

Registered number: SC233625

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**ABERDEEN HEAT AND POWER  
COMPANY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

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COMPANIES HOUSE

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

(A company limited by guarantee)



**COMPANY INFORMATION**

**DIRECTORS**

Derek Dunn  
Julia Gallagher  
Norman Kerr  
Michael King  
Janice Lyon  
Ramsay Milne  
Jean Morrison  
Mike Scott  
Fred Stewart  
Michael Martin (resigned 19 February 2016)

**COMPANY SECRETARY**

Brodies Secretarial Services Limited

**REGISTERED NUMBER**

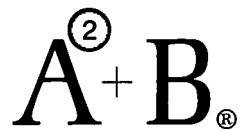
SC233625

**REGISTERED OFFICE**

15 Atholl Crescent  
Edinburgh  
Midlothian  
EH3 8HA

**INDEPENDENT AUDITORS**

Anderson Anderson & Brown LLP  
Prime Four Business Park  
Kingswells  
Aberdeen  
AB15 8PU



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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2016  
DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 March 2016.

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS**

The principal activity of the company continues to be that of development and operation of district heating schemes for the benefit of the people of Aberdeen, through the supply of heat and hot water to the residents of multi-storey accommodation and public buildings, and the generation of electricity for sale to public buildings through private wires and to the National Grid.

Throughout this financial year the company has continued to operate existing schemes at Stockethill, Hazlehead and Seaton. The extension to the Stockethill system has been completed with a new larger generator coming on stream prior to the year end to meet heat demand from the extended heat network at Stockethill. This network now supplies heat to over 500 flats in the Stockethill / Cairncry area. Throughout the next year the scheme will be extended further to the Smithfield and Manor Walk areas to provide heat to new housing developments in these areas. This will also open up potential for further connections to other multi storey blocks in these areas.

Also concluded in the financial year was the project to connect the seven multi storey blocks at Tillydrone from the new energy centre. Heat was supplied via a temporary boiler house until the new generator was brought on line in November. The system was also connected to the nearby Riverbank school and a heat connection has also been made to Aberdeen Lads Club as a DEAL (District Energy Aberdeen Limited - wholly owned subsidiary of Aberdeen Heat & Power) customer.

Work that was started in the previous year to fit out a stand-alone block at Smithfield Court was concluded in the financial year bringing the stand-alone block systems now to eight blocks, with thirty-three blocks connected to the four energy centres as above. In addition we are now connected to fifteen public buildings, which gives diversity in heat demand and overall efficiency in operation.

Mechanical and electrical installation of a new 1MW generator for the Linx Ice Arena is underway. This generator was purchased through a £1m loan from the District Heat Loan Fund to provide additional capacity of the Seaton system and to be able to provide a private wire connection to the beach complex. The excess heat capacity will then be available for sale through DEAL to non-Council customers and through AH&P to Council connections that have been identified towards the city centre.

Within the next financial year the company carry out fit out of a further four stand-alone blocks. In addition the extension to the Stockethill network mentioned previously is now well under way. The company is well positioned to carry on with expansion and has recently carried out a business plan review.

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £657,267 (2015 - £431,047).

**DIRECTORS**

The directors who served during the year were:

- Derek Dunn
- Julia Gallagher
- Norman Kerr
- Michael King
- Janice Lyon
- Ramsay Milne
- Jean Morrison
- Mike Scott
- Fred Stewart
- Michael Martin (resigned 19 February 2016)

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

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

**POST BALANCE SHEET EVENTS**

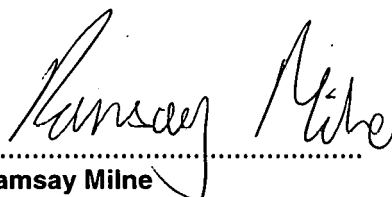
There have been no significant events affecting the Company since the year end.

**AUDITORS**

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

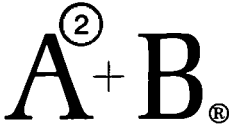
In preparing this report, the directors have taken advantage of the small companies exemptions provided by the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**Ramsay Milne**  
Director

Date: 24 August 2016



DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016

The directors are responsible for preparing the Directors' report and the financial statements in accordance with

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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.

