COMPANY REGISTRATION NUMBER: SC505596

COMPANIES HOUSE
EDINBURGH

17 AUG 2018

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Future Renewables Eco plc

Financial Statements

30 June 2017

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COMPANIES HOUSE

Future Renewables Eco plc

Financial Statements

Year ended 30 June 2017

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Officers and Professional Advisers

The board of directors	B Duffy G Woods
Company secretary	B Duffy
Registered office	29 York Place Edinburgh EH1 3HP
Auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Bankers	Clydesdale Bank Festival Square Edinburgh EH3 9BY

Industry overview

In December 2016, the UK wind industry set a new record by generating more than 10,000 MW of electricity for the first time and providing 23% of the UK's electricity demand. We continue to see wind energy playing a pivotal role in the UK's electricity mix, even in a year that saw wind speeds approximately 5.5% lower than the long-term average.

2016 wind speed trends

When analysed, wind speed records for the first 6 months of 2016 were typically 4% less windy than the long term averages, in particular during the first quarter of that year.

Since then, although July to September wind speeds picked up on seasonal expectations, the second half of the year was generally 7% less windy than the long term expectations. This was mostly attributable to the fourth quarter of 2016, when October 2016 alone was more than 20% below the long term average for this month.

A 4.3% shortfall on wind speed would typically translate to a 7%-9% deficit on energy production, assuming turbine performance was on a par.

With the big revenue driver for energy producers such as ourselves is, of course, the wholesale power prices expected in the market. Here we saw a generally depressed and relatively stable picture over the first 8 months of 2016 with spot prices ranging between £30-£40 per Mwh of production. Prices rose significantly from September through to November thanks to tightening supply margins - low winds no doubt contributing to this - before dipping slightly in December back to £45-£55 per Mwh.

Unlike political risk, wind speeds are governed by well-understood physical processes which can be modelled reliably. The even better news is that as onshore wind costs continue to fall and the economic inevitability of renewables builds, our industry will also be far less exposed to the vagaries of politics too.

Review of the year

The company enjoyed a successful second year of operation completing the build out of our 500Kw site at Dareduff Hill , East Ayrshire, Scotland followed by the acquisition of a newly completed 400Kw site at Drigg in Cumbria, in December 2016. This brought the number of turbine assets to 5 by the year end with a collective production of 1.575Mw .

In the case of the 225Kw site, on the basis of a technicality, Ofgem contested the availability of the full Feed in Tariff (FITS). The company commenced a Judicial Review action against Ofgem which took place on 1 August 2018. The judge delivered a verbal decision on the day against the company which the company are appealing on a point of law. On the basis of the verbal decision, the directors have impaired the site value to exclude the award of full entitlement to FITs. This has been reflected in the financial statements. The appeal process continues.

In addition, post year end, we availed of the extended grace period of 1 year for Renewable Obligation Certificates (ROCs) in Northern Ireland and bought 3 new 250Kw sites at Carryduff, Pomeroy and Newry , all of which we are delighted to confirm were completed before the expiry of the grace period to 31 March 2018.

In July 2017 we bought a 500KW turbine site in Cornwall, already operational, which has already secured government feed in tariff subsidies.

Summary of sites acquired after 30 June 2017

	Newry NI	Carryduff NI	Pomeroy NI	Pennygillam Cornwall	Total
	£	£	£	£	£
Cost to build	976,200	969,100	1,055,500	1,613,200	4,614,000
Valuation at completion	1,230,000	1,650,000	1,440,000	2,200,000	6,520,000
Surplus on Valuation	253,800	680,900	384,500	586,800	1,906,000

Future developments

Future Renewables Eco Plc is now set to benefit from forming a strategic alliance with a Renewable Obligation Certificates trading company in Northern Ireland, also trading Power Purchase Agreements (PPA), which is set to not only enhance our income streams to the company and its subsidiaries' existing Northern Ireland based assets but opening up new client base, with direct access to over 100 site operators, similar in size to our own 3 sites, to explore opportunities for re-powering those sites with larger more efficient turbines. (Repowering a site is where you remove dated inefficient turbines and replace with modern efficient turbines, making use of using existing grid connections and availing of existing ROC's awarded, most of which, have in excess of 15 years subsidies still to run.)

