NFPA Scotland Limited

Registered Number 5519455

Annual Report and Financial Statements

for the year ended

31 March 2019

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STRATEGIC REPORT
For the year ended 31 March 2019

Principal Activities and Review of Business

The Company was incorporated as a private limited company on 27 July 2005 in the name of Precis (2543) Limited, and was subsequently renamed NFPA Scotland Limited on 19 October 2005. It is a wholly owned subsidiary of the Non-Fossil Purchasing Agency Limited ("NFPA"). The Electricity from Non-Fossil Fuel Sources (Scotland) Saving Arrangements Order 2005 which came into force from 30 November 2005 permits the Company to undertake Scottish Renewable Obligation (SRO) activities involving the management of SRO contracts under this Obligation. The Company was established solely for this purpose and the auction process, administrative and levy arrangements to fulfil the SRO requirements mirror the operations conducted for England and Wales by NFPA. The Company was nominated on 5 December 2005 and this nomination was approved by the Scottish Ministers on 12 December 2005. An agreement was drawn up between the Company, the two Scottish supply companies (SSE Energy Supply Limited and Scottish Power Energy Retail Limited) and NFPA for the Company to act as the Nominated Person in Scotland, and this agreement was executed on 21 December 2005.

The first auction of power with associated Renewable Obligation Certificates (ROCs) from SRO contracted schemes was held in February 2006 and the Company commenced trading transactions on 1 April 2006. The auctioning of ROCs produced from SRO contracted schemes, which was previously carried out by another wholly-owned subsidiary of NFPA, NFPAS Limited as agent of the two Scottish supply companies, ceased during 2006/07 following the change in SRO arrangements.

The financial position of the Company as at 31 March 2019 is net assets of £2 (2018: £2).

A comprehensive unaudited key results for the year, business review and more detailed information on the principal activities of the Company are set out on pages 4-9.

Financial Risk Management

The Company's activities did not expose it to price risk, credit risk, liquidity risk or cash flow risk due to the support received from the Fossil Fuel Levy (Scotland).

Principal Risks and Uncertainties

The Company's directors are of the opinion that analysis of the business' risks and uncertainties has been included within the Business Review on pages 8 and 9.

Key Performance Indicators

In view of the Company's trading operations, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company.

By order of the board.

R Crowther
Company Secretary
7 November 2019

DIRECTORS' REPORT
For the year ended 31 March 2019

The directors have pleasure in presenting their report and audited financial statements of NFPA Scotland Limited (the "Company") for the year ended 31 March 2019. The Company's registered number is 5519455 and the registered office is 4th Floor, Higham House, New Bridge Street West, Newcastle upon Tyne, NE1 8AN, England, part of the United Kingdom. The Company banks with Lloyds Bank, 102 Grey Street, Newcastle upon Tyne, NE1 6AG.

Financial Risk Management

Please refer to the Strategic report on Page 1.

Future Developments

Due to the ending of the provisions of The Electricity from Non-Fossil Fuel Sources (Scotland) Saving Arrangements Order 2005 the directors of the Company believe the Company will not continue to trade beyond the next twelve months.

Results and Dividends

The Statement of comprehensive income set out on page 12 shows the results for the year. The directors do not recommend the payment of a dividend (2017/18: £nil).

Directors

The directors who served during this year were:

Mr A R Wood (Non-Executive)

Mr S C Stephens

Mr R Crowther

Mrs M Reay

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;
state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
make judgements and accounting estimates that are reasonable and prudent; and
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 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.

DIRECTORS' REPORT continued

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.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board.

R Crowther
Company Secretary
7 November 2019

UNAUDITED BUSINESS REVIEW AND PRINCIPAL ACTIVITIES FOR THE YEAR ENDED 31 March 2019

KEY RESULTS FOR THE YEAR

* 1 renewables scheme generating at 31 March 2019 (2017/18: 3), representing 2% (2017/18: 6%) of relevant SRO contracts awarded

* 0.01 million MWh generated output from SRO contracts (2017/18: 0.03 million MWh)