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

**(A company limited by guarantee)**



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABERDEEN HEAT AND POWER COMPANY LIMITED**

We have audited the financial statements of Aberdeen Heat And Power Company Limited for the year ended 31 March 2016, set out on pages 6 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland, applicable to smaller entities.'

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Small Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Directors' Report.

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

(A company limited by guarantee)



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABERDEEN HEAT AND POWER COMPANY LIMITED**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements and the Directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

*Anderson Anderson & Brown LLP*

John Black (Senior statutory auditor)

for and on behalf of

**Anderson Anderson & Brown LLP**

Statutory Auditor

Prime Four Business Park

Kingswells

Aberdeen

AB15 8PU

Date: 24 August 2016



**ABERDEEN HEAT AND POWER COMPANY LIMITED**  
**(A company limited by guarantee)**



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

|  | Note | 2016<br>£        | 2015<br>£       |
|--|------|------------------|-----------------|
| Turnover   | 4    | 3,577,829        | 2,940,346       |
| Cost of sales  |      | (2,457,132)      | (2,117,016)     |
| <b>Gross profit</b>  |      | <b>1,120,697</b> | <b>823,330</b>  |
| Administrative expenses                                    |      | (685,020)        | (586,558)       |
| Other operating income                                     | 5    | 385,714          | 306,642         |
| <b>Operating profit</b>                                    | 6    | <b>821,391</b>   | <b>543,414</b>  |
| Interest receivable and similar income                     | 9    | 5,360            | 12,886          |
| Interest payable and expenses                              |      | (17,484)         | -               |
| <b>Profit before tax</b>                                   |      | <b>809,267</b>   | <b>556,300</b>  |
| Tax on profit  | 10   | (152,000)        | (125,253)       |
| <b>Profit for the year</b>                                 |      | <b>657,267</b>   | <b>431,047</b>  |
| <b>Other comprehensive income for the year:</b>            |      |                  |                 |
| Actuarial gains/(losses) on defined benefit pension scheme |      | 8,000            | (19,000)        |
| <b>Other comprehensive income for the year</b>             |      | <b>8,000</b>     | <b>(19,000)</b> |
| <b>Total comprehensive income for the year</b>             |      | <b>665,267</b>   | <b>412,047</b>  |

The notes on pages 10 to 27 form part of these financial statements.

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

(A company limited by guarantee)  
REGISTERED NUMBER: SC233625



**BALANCE SHEET  
AS AT 31 MARCH 2016**

|   | Note | 2016<br>£               | 2015<br>£               |
|---|------|-------------------------|-------------------------|
| <b>Fixed assets</b>                                     |      |                         |                         |
| Tangible assets   | 11   | 11,462,661              | 10,291,932              |
| Investments   | 12   | 1                       | 1                       |
|   |      | <u>11,462,662</u>       | <u>10,291,933</u>       |
| <b>Current assets</b>                                   |      |                         |                         |
| Stocks  | 13   | 30,234                  | 6,615                   |
| Debtors: amounts falling due within one year            | 14   | 926,235                 | 885,816                 |
| Cash at bank and in hand                                | 15   | 1,164,004               | 2,354,876               |
|   |      | <u>2,120,473</u>        | <u>3,247,307</u>        |
| Creditors: amounts falling due within one year          | 16   | (890,615)               | (1,010,442)             |
| <b>Net current assets</b>                               |      | <u>1,229,858</u>        | <u>2,236,865</u>        |
| <b>Total assets less current liabilities</b>            |      | <u>12,692,520</u>       | <u>12,528,798</u>       |
| Creditors: amounts falling due after more than one year | 17   | (489,952)               | -                       |
| <b>Provisions for liabilities</b>                       |      |                         |                         |
| Deferred tax  |      | (175,928)               | (80,928)                |
| Other provisions  | 20   | (39,160)                | (49,230)                |
|   |      | <u>(215,088)</u>        | <u>(130,158)</u>        |
| Accruals and deferred income                            | 21   | (9,851,125)             | (10,931,552)            |
| <b>Net assets excluding pension liability</b>           |      | <u>2,136,355</u>        | <u>1,467,088</u>        |
| Pension liability                                       |      | (110,000)               | (106,000)               |
| <b>Net assets</b>                                       |      | <u><u>2,026,355</u></u> | <u><u>1,361,088</u></u> |
| <b>Capital and reserves</b>                             |      |                         |                         |
| Profit and loss account                                 |      | <u>2,026,355</u>        | <u>1,361,088</u>        |
|   |      | <u><u>2,026,355</u></u> | <u><u>1,361,088</u></u> |