Furthermore, we have now also formed a close working relationship with a Scottish based leading Operations and Management (O&M) company with a client base of over 30Mw turbine operators throughout the U.K. Mainland and now also growing rapidly in Northern Ireland. This will not only satisfy our own servicing needs going forward, but also grows our team of industry experts covering all aspects of our business income generation and most importantly, asset protection. Our now strong foothold in Northern Ireland also allows us to consider new opportunities in the Republic of Ireland who appear to be on the brink of announcing a new subsidy (REFIT 4) in the coming months and we are ideally placed to expand into that market place.

Key performance indicators

The Board monitors the company's progress by reference to certain KPIs.

In the financial year, the following Kw hour production figures were recorded for our operational sites as follow:

Auchmore, Aberdeen, twin turbines 225Kw each. Initial production figures available from 7th December 2016 (commissioned late June 2016, no initial specific data available) December 2016 through to June 2017 = 405,651 Kwh

Langaddie, Aberdeen, Single turbine 225KW. Initial production figures available from 9th December 2016: (Commissioned late September 2016, no initial specific data available) December 2016 through to June 2017 = 169,610 Kwh

Dareduff Hill, East Ayrshire Single turbine 500Kw (Commissioned late September 2016) initial production figures from October 2016 through to June 2017 = 1,413,057 Kwh.

Drigg, Cumbria, single turbine 400Kw (Commissioned early December 2016) December 2016 through to June 17 = 305,941 Kwh.

Principal risks and uncertainties

The risks that may affect the company are continuously assessed by the Board and steps are taken to mitigate risks on an ongoing basis.

Key factors that affect the business are:

- Financial markets in which funds are raised - the company model fund raising is directed at High Net Worth Individuals (HNWI), Sophisticated Investors (SI) and Restricted Investors (RI) and a risk exists that this type of opportunity is no longer attractive to such investors. The company is aware of this possibility should mainstream investment opportunities continue to rise in a recovering marketplace and is already examining alternative fund raising opportunities now that the company owns a number of operating sites.

- Regulatory requirements of our sector - the company is aware of the regulatory requirements and has invested heavily in maintaining a strong regulatory framework to its fund raising activities supported by specialist professional advisors to the company.

- Market price of Power Purchase Agreements (PPAs) and fluctuations - while Feed in Tariffs (FITs) are in decline in the UK, the company will look to seek PPA driven opportunities in the future. The company believes there is a strong growing market for individual companies to secure the cost of its energy costs in the current trend for upward cost of energy by entering into long term PPAs with companies such as ourselves.

- Future climate change trends - the effect of any reduction in wind speeds generally would have an adverse effect on the company's performance levels and therefore derived income. The company continues to search for sites that have historically generated high levels of wind speeds based on information derived from both government sources (NOABL) and sites where individual wind speed surveys have been carried out. Generally, provision is made for wind speeds at a rate of 10-20% below levels recorded from site assessments if actual recorded wind speeds are unavailable.

- Liabilities and financial exposure under the bond instruments ensuring they are sufficiently cash flow generative to meet interest payments. There is a risk in any promotion campaign where either insufficient funds are generated to complete a phase development program and are not completed in time to generate interest payments as they fall due. Each phase is populated with individual sites generally at a cost in the region of £750k - £1m which allows the spread of fund raising activities to take place for each site where there is also no inter-dependency. If for any reason fund raising activities slow down, the company has abilities to reorganise individual site developments to accommodate this. In most cases, investments are made with a 1 year delay in payment of interest to accommodate individual site completion and income generation. This mitigates the company's exposure to cash flow difficulties. During phase 1 in particular, the company also entered into a number of investments where interest was rolled up for the duration of the investment period.