* Trading turnover decreased to £1.4 million from £2.6 million last year

* Trading surplus decreased to £0.8 million from £1.2 million last year

UNAUDITED BUSINESS REVIEW AND PRINCIPAL ACTIVITIES FOR THE YEAR ENDED 31 March 2019

Corporate Background

The Electricity from Non-Fossil Fuel Sources (Scotland) Saving Arrangements Order 2005 (the "New Order") which came into operation on 30 November 2005 made provision for saving and modification of arrangements made by Public Electricity Suppliers ("PESs") in compliance with Section 32 of the Electricity Act 1989. It required the PESs jointly to make arrangements to meet the "Requirements" set out in the New Order. To this effect, the Company was appointed as the Nominated Person and approved by the Scottish Deputy Minister for Enterprise and Lifelong Learning so that arrangements were in place to ensure that (i) the aggregate amount of generating capacity under SRO 1, 2 and 3 continues to be available, (ii) all electricity made available to the Nominated Person is offered for sale to all licensed suppliers, and (iii) reasonable endeavours are used to receive the best price reasonably obtainable for the electricity.

To satisfy the Requirements of the Nominated Person under the New Order, the Company entered into replacement Power Purchase Agreements with 55 generators holding existing contracts under SROs 1, 2 and 3. The Company contracted with NFPA Limited to act as its agent in auctioning this contracted power on a regular basis, operating an on-line auction inviting bids from all licensed suppliers and operating under an Auction Code which sets out the rights and obligations of suppliers in relation to the conduct of the auction and use of the auction site.

The Renewables Obligation which came into operation on 1 April 2002 has resulted in income from suppliers exceeding the payments to generators, due to the added benefit of selling ROCs with the power to suppliers. The surplus of funds represents the difference between the accepted bid price from the supplier and the contract price paid to the generator, and is remitted to The Collector of the Fossil Fuel Levy Scotland after offsetting the Company's operating costs which are sourced from the Levy subject to a capped expenditure limit.

Trading Operation

The Company operates as a wholesaler of electricity produced from renewable sources in respect of one SRO Order totalling 145MW of available generating capacity from 53 contracts. Of these, 1 (2017/18: 3) scheme representing 2MW (2017/18: 9MW) of capacity was still generating at 31 March 2019.

The Company performs the wholesaling function undertaking three main activities which are:

(i) buying electricity produced by generators at the agreed contract price under the Power Purchase Agreement for each SRO scheme;

(ii) selling that electricity with associated ROCs to licensed suppliers by holding on-line auctions on a regular basis and inviting bids from those suppliers; and

(iii) remitting to The Collector of the Fossil Fuel Levy Scotland any surplus obtained from the difference between income from the supplier and payment to the generator.

Within the wholesaling operation, the Company is responsible on a monthly basis for the processing and payment of generator invoices, according to the provisions of the SRO Power Purchase Agreements, and for issuing invoices to suppliers and seeking settlement of those invoices under the on-sale contract provisions. The most recent and final auction was held in July 2018, covering output in the period from 1 October 2018 to 31 March 2019.

UNAUDITED BUSINESS REVIEW AND PRINCIPAL ACTIVITIES FOR THE YEAR ENDED 31 March 2019 continued

Renewables Obligation

Following the introduction of the Renewables Obligations (RO) in 2002, suppliers are required to buy ROCs in proportion to the total amount of electricity they sell. The obligation level was set at 46.8% for 2018/19, having risen from 40.9% in the previous year. Suppliers who fail to meet their obligation for the year are required to pay a buyout price to Ofgem originally set at £30/MWh from 1 April 2002 (which is indexed each year thereafter) in respect of the shortfall. For 2018/19 the buyout price was £47.22/MWh (2017/18: £45.58/MWh). The buy-out funds paid to Ofgem are pooled and redistributed to suppliers in proportion to the number of ROCs the supplier submitted. Bid prices under the RO reflect the market value to the supplier of ROCs sold with the electricity as suppliers' factor their forecast share of buy-out revenues into their bids. The price from suppliers for output in 2018/19 averaged 10.80 pence/kWh (2017/18: 9.69 pence/kWh).

Auctions

NFPA held one auction during the financial year on behalf of the Company covering SRO schemes. The auction was completed in July 2018 for 1 scheme amounting to some 2MW contracted capacity. On-Sale Agreements were awarded to one licensed supplier relating to the six month period to 31 March 2019.

In each instance, details of the schemes to be auctioned were made available at NFPA's internet auction site in accordance with the requirements of the Auction Code.

Average successful bid prices (pence/kWh) and corresponding MW capacity for the auction in this financial year is shown below.