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

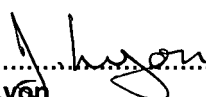
ABERDEEN HEAT AND POWER COMPANY LIMITED

(A company limited by guarantee)  
REGISTERED NUMBER: SC233625



**BALANCE SHEET (continued)**  
**AS AT 31 MARCH 2016**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
.....  
**Janice Lyon**  
Director

Date: 24 August 2016

  
.....  
**Ramsay Milne**  
Director

Date: 24 August 2016

The notes on pages 10 to 27 form part of these financial statements.

**ABERDEEN HEAT AND POWER COMPANY LIMITED**  
**(A company limited by guarantee)**



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

|  | Retained<br>earnings<br>£ | Total equity<br>£ |
|--|---------------------------|-------------------|
| At 1 April 2015                                | 1,361,088                 | 1,361,088         |
| <b>Comprehensive income for the year</b>       |                           |                   |
| Profit for the year                            | 657,267                   | 657,267           |
| Actuarial gains on pension scheme              | 8,000                     | 8,000             |
| <b>Total comprehensive income for the year</b> | 665,267                   | 665,267           |
| <b>At 31 March 2016</b>                        | <b>2,026,355</b>          | <b>2,026,355</b>  |

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2015**

|  | Retained<br>earnings<br>£ | Total equity<br>£ |
|--|---------------------------|-------------------|
| At 1 April 2014                                | 949,041                   | 949,041           |
| <b>Comprehensive income for the year</b>       |                           |                   |
| Profit for the year                            | 431,047                   | 431,047           |
| Actuarial losses on pension scheme             | (19,000)                  | (19,000)          |
| <b>Total comprehensive income for the year</b> | 412,047                   | 412,047           |
| <b>Total transactions with owners</b>          | -                         | -                 |
| <b>At 31 March 2015</b>                        | <b>1,361,088</b>          | <b>1,361,088</b>  |

The notes on pages 10 to 27 form part of these financial statements.

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

**(A company limited by guarantee)**



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**1. GENERAL INFORMATION**

The company is a private company limited by guarantee, which is incorporated and registered in Scotland (no.SC233625). The address of the registered office is 15 Atholl Crescent, Edinburgh, Midlothian, EH3 8HA.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 29 for an explanation of the transition.

The following principal accounting policies have been applied:

**2.2 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2. ACCOUNTING POLICIES (continued)

2.3 Tangible fixed assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

The estimated useful lives range as follows:

|                                  |   |   |
|----------------------------------|---|---|
| Tenant improvements              | - | over the term of the lease  |
| Plant & machinery                | - | 3 to 50 years straight line   |
| Assets in course of construction | - | assets in the course of construction are not depreciated until such point as the asset is complete and in use |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

2.4 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**2. ACCOUNTING POLICIES (continued)**

**2.6 Stocks**

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

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

**2.7 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.9 Financial instruments**

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2. ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Government grants

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

Grants of a revenue nature are recognised in the Profit and loss account in the same period as the related expenditure.

2.12 Capital grants

Capital grants relating to tangible fixed assets are treated as deferred income and released to the Profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and loss account as the related expenditure is incurred.

2.13 Finance costs

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**2. ACCOUNTING POLICIES (continued)**

**2.14 Pensions**

**Defined benefit pension plan**

The Company is part of a multi-employer pension scheme for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

**2.15 Interest income**

Interest income is recognised in the Profit and loss account using the effective interest method.

**2.16 Borrowing costs**

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2. ACCOUNTING POLICIES (continued)

2.17 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY**

The preparation of financial statements, requires management to make judgemental, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgemental are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgemental and estimates have had the most significant impact on amounts recognised in the financial statements:

**Taxation**

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax authorities and differing interpretations of tax regulations by the group and the tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

**Operating lease commitments**

As a lessee the company utilises property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

**Pensions**

The cost of defined benefit pension plans is determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

**4. TURNOVER**

0.0% of the Company's turnover (2015 - NIL) is attributable to geographical markets outside the United Kingdom.