Financial instruments

The company is funded by non-regulated bond instruments available to High Net Worth Investors (HNW), Sophisticated Investors (SI) and Restricted Investors (RI). The interest payable to phase 1 bond holders is 9% per annum for 5 years. The interest payable to phase 2 bond holders ranges between 9% and 10.25% per annum for 3 to 5 years. This is measured in the financial statements at amortised cost using the effective interest rate method.

The effective interest rate includes bond interest and other related finance charges spread over the term of the investment. The effective interest rate incorporating all financial charges resulting in the ranges between 14.12% and 24.83% calculated on the basis of aggregate monthly investment. The financial exposure and risk to the company is that the company ensures it generates sufficient cash flow from trading operations to meet interest payments to investors as they fall due. The company cannot utilise investors' funds for this purpose.

This report was approved by the board of directors on 17/8/18 and signed on behalf of the board by:

B Duffy
Director

Registered office:
29 York Place
Edinburgh
EH1 3HP

The directors present their report and the financial statements of the company for the year ended 30 June 2017.

Principal activities

The principal activity of the company during the period was that of renewable energy generation.

Directors

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

B Duffy
G Woods

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

The company has chosen to disclose information required by Schedule 7 of the Large & Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013.

The company has taken advantage of the exemption available in section 399 of FRS102 not to prepare consolidated financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and

- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 17/8/18 and signed on behalf of the board by:

B Duffy
Director

Registered office:
29 York Place
Edinburgh
EH1 3HP

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF FUTURE RENEWABLES ECO PLC

Opinion

We have audited the financial statements of Future Renewables Eco Plc ("the Company") for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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 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 Group or the Parent 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.

Emphasis of matter - uncertain lawsuit

We draw attention to the disclosures made in note 3 to the financial statements under "significant judgements". This concerns the uncertain outcome of a lawsuit, which is still live, and a lawsuit on which the company has recently lost a Judicial Review but intends to appeal the ruling. The ultimate outcome of these matters cannot presently be determined, although the company have made adjustments to the financial statements in respect of the outcome of the Judicial Review that they have recently lost. As the case in respect of the second site is ongoing, no adjustments have been made to these financial statements in respect of this. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Directors' Report, 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.

We have nothing to report in this regard.

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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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 have not identified material misstatements in the Strategic Report and] Director's Report.

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;

- 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.

Responsibilities of Directors

As explained more fully in the Directors' Report, 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.

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

Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh

17 AUGUST 2018

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

Future Renewables Eco plc

Statement of Comprehensive Income

Year ended 30 June 2017

	Note	Year to 30 Jun 17 £	Period from 11 May 15 to 30 Jun 16 £
Turnover	4	440,540	–
Cost of sales		156,072	–
Gross profit		284,468	–
Administrative expenses		569,224	186,386
Operating loss	5	(284,756)	(186,386)
Gain on financial assets at fair value through profit or loss		1,061,875	–
Income from shares in group undertakings	9	30,570	–
Interest payable and similar expenses	10	1,182,962	323,369
Loss before taxation		(375,273)	(509,755)
Tax on loss	11	–	–
Loss for the financial year		(375,273)	(509,755)
Revaluation of tangible assets		54,903	1,248,220
Tax relating to components of other comprehensive income	19	103,188	(224,680)
Other comprehensive income for the year		158,091	1,023,540
Total comprehensive (loss)/income for the year		(217,182)	513,785

All the activities of the company are from continuing operations.

The notes on pages 16 to 30 form part of these financial statements.