	July 2018	
Technology	**MW Capacity**	**pence/kWh**
Landfill Gas	2	12.15
Weighted Average		**12.15**

Company Financing Operations

The Company received funds of £289,318 (2017/18: £273,358) from the Fossil Fuel Levy Scotland during the year 1 April 2018 to 31 March 2019, in accordance with The Fossil Fuel Levy Scotland (Amendment) Regulations 2005. These funds were supplemented by additional income consisting of £52 (2017/18: £119) net of tax from interest earned together with fees amounting to £3,676 (2017/18: £7,213) received from generators for the handling of SRO contract changes and the administration of contracts.

Fee income is principally due to administration charges. The charge was indexed to £8.63 (2017/18: £8.30) per day for the financial year.

Fossil Fuel Levy Scotland

Following payment settlement to SRO renewables generators, surplus proceeds of £0.8 million (2017/18: £1.2 million) were due to The Collector of the Fossil Fuel Levy Scotland in respect of the Company's trading activity for the 12 monthly billing periods to 31 March 2019. Ofgem announced on 7 December 2005 that the rate of the Fossil Fuel Levy in England and Wales, and in Scotland, would remain at zero from 1 April 2006, due to the continuing surplus of levy funds.

A levy surplus of just over £43 million had accumulated by the end of 2018/19 which was retained by the Scottish Levy Collector under the provisions of the Fossil Fuel Levy Regulations.

UNAUDITED BUSINESS REVIEW AND PRINCIPAL ACTIVITIES FOR THE YEAR ENDED 31 March 2019 continued

Scottish Renewables Obligation Orders

Renewables projects from SROs 1, 2 and 3 were awarded contract terms which last up to 15 years. Allowing for a lead-in period of up to 5 years for commissioning, the three Orders have been set to cover a period of up to 20 years, the last Order (SRO 3) not being due to close until March 2019.

SRO1 commenced in 1994 and 30 contracts were entered into amounting to 76MW capacity. The order terminated on 31 March 2012 consequently all contracts have now terminated.

SRO 2 commenced in 1997 and consists of 26 contracts totalling 114MW capacity. The order terminated on 31 March 2017 consequently all contracts have now terminated.

SRO 3 commenced in 1999. This is a considerably larger Order representing 53 contracts amounting to 145MW capacity. 1 contract of some 2MW capacity have commissioned by 31 March 2019 and 24 contracts have terminated.

As at 31 March 2019, the proportion of projects that have commissioned in relation to total represents 1% of the total number of contracts included in the Order.

Number of Schemes Commissioned by SRO and Technology as at 31 March 2019 with Associated Average Contract Prices for 2018/19:

	SRO 3	
	Commissioned	Weighted Indexed Average Contract Price
Landfill Gas	1	4.75
Total	**1**	**4.75**

Note: Weighted average contract prices are indexed to those applicable for the year 2018/19, and expressed as pence/kWh.

Progress of Renewables Contracts under SRO 3

Details of the progress towards commissioning for schemes under the remaining Order as at 31 March 2019 are given below.

Number of Generation Schemes in Progress as at 31 March 2019:

	Commissioned	Terminated/ Expected Termination	Due to Commission but Delayed	Total
SRO 3	1	24	28	53
Total	**1**	**24**	**28**	**53**

Generating Capacity in MW of Generation Schemes in Progress as at 31 March 2019:

	Commissioned	Terminated/ Expected Termination	Due to Commission but Delayed	Total
SRO 3	2	66	77	145
Total	**2**	**66**	**77**	**145**

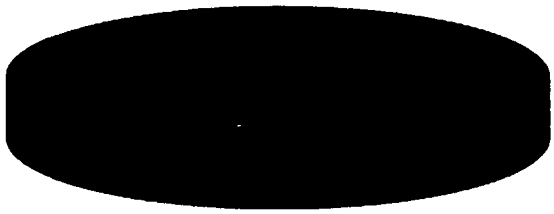
As the SRO Orders have been in place for more than fifteen years, schemes that have not commissioned fall into the delayed category.

Under SRO 3, approximately 2% of schemes have commissioned. The SRO 3 Order period ended in March 2019.