**ABERDEEN HEAT AND POWER COMPANY LIMITED****(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016****5. OTHER OPERATING INCOME**

|                              | 2016<br>£      | 2015<br>£      |
|------------------------------|----------------|----------------|
| Government grants receivable | 385,714        | 306,642        |
|                              | <u>385,714</u> | <u>306,642</u> |

**6. OPERATING PROFIT**

The operating profit is stated after charging:

|                                       | 2016<br>£      | 2015<br>£      |
|---------------------------------------|----------------|----------------|
| Depreciation of tangible fixed assets | 456,958        | 377,394        |
| Defined benefit pension cost          | 15,348         | 14,291         |
|                                       | <u>472,306</u> | <u>391,685</u> |

During the year, no director received any emoluments (2015 - £NIL).

**7. AUDITORS' REMUNERATION**

|   | 2016<br>£    | 2015<br>£    |
|---|--------------|--------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | 9,300        | 9,000        |
|   | <u>9,300</u> | <u>9,000</u> |

**8. EMPLOYEES**

The average monthly number of employees, including directors, during the year was 13 (2015 - 13).

**9. INTEREST RECEIVABLE**

|                           | 2016<br>£    | 2015<br>£     |
|---------------------------|--------------|---------------|
| Other interest receivable | 5,360        | 12,886        |
|                           | <u>5,360</u> | <u>12,886</u> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**10. TAXATION**

|  | 2016<br>£             | 2015<br>£             |
|--|-----------------------|-----------------------|
| <b>CORPORATION TAX</b>                           |                       |                       |
| Current tax on profits for the year              | 73,000                | 122,147               |
| Adjustments in respect of previous periods       | (16,000)              | 243                   |
| <b>TOTAL CURRENT TAX</b>                         | <u>57,000</u>         | <u>122,390</u>        |
| <b>DEFERRED TAX</b>                              |                       |                       |
| Origination and reversal of timing differences   | 99,000                | 2,863                 |
| Changes to tax rates                             | (20,000)              | -                     |
| Adjustments in respect of prior periods          | 16,000                | -                     |
| <b>TOTAL DEFERRED TAX</b>                        | <u>95,000</u>         | <u>2,863</u>          |
| <b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b> | <u><u>152,000</u></u> | <u><u>125,253</u></u> |

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 20% (2015 - 21%).

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**11. TANGIBLE FIXED ASSETS**

|                             | Tenant's<br>improvements<br>£ | Plant &<br>machinery<br>£ | Assets in the<br>course of<br>construction<br>£ | Total<br>£        |
|-----------------------------|-------------------------------|---------------------------|---|-------------------|
| <b>Cost or valuation</b>    |                               |                           |   |                   |
| At 1 April 2015             | 53,668                        | 8,619,686                 | 3,862,661                                       | 12,536,015        |
| Additions                   | 520                           | 44,076                    | 2,346,079                                       | 2,390,675         |
| Disposals                   | -                             | (33,488)                  | (732,748)                                       | (766,236)         |
| Transfers between classes   | -                             | 4,911,051                 | (4,911,051)                                     | -                 |
| <b>At 31 March 2016</b>     | <b>54,188</b>                 | <b>13,541,325</b>         | <b>564,941</b>                                  | <b>14,160,454</b> |
| <b>Depreciation</b>         |                               |                           |   |                   |
| At 1 April 2015             | 13,116                        | 2,230,967                 | -   | 2,244,083         |
| Charge owned for the period | 5,393                         | 451,565                   | -   | 456,958           |
| Disposals                   | -                             | (3,248)                   | -   | (3,248)           |
| <b>At 31 March 2016</b>     | <b>18,509</b>                 | <b>2,679,284</b>          | <b>-</b>  | <b>2,697,793</b>  |
| <b>At 31 March 2016</b>     | <b>35,679</b>                 | <b>10,862,041</b>         | <b>564,941</b>                                  | <b>11,462,661</b> |
| At 31 March 2015            | 40,552                        | 6,388,719                 | 3,862,661                                       | 10,291,932        |

Assets in the course of construction are not depreciated until such point as the asset is complete and in use.