Future Renewables Eco plc

Statement of Financial Position

30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	**13**	5,146,283	3,260,490
Investments	**14**	1,413,714	3
		6,559,997	3,260,493
Current assets			
Stocks	**15**	356,193	169,354
Debtors	**16**	3,337,681	1,321,527
		3,693,874	1,490,881
Creditors: amounts falling due within one year	**17**	141,437	235,429
Net current assets		3,552,437	1,255,452
Total assets less current liabilities		10,112,434	4,515,945
Creditors: amounts falling due after more than one year	**18**	9,644,341	3,727,481
Provisions	**19**	121,491	224,680
Net assets		346,602	563,784
Capital and reserves			
Called up share capital	**22**	50,000	50,000
Revaluation reserve	**23**	1,148,503	1,023,540
Profit and loss account	**23**	(851,901)	(509,756)
Shareholder funds		346,602	563,784

These financial statements were approved by the board of directors and authorised for issue on 17/8/18, and are signed on behalf of the board by:

B Duffy
Director

Company registration number: SC505596

The notes on pages 16 to 30 form part of these financial statements.

Future Renewables Eco plc

Statement of Changes in Equity

Year ended 30 June 2017

	Note	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 11 May 2015		–	–	(1)	(1)
Loss for the year				(509,755)	(509,755)
Other comprehensive income for the year:					
Revaluation of tangible assets	13	–	1,248,220	–	1,248,220
Tax relating to components of other comprehensive income	11	–	(224,680)	–	(224,680)
Total comprehensive income for the year		–	1,023,540	(509,755)	513,785
Issue of shares		50,000	–	–	50,000
Total investments by and distributions to owners		50,000	–	–	50,000
At 30 June 2016		50,000	1,023,540	(509,756)	563,784
Loss for the year				(375,273)	(375,273)
Other comprehensive income for the year:					
Revaluation of tangible assets	13	–	54,903	–	54,903
Reclassification from revaluation reserve to profit and loss account		–	(33,128)	33,128	–
Tax relating to components of other comprehensive income	11	–	103,188	–	103,188
Total comprehensive income for the year		–	124,963	(342,145)	(217,182)
At 30 June 2017		50,000	1,148,503	(851,901)	346,602

The notes on pages 16 to 30 form part of these financial statements.

Future Renewables Eco plc

Statement of Cash Flows

Year ended 30 June 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss for the financial year	(375,273)	(509,755)
Adjustments for:		
Depreciation of tangible assets	154,551	245
Impairment of tangible assets	119,896	–
Gain on financial assets at fair value through profit or loss	(1,061,875)	–
Income from shares in group undertakings	(30,570)	–
Interest payable and similar expenses	1,182,962	323,369
Accrued expenses	(180,287)	103,164
Accrued income	(340,430)	–
Net foreign exchange loss	13,815	
Changes in:		
Stocks	(186,839)	(169,354)
Trade and other debtors	(1,505,269)	(449,302)
Trade and other creditors	86,295	132,264
Cash generated from operations	(2,123,024)	(569,369)
Interest paid	(440,198)	–
Net cash used in operating activities	(2,563,222)	(569,369)
Cash flows from investing activities		
Purchase of tangible assets	(2,119,151)	(2,012,515)
Acquisition of subsidiaries	(351,836)	(3)
Dividends received	30,570	–
Net cash used in investing activities	(2,440,417)	(2,012,518)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	12,500
Net proceeds from bond instruments	5,174,096	3,404,112
Net cash from financing activities	5,174,096	3,416,612
Net increase in cash and cash equivalents	170,457	834,725
Cash and cash equivalents at beginning of year	834,725	–
Cash and cash equivalents at end of year	1,005,182	834,725

Cash equivalents at end of period

	2017 £	2016 £
Funds held by group undertakings		128,003
Funds held in trust in professional firm's client account	1,005,182	706,722
	1,005,182	834,725

The notes on pages 16 to 30 form part of these financial statements.

1. General information

The company is a public company limited by shares, registered in Scotland. The address of the registered office is 29 York Place, Edinburgh, EH1 3HP. The principal place of business is 2 Randolph Place, Edinburgh EH3 7QT.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, '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 investments measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity. Amounts have been rounded to the nearest pound.