UNAUDITED BUSINESS REVIEW AND PRINCIPAL ACTIVITIES FOR THE YEAR ENDED 31 March 2019 continued

Figure 1: Generating Capacity (MW) by Technology of SRO 3 Schemes Commissioned as at 31 March 2019:

Note: Total of 3.4 MW Capacity Commissioned (Landfill)



Funding

Receipts from electricity sold at auction exceed payments made to generators at least partly because of the RO introduced in April 2002.

Additional Services

The Company has continued to provide additional services including the sale of additional metered output (AMO) from SRO 3 contracts at auction. Sales value of additional metered output for 2018/19 amounted to £nil (2017/18: £nil) excluding value added tax.

The triad avoidance benefit is required to be shared between the generator and supplier. An amount of £12,100 (2017/18: £69,721) excluding value added tax was invoiced to suppliers in respect of the benefit for 2018/19.

Following an amendment to the SRO 2 and 3 generator contracts, the generator distribution use of system benefit is allowed to be passed from supplier to generator. An amount of £63,787 (2017/18: £95,925) excluding value added tax was invoiced to suppliers in respect of the benefit for 2018/19.

Following the introduction of Renewable Energy Guarantees of Origin (REGOs) as part of a European Union directive to promote electricity from renewable sources, REGOs are issued within the UK by Ofgem at a generator's request, and a REGO register is maintained by Ofgem which contains accounts to record holdings of REGOs. The Company holds an account in the REGO register, as it is required as Nominated Person to provide information for schemes which are qualifying arrangements. The Company supplies appropriate generation output details to Ofgem each month which enables it to issue REGOs for SRO generating stations.

Principal Risks Facing the Company

The management of the business and the execution of the Company's strategy are subject to a number of risks.

UNAUDITED BUSINESS REVIEW AND PRINCIPAL ACTIVITIES FOR THE YEAR ENDED 31 March 2019 continued

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. The key business risks affecting the Company are considered to relate to the operation of IT systems, employee retention, non-compliance with the Auction Code or On-Sale Agreement provisions, or if the Company should fail to comply with Fossil Fuel Levy Regulations.

Future Developments

Due to the ending of the provisions of The Electricity from Non-Fossil Fuel Sources (Scotland) Savings Arrangements Order 2005 the directors of the Company believe the Company will not continue to trade beyond the next twelve months.

A R Wood
Chairman
7 November 2019

Independent auditors' report to the members of NFPA Scotland Limited

Report on the audit of the financial statements

Opinion

In our opinion, NFPA Scotland Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the statement of comprehensive income, and the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to the statement of accounting policies, which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Unaudited Business Review and Principal Activities for the year ended 31 March 2019, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report, Directors' Report and Unaudited Business Review and Principal Activities for the year ended 31 March 2019

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report, Directors' Report and Unaudited Business Review and Principal Activities for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of NFPA Scotland Limited (continued)

Strategic Report, Directors' Report and Unaudited Business Review and Principal Activities for the year ended 31 March 2019 (continued)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report, Directors' Report and Unaudited Business Review and Principal Activities for the year ended 31 March 2019.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statemnents set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
7 November 2019

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note		2019		2018
		£	£	£	£
Turnover					
Sales of electricity to licensed suppliers		1,454,523		2,591,071	
Fees for contract administration, amendments and assignments		3,676		7,213	
			1,458,199		2,598,284
Cost of sales					
Purchase of electricity from SRO generators			(688,623)		(1,432,662)
Gross profit			769,576		1,165,622
Remit to The Collector of the Fossil Fuel Levy Scotland	1		(769,576)		(1,165,622)
			-		-
Administrative expenses					
Auditors' fees: Audit		(5,600)		(5,437)	
Non-audit- internal audit services		(1,616)		(1,588)	
- other taxation services		(1,525)		(1,500)	
- other services		(1,000)		(1,000)	
Insurance		(3,563)		(4,174)	
Rent, rates and other building costs		(13,456)		(11,874)	
Legal and professional charges	2	(50,087)		(2,503)	
Other administrative expenses	3	(212,181)		(245,401)	
			(289,028)		(273,477)
Other operating income					
Funding from the Scottish Fossil Fuel Levy	4		289,318		273,358
Operating profit/(loss)			290		(119)
Interest receivable and similar income	5		64		147
Interest payable and similar expenses	5		(342)		-
Profit before taxation			12		28
Tax on profit	6		(12)		(28)
Result for the financial year			-		-
Other comprehensive income:					
Other comprehensive income for the year net of tax			-		-
Total comprehensive income for the year			-		-