Certain fixed assets are situated on land owned by Aberdeen City Council who have reserved ownership powers over the assets or are fixed assets situated on Aberdeen City Council land who have granted a licence to occupy. These are commercial arrangements entered into in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

12. FIXED ASSET INVESTMENTS

|                                | Investments<br>in subsidiary<br>companies<br>£ |
|--------------------------------|--|
| <b>Cost or valuation</b>       |  |
| At 1 April 2015                | 1  |
| <b>At 31 March 2016</b>        | <u>1</u>                                       |
| <b>Net book value</b>          |  |
| At 31 March 2016               | <u>1</u>                                       |
| At 31 March 2015               | <u>1</u>                                       |
| <b>SUBSIDIARY UNDERTAKINGS</b> |  |

The following were subsidiary undertakings of the Company:

| Name                             | Country of<br>incorporation | Class of<br>shares | Holding | Principal activity      |
|----------------------------------|-----------------------------|--------------------|---------|-------------------------|
| District Energy Aberdeen Limited | Scotland                    | Ordinary           | 100 %   | Retail supplier of heat |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

13. STOCKS

|                                     | 2016<br>£     | 2015<br>£    |
|-------------------------------------|---------------|--------------|
| Finished goods and goods for resale | 30,234        | 6,615        |
|                                     | <u>30,234</u> | <u>6,615</u> |

14. DEBTORS

|                                    | 2016<br>£      | 2015<br>£      |
|------------------------------------|----------------|----------------|
| Trade debtors                      | 660,729        | 569,273        |
| Amounts owed by group undertakings | 38,452         | 75,826         |
| Other debtors                      | -              | 73,505         |
| Prepayments and accrued income     | 227,054        | 167,212        |
|                                    | <u>926,235</u> | <u>885,816</u> |

15. CASH AND CASH EQUIVALENTS

|                          | 2016<br>£        | 2015<br>£        |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 1,164,004        | 2,354,876        |
|                          | <u>1,164,004</u> | <u>2,354,876</u> |

16. CREDITORS: Amounts falling due within one year

|                              | 2016<br>£      | 2015<br>£        |
|------------------------------|----------------|------------------|
| Other loans                  | 51,893         | -                |
| Trade creditors              | 66,709         | 400,327          |
| Corporation tax              | 57,008         | 122,147          |
| Taxation and social security | 43,790         | 1,943            |
| Other creditors              | 289,711        | 84,576           |
| Accruals and deferred income | 381,504        | 401,449          |
|                              | <u>890,615</u> | <u>1,010,442</u> |



**ABERDEEN HEAT AND POWER COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**17. CREDITORS: Amounts falling due after more than one year**

|             | 2016<br>£      | 2015<br>£ |
|-------------|----------------|-----------|
| Other loans | 489,952        | -         |
|             | <u>489,952</u> | <u>-</u>  |

**18. LOANS**

Analysis of the maturity of loans is given below:

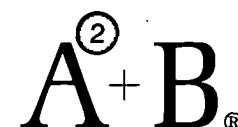
|  | 2016<br>£      | 2015<br>£ |
|--|----------------|-----------|
| <b>Amounts falling due within one year</b>         |                |           |
| Other loans  | 51,893         | -         |
|  | <u>51,893</u>  | <u>-</u>  |
| <b>Amounts falling due 2-5 years</b>               |                |           |
| Other loans  | 225,845        | -         |
|  | <u>225,845</u> | <u>-</u>  |
| <b>Amounts falling due after more than 5 years</b> |                |           |
| Other loans  | 264,107        | -         |
|  | <u>264,107</u> | <u>-</u>  |

**19. DEFERRED TAXATION**

|                               | Deferred tax<br>£     |
|-------------------------------|-----------------------|
| At 1 April 2015               | 80,928                |
| Charged to the profit or loss | 95,000                |
| <b>At 31 March 2016</b>       | <u><u>175,928</u></u> |

The provision for deferred taxation is made up as follows:

|                                | 2016<br>£      | 2015<br>£     |
|--------------------------------|----------------|---------------|
| Accelerated capital allowances | 175,928        | 80,928        |
|                                | <u>175,928</u> | <u>80,928</u> |