Revenue recognition

Income is derived from feed in tariffs and selling excess power to the grid, both recognised as receivable in the period in which the power is generated and a right to consideration earned.

Substance over form

The financial statements report the substance of transactions into which the company has entered. The accounting treatment reflects the underlying commercial substance as opposed to the legal form of the transaction.

A further significant judgement made by the directors in preparing these financial statements is the use of substance over form in relation to the recognition of the wind turbine sites as company assets where the leases are legally held by subsidiaries. The third party valuation of the wind turbine sites carries an estimation uncertainty inherent therein by virtue of the fact a valuation is an opinion of value.

Operating leases as lessee

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Finance costs

Interest payable on bond instruments is measured in the financial statements at amortised cost using the effective interest rate method. The effective interest rate includes bond interest and other related finance charges.

Judgements and key sources of estimation uncertainty

Significant judgements

Investments - significant assumptions in calculation of fair value

Tangible fixed assets - assessment of useful life, residual values, and significant assumptions in fair value

500 Kw site
The significant estimation uncertainty in these financial statements is in respect of income recognition and valuation for the company's site, 500 Kw. This site was energised in September 2016 with exporting to the grid beginning at that time. The directors are satisfied that the income based method of valuation as used to determine the Fair Value of the site and the calculation of trading income recognised in the period is appropriate based on the company's expectation of a successful outcome from ongoing legal matters.

This site is currently awaiting a final accreditation decision from Ofgem as regards the awards of Feed in Tariffs (FITS). There are ongoing discussions with Ofgem surrounding the specific circumstances of this case. Until such discussions complete the company cannot pursue the available options which include Judicial Review and negligence claims against professional advisors. The combination of the options available to the company and the extremely high expectation of success placed on each by the company's legal advisors, give rise to a strong expectation by the company of a successful outcome to such actions.

The company is confident in the case of this site, with the combination of several options for litigation open to the company, collectively giving a 99% probability of success based on outcome analysis, that no actual losses will be incurred. However, for the sake of completeness and full disclosure:

Accounting estimate - Revenue - 500 Kw site
The consequential impact on these financial statements of this case being lost would be: Reduction in turnover and increase in loss for the financial year of £109,000 of Feed in Tariff and a reduction in the value of wind turbine sites of £1,293,000. The aggregate impact on shareholders funds would be a reduction of £1,402,000.

In the extreme circumstance that the company was unsuccessful in obtaining full FITS in both cases, the Directors remain firmly of the opinion that the company will remain as a going concern, giving cognisance to the legal requirement to consider the 12 month period from the date of signing these accounts.

225Kw site
In the case of the 225Kw site, on the basis of a technicality, Ofgem contested the availability of the full Feed in Tariff (FITS). The company commenced a Judicial Review action against Ofgem which took place on 1 August 2018. The judge delivered a verbal decision on the day against the company which the company are appealing on a point of law. On the basis of the verbal decision, the directors have impaired the site value to exclude the award of full entitlement to FITs. This has been reflected in the financial statements. The appeal process continues.

In the case the company was to ultimately lose the Judicial Review for this site against Ofgem the company would seek to mitigate any loss by considering all options available, ranging from an alternative renewable power generation source on the site, to using a combination of technologies making use of the existing site and grid connection. The turbine, being relatively new, would also have a resale value in the open market or could be used in the re-powering of a number of sites we currently have under review.

The Directors' confidence is supported by the addition of four new sites (c 1.25Mw) referred to in our Strategic Report, now built and fully commissioned post year end, which based on RICS valuations give rise to revaluation gains of circa £1.9 million.

Substance over legal form and asset valuation
A further significant judgement made by the directors in preparing these financial statements is the use of substance over form in relation to the recognition of the wind turbine sites as company assets where the leases are legally held by subsidiaries but operated by the company. The third party valuation of the wind turbine sites carries an estimation uncertainty inherent therein by virtue of the fact a valuation is an opinion of value.

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.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the statement of comprehensive income.