BALANCE SHEET

As at 31 March 2019	**Note**	**£**	**2019 £**	**£**	**2018 £**
Current assets					
Debtors	7	274,601		408,135	
Cash and cash equivalents		49,916		32,253	
			324,517		440,388
Creditors: amounts falling due within one year	8		(324,515)		(440,386)
Net current assets			2		2
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account			-		-
Total shareholders' funds			2		2

The financial statements on pages 12 to 21 were approved by the board of directors on 7 November 2019 and signed on its behalf by

A R Wood
Chairman

Registered Number 5519455

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
Balance as at 31 March 2017	2	-	2
Result for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2018	2	-	2
Result for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2019	2	-	2

STATEMENT OF ACCOUNTING POLICIES

General Information

NFPA Scotland Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 4th Floor Higham House, New Bridge Street West, Newcastle Upon Tyne, NE1 8AN.

The Company is a trading company and its trading position has remained unchanged since the Company's incorporation.

Statement of Compliance

The financial statements of NFPA Scotland Limited have been prepared in compliance with the United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

We have prepared the accounts on a basis other than going concern due to the fact that the entity intends to cease trading within the next twelve months. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities. No further adjustments were required during the financial year.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in policy "Critical judgements and estimates in applying the accounting policies" included within this note.

Going Concern

Due to the ending of the provisions of The Electricity from Non-Fossil Fuel Sources (Scotland) Saving Arrangements Order 2005 the directors of the Company believe the Company will not continue to trade beyond the next twelve months. Thus they have adopted a basis of other than going concern in preparing the annual financial statements.

Basis of qualifying exemptions under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.
The Company has taken advantage of the exemption from disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7.
The Company has taken advantage of the exemption, under FRS102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company NFPA Holdings Limited, includes the company's cash flows in its own consolidated financial statements.

Turnover

Turnover represents the value of sales of electricity to licensed suppliers and fees for contract administration, amendments and assignment, excluding value added tax, all within the United Kingdom. Turnover is recognised when the risks and rewards of the service are transferred to a customer.

STATEMENT OF ACCOUNTING POLICIES continued

Interest Receivable

Bank interest received (after deduction of Corporation Tax) during the year by NFPASc in its role as Nominated Person has been accounted for in reducing the Fossil Fuel Levy funding requirement.

Accrued Income

Accrued income represents sales of electricity to licensed suppliers and fees for contract administration, amendments and assignment.

Cost Allocation

Costs incurred by NFPA in providing services to NFPAS and NFPASc are recharged without profit to NFPAS and NFPASc according to a cost allocation procedure which was submitted to Ofgem. Overhead costs are apportioned to NFPASc on the basis of the number of SRO schemes in relation to the total number of schemes. The financial provisions governing the recharge of costs by NFPA and NFPASc are disclosed in the Services Agreement dated 5 December 2005 between NFPASc and NFPA.

Employee Benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and multi-employer pension plans.

i) Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Cash and cash equivalents

Cash includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial Instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets
Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

STATEMENT OF ACCOUNTING POLICIES continued

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities
Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company does not hold or issue any derivative financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Critical Judgements and Estimates in applying the Accounting Policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, turnover and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Management do not consider any critical judgements and estimates to have a significant impact on the accounts of NFPA Scotland Limited.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2019

1. **Remit to The Collector of the Fossil Fuel Levy Scotland**

The surplus on trading activity of £769,576 (2017/18: £1,165,622) represented the difference between total receipts due from licensed suppliers as a result of contracts awarded to suppliers successful in the auctions, and total payments due to be paid by the Company to SRO generators. The surplus is remitted to The Collector of the Fossil Fuel Levy Scotland in accordance with the provisions of The Electricity from Non-Fossil Fuel Sources (Scotland) Saving Arrangements Order 2005.

2. **Legal and Professional Charges**

The Company employed legal advisors to provide advice on contractual matters, auction arrangements and financial services legislation and employment and pension issues. The total cost of all legal and professional services amounted to £50,087 (2017/18: £2,503).

3. **Other Administrative Expenses**

Other administrative expenses include:

(a) **NFPA Salaries and Expenses Recharged to the Company**

Costs inclusive of overheads were recharged to the Company in 2018/19 based on the number of SRO schemes in relation to the total number of statutory schemes. The total staff cost amounted to £195,755 (2017/18: £235,391).