**ABERDEEN HEAT AND POWER COMPANY LIMITED****(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016****20. PROVISIONS**

|                         | Provision for<br>cost<br>escalations of<br>internals<br>£ |
|-------------------------|---|
| At 1 April 2015         | 49,230  |
| Utilised in year        | (10,070)  |
| <b>AT 31 MARCH 2016</b> | <b>39,160</b>   |

The company has an obligation to install heating systems (internals) into certain properties on behalf of Aberdeen City Council. The estimated cost of these works at current prices is £190,541. Funding amounting to £151,381 has already been received for the completion of this work. The above provision is to account for the current cost escalation of installation since the obligation arose.

**21. ACCRUALS AND DEFERRED INCOME**

|                | 2016<br>£        | 2015<br>£         |
|----------------|------------------|-------------------|
| Capital Grants | 9,851,125        | 10,931,552        |
|                | <u>9,851,125</u> | <u>10,931,552</u> |

**22. RESERVES**

For internal management purposes a decision was made to have a designated fund set aside to account for significant equipment replacement and renewal expenditure to be incurred in the future.

|   | 30 year<br>cyclical<br>replacement<br>provision<br>£ | Profit and<br>loss account<br>£ |
|---|--|---------------------------------|
| At 1 April 2015                           | 176,205  | 1,184,883                       |
| Profit for the financial year             | -  | 665,267                         |
| Transfer from the profit and loss account | 176,205  | (176,205)                       |
|   | <u>352,410</u>                                       | <u>1,673,945</u>                |

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**23. COMPANY STATUS**

The company is a private company limited by guarantee and consequently does not have share capital.

**24. CAPITAL COMMITMENTS**

At 31 March 2016 the Company had capital commitments as follows:

|  | 2016<br>£        | 2015<br>£        |
|--|------------------|------------------|
| Contracted for but not provided in these financial statements. | 1,022,053        | 2,991,561        |
|  | <u>1,022,053</u> | <u>2,991,561</u> |

**25. PENSION COMMITMENTS**

The Company operates a Defined benefit pension scheme, which is funded.

The pension cost and provision for the year ending 31 March 2016 are based on the advice of a professionally qualified actuary. The most recent formal valuation is dated 31 March 2016. The results of this valuation were there is a liability at the year end of £110,000.

**26. COMMITMENTS UNDER OPERATING LEASES**

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

|                    | 2016<br>£     | 2015<br>£     |
|--------------------|---------------|---------------|
| Later than 5 years | 14,500        | 14,500        |
| <b>Total</b>       | <u>14,500</u> | <u>14,500</u> |

**ABERDEEN HEAT AND POWER COMPANY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**27. RELATED PARTY TRANSACTIONS**

**Control**

During the year the company was controlled by the board of directors.

**Transactions**

On 21 February 2003 the company entered into a 50 year agreement with Aberdeen City Council to supply heat to residential tenants. In consideration for this supply, Aberdeen City Council pay to the company a monthly heat and maintenance charge calculated per connected property which is renegotiated on an annual basis.

In addition to this, Aberdeen City Council have provided to the company the capital required to develop the network and this contribution is recorded as grants with an annual release to match the fixed asset depreciation charge and transfer of ownership back to Aberdeen City Council for the dwelling internals. The net balance of the deferred grant at 31 March 2016 was £9,851,125 (2015 - 10,931,552).

**28. CONTROLLING PARTY**

The company is limited by guarantee and has five members. Control of the company rests with the Board of Directors which is independent from the members.

**ABERDEEN HEAT AND POWER COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

**29. FIRST TIME ADOPTION OF FRS 102**

|  | Note | As previously<br>stated<br>1 April<br>2014<br>£ | Effect of<br>transition<br>1 April<br>2014<br>£ | FRS 102<br>(as restated)<br>1 April<br>2014<br>£ | As previously<br>stated<br>31 March<br>2015<br>£ | Effect of<br>transition<br>31 March<br>2015<br>£ | FRS 102<br>(as restated)<br>31 March<br>2015<br>£ |
|--|------|---|---|--|--|--|---|
| Fixed assets                                