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.

3. Accounting policies *(continued)*

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:

Freehold property	-	nil
Equipment	-	33% straight line

Wind turbine installations - straight line over 20 years. Depreciation of wind turbine sites under construction will commence once they are complete and connected to the power grid.

Investments

Fixed asset investments, including subsidiaries are measured at fair value with changes in fair value being recognised in profit or loss.

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 are largely independent of the cash inflows from other assets or groups of assets.

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.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

3. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand includes cash and short term highly liquid investments.

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

4. Turnover

Turnover arises from:

	Year to 30 Jun 17 £	Period from 11 May 15 to 30 Jun 16 £
Feed in Tariffs and exports	440,540	–

Refer to Note 3 - Accounting Policies - Judgements and Key Sources of Estimation Uncertainty

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating loss

Operating loss is stated after charging:

	Year to 30 Jun 17 £	Period from 11 May 15 to 30 Jun 16 £
Depreciation of tangible assets	154,551	245
Impairment of tangible assets recognised in:		
Administrative expenses	119,896	–
Foreign exchange differences	15,745	–
Rent and rates	29,789	15,927

6. Auditor's remuneration

	Year to 30 Jun 17 £	Period from 11 May 15 to 30 Jun 16 £
Fees payable for the audit of the financial statements	14,760	6,250

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	Period from 11 May 15 to 30 Jun 16
	No.	No.
Administrative staff	4	1

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 30 Jun 17	Period from 11 May 15 to 30 Jun 16
	£	£
Wages and salaries	147,891	26,426
Social security costs	–	605
	147,891	27,031

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 30 Jun 17	Period from 11 May 15 to 30 Jun 16
	£	£
Sums paid to third parties in respect of directors' services	42,400	20,114

9. Income from shares in group undertakings

	Year to 30 Jun 17	Period from 11 May 15 to 30 Jun 16
	£	£
Income from group undertakings	30,570	–

10. Interest payable and similar expenses

	Year to 30 Jun 17	Period from 11 May 15 to 30 Jun 16
	£	£
Other interest payable and similar charges	1,182,962	323,369

10. Interest payable and similar expenses *(continued)*

	2017	Period from 11 May 15 to 30 Jun 16
	£	£
Interest payable	857,004	233,298
Commissions	325,958	90,071
	1,182,962	323,369

Interest payable relates to bond instruments. The interest payable to new phase 2 and 3 Bond Holders during the year range from 6.09% to 13% per annum for 3 to 5 years. This is measured in the financial statements at amortised cost using the effective interest rate method. The effective interest rate includes bond interest and other related finance charges. The effective interest rate ranges between 14.12% and 24.83% calculated on the basis of the aggregate monthly investment.

11. Tax on loss

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	Year to 30 Jun 17	Period from 11 May 15 to 30 Jun 16
	£	£
Loss on ordinary activities before taxation	(375,273)	(509,755)
Loss on ordinary activities by rate of tax	(71,302)	(101,951)
Unused tax losses	71,302	101,951
Deferred tax on revaluation	103,188	(224,680)
Tax on loss	103,188	(224,680)

12. Tax on profit on ordinary activities

Analysis of credit/(charge) in period

	2017	Period from 11 May 15 to 30 Jun 16
	£	£
Current tax	-	-

Deferred tax

	2017	2016
	£	£
Revaluation - Tax relating to components of other comprehensive income	103,188	(224,680)

13. Tangible assets

	Wind turbine sites £	Equipment £	Wind turbine sites under construction £	**Total £**
Cost or valuation				
At 1 July 2016	3,260,000	736	–	3,260,736
Additions	1,077,126	2,825	1,039,200	2,119,151
Revaluations	41,088	–	–	41,088
At 30 June 2017	4,378,214	3,561	1,039,200	5,420,975
Depreciation				
At 1 July 2016	–	245	–	245
Charge for the year	153,376	1,175	–	154,551
Impairment losses	119,896	–	–	119,896
At 30 June 2017	273,272	1,420	–	274,692
Carrying amount				
At 30 June 2017	4,104,942	2,141	1,039,200	5,146,283
At 30 June 2016	3,260,000	491	–	3,260,491