Staff costs:	**2019** **£**	**2018** **£**
Wages and salaries	69,022	51,640
Social security costs	8,789	6,346
Other pension costs	117,944	177,405
	195,755	235,391

The average monthly number of people (including executive directors) employed by NFPA and recharged:

	2019 **number**	**2018** **number**
Directors	3	3
Administration	7	7
	10	10

(b) **Directors' Emoluments**

Included in the total staff cost of £195,755 (2017/18: £235,391) above are emoluments to directors amounting to £42,627 (2017/18: £32,910) borne by the parent company, NFPA and recharged to the Company.

NOTES TO THE ACCOUNTS continued

(c) **Equipment Usage**

The charge for use of equipment owned by NFPA amounted to £730 (2017/18: £595).

4. **Funding from the Scottish Fossil Fuel Levy**

The cost of the Company's operations has been met by total funds of £289,318 (2017/18: £273,358) received from the Scottish Fossil Fuel Levy.

5. **Interest Receivable/Payable and Similar Income/Expenses**

Income of £64 (2017/18: £147) was obtained from interest received (gross of tax) from the short-term investment of levy proceeds pending payment to generators, and other fees arising from SRO contracts management during the year.

Interest payable represents bank interest of £342 (2017/18: £ nil).

6. **Tax on Profit**

		2019	2018
		£	**£**
a)	Current tax:		
	UK corporation tax on profit for the year	12	28
	Total tax	12	28

b) The tax assessed for the year is higher (2017/18: higher) than the main tax rate in the UK 19% (2017/18: 19%)

	2019	2018
The differences are explained below	**£**	**£**
Profit before taxation	12	28
Profit before taxation multiplied by the main rate of Corporation tax in the UK 19% (2017/18: 19%)	2	5
Effects of:		
Income not taxable	(21,601)	(25,539)
Pensions	21,611	25,562
Tax charge for the year	12	28

c) Factors that may affect future tax charges:

The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. A further reduction in the main corporation tax rate to 17% from 1 April 2020 was announced in the 2016 Budget and substantively enacted in the Finance Act 2016.

NOTES TO THE ACCOUNTS continued

7. **Debtors**	**2019** £	**2018** £
Trade debtors	132,987	329,499
Amounts owed by group undertakings	32,577	9,963
Taxation and social security	-	3,996
Prepayments and accrued income	109,037	64,677
	274,601	408,135

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

8. **Creditors: amounts falling due within one year**	**2019** £	**2018** £
Trade creditors	219,348	381,974
Amounts owed to group undertakings	30,141	26,956
Corporation tax	12	28
Other taxation and social security	5,984	-
Accruals and deferred income	69,030	31,428
	324,515	440,386

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Amounts owed to group undertakings consist of a recharge of cost of services provided by NFPA on behalf of the Company amounting to £30,141 (2017/18: £26,956) which is due to be invoiced to the Company in 2019/20. Accruals and deferred income consist of costs incurred for the financial year including staff costs, consultancy and audit fees totalling £69,030 (2017/18: £31,428) due to be invoiced in 2019/20.

9. **Financial Instruments by Category**	**2019** £	**2018** £
Financial assets		
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	132,987	329,499
Cash and cash equivalents	49,916	32,253
	182,903	361,752
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	219,348	381,974
	219,348	381,974

NOTES TO THE ACCOUNTS continued

10. **Called up Share Capital**

	2019 £	2020 £
100 (2018: 100) ordinary shares of £1 each	100	100
Allotted and fully paid: 2 (2018: 2) ordinary shares of £1 each	2	2

There is a single class of ordinary shares. The shares have attached to them full voting, individual and capital distribution (including in winding up) rights. They do not confer any rights of redemption.

11. **Ultimate Parent Undertaking and Controlling Party**

The directors consider the Company's ultimate holding company and controlling party to be NFPA Holdings Limited ("NFPAH"), which is incorporated in England and Wales. Non-Fossil Purchasing Agency Limited is the immediate parent company of the Company. NFPAH is the ultimate parent undertaking of the largest and smallest group to consolidate these accounts. Copies of the NFPAH group accounts can be obtained from the Company Secretary at 4th Floor, Higham House, New Bridge Street West, Newcastle upon Tyne, NE1 8AN.