Renewables Limited and J.A. Lithgow is a shareholder of Inver Renewables Limited.

On November 27, 2017 the company provided loans of £500,000 to Ormsary Renewables Limited and £250,000 to Inver Renewables Limited. The full amount of Inver Renewables Limited loan provided remains outstanding as at December 31,2018. Ormsary Renewables Limited loan has £450,000 outstanding as at December 31, 2018.

As at December 31, 2018 Inver Renewables Limited owned 50% of the issued share capital of Inver Hydro Limited.

On December 19, 2016 the company provided a loan of £1,650,000 to Inver Hydro Limited, and this balance remains outstanding as at December 31, 2018.

15. General information

Wet & Windy Energy Limited is a private company, limited by shares, registered in Scotland under registration number SC138534. Its registered office is Netherton, Langbank, Renfrewshire PA14 6YG.