The wind turbine sites acquired at Drigg, Cumbria and Dareduff Hill, East Ayrshire, were valued for internal capital assessment purposes by M.T. Morison MRICS FAAV MBIAC FCIArb of Berrys Chartered Surveyors, an independent valuer, on 6 and 7 February 2017 respectively, on an open market value basis. Values are conditional on ongoing revenue generation.

Impairment is recognised as a result of ongoing Judicial Review of a 225 Kw turbine site. The directors have recognised the impairment of the asset.

Tangible assets held at valuation

Refer to Note 3 - Accounting Policies - Judgements and Key Sources of Estimation Uncertainty

13. Tangible assets *(continued)*

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Wind turbine sites £
At 30 June 2017	
Aggregate cost	3,118,276
Aggregate depreciation	(153,377)
Impairment	(119,896)
Carrying value	2,845,003
At 30 June 2016	
Aggregate cost	2,011,780
Aggregate depreciation	–
Carrying value	2,011,780

14. Investments

	Shares in group undertaking s £
Cost	
At 1 July 2016	3
Additions	351,836
Fair value movement	1,061,875
At 30 June 2017	1,413,714
Impairment	
At 1 July 2016 and 30 June 2017	–
Carrying amount	
At 30 June 2017	1,413,714
At 30 June 2016	3

14. Investments *(continued)*

	Class of share	Percentage of shares held
Subsidiary undertakings		
Future (Duncan) Ltd	Ordinary	100
Future (Thomson) Ltd	Ordinary	100
Greenfish Investments No 9 Ltd	Ordinary	100
Future (Carryduff) Ltd	Ordinary	100
Future (Drigg) Ltd	Ordinary	100
Future (Newry) Ltd	Ordinary	100
Future (Dareduff Hill) Ltd	Ordinary	100
Future (Pomeroy) Ltd	Ordinary	100

The results and capital and reserves for the year are as follows:

	Capital and reserves		Profit/(loss) for the year	
	2017	2016	**2017**	2016
	£	£	**£**	£
Subsidiary undertakings				
Future (Duncan) Ltd	1	1	–	–
Future (Thomson) Ltd	1	1	–	–
Greenfish Investments No 9 Ltd	1	1	–	–
Future (Carryduff) Ltd	1	–	–	–
Future (Drigg) Ltd	668,076	–	30,570	–
Future (Newry) Ltd	1	–	–	–
Future (Dareduff Hill) Ltd	(30,922)	(30,923)	1	(849)
Future (Pomeroy) Ltd	1	–	–	–

During the year the company acquired the following subsidiaries for the amounts shown:

Future (Drigg) Ltd	£320,453
Future (Carryduff) Ltd	£1
Future (Pomeroy) Ltd	£1
Future (Newry) Ltd	£1
Future (Dareduff Hill) Ltd	£31,380

All subsidiaries are incorporated in Scotland, UK. The address of the registered office for all subsidiaries is 29 York Place, Edinburgh EH1 3HP

Refer to Note 3 - Accounting Policies - Judgements and Key Sources of Estimation Uncertainty

15. Stocks

	2017	2016
	£	£
Work in progress	86,839	–
Stock of plant and machinery	269,354	169,354
	356,193	169,354

The amount recognised as an expense during the year was nil (2016 nil).

16. Debtors

	2017	2016
	£	£
Amounts owed by group undertakings	1,897,301	128,003
Called up share capital not paid	37,500	37,500
Prepayments and accrued income	17,513	–
Other debtors	1,385,367	1,156,024
	3,337,681	1,321,527

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

	2017	2016
	£	£
Amounts owed by group undertakings	1,897,301	128,003

Other debtors

	2017	2016
	£	£
VAT repayable	39,755	385,944
Funds held in trust in professional firm's client account	1,005,182	706,722
Refunds due from suppliers and prepayments	–	63,358
Accrued income	340,430	–
	1,385,367	1,156,024

17. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	49,874	30,095
Accruals and deferred income	26,041	103,164
Social security and other taxes	5,101	2,040
Other creditors	60,421	100,130
	141,437	235,429

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

	2017	2016
	£	£
Bond instruments	9,644,341	3,727,481

Amounts repayable between 1 and 2 years	175,932	
Amounts repayable between 2 and 5 years	9,468,409	3,727,481
	9,644,341	3,727,481

The interest payable to new phase 2 and 3 Bond Holders during the year range from 6.09% to 13% per annum for 3 to 5 years. This is measured in the financial statements at amortised cost using the effective interest rate method. The effective interest rate includes bond interest and other related finance charges. The effective interest rate ranges between 14.12% and 24.83% calculated on the basis of the aggregate monthly investment.

19. Provisions

	Deferred tax (note 20)
	£
At 1 July 2016	224,680
Charge against provision	(103,189)
At 30 June 2017	121,491

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£	£
Included in provisions (note 19)	121,491	224,680

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Revaluation of tangible assets	121,491	(224,680)

21. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2017	2016
	£	£
Financial assets measured at amortised cost		
Financial assets measured at amortised cost	3,280,413	935,583

	2017	2016
	£	£
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	9,780,677	3,960,870

Financial assets measured at amortised cost consist of cash and cash equivalents, called up share capital not paid, other debtors and accrued income.
Financial liabilities measured at amortised cost consist of bond instruments, trade and other creditors, and accruals.

	2017	2016
	£	£
Financial liabilities at maturity	11,896,195	4,751,445

The interest payable to new phase 2 and 3 Bond Holders during the year range from 6.09% to 13% per annum for 3 to 5 years.

22. Called up share capital

Issued and called up

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

22. Called up share capital *(continued)*

Shares issued and partly paid

	2017		2016	
	No.	£	No.	£
Ordinary shares - £0.25 paid of £1 each	50,000	12,500	50,000	12,500

Each share entitles the holder to one vote.

23. Reserves

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income net of tax.

Profit and loss account - This reserve records retained earnings and accumulated losses.

24. Other financial commitments

The rent payable for the Duncan site is £10,000 per annum, payable when the first Feed in Tariff is received by the tenant. Future Renewables Eco plc will pay the rent on behalf of the subsidiary Future (Duncan) Ltd, which holds the lease, on the basis it is entitled to the income derived from the wind turbine on the site.

The rent payable for the Thomson site is 12% of the gross revenue received under the Feed in Tariff, generated by the tenant from the development. Future Renewables Eco plc will pay the rent on behalf of the subsidiary Future (Thomson) Ltd, which holds the lease, on the basis it is entitled to the income derived from the wind turbine on the site.

25. Related party transactions

Other debtors include funds held in the bank account of Future Renewables Eco Energy Ltd, the company's parent company, of £nil (2016 £128,003).

Other creditors include a balance of £58,672 (2016 £98,382) due to Future Wind Projects Ltd, a company controlled by B Duffy, a director of Future Renewables Eco Plc. The company repaid £39,710 during the year. This loan is interest-free and has no fixed repayment terms.

During the year the company paid fees to McDonald Gordon & Co. Ltd of £40,000 in respect of director's services provided by Mr Duffy and a further £11,100 in respect of accountancy services provided during the year. In addition £30,000 was paid to Jadenorth Properties Ltd for consultancy services. Brian Duffy is a director of both companies. McDonald Gordon & Co. Ltd holds funds in the amount of £1,005,182 in a client account. The funds in this account are held in trust.

26. Parent company

The company is a wholly-owned subsidiary of Future Renewables Eco Energy Ltd.

27. Ultimate controlling party

There is no ultimate controlling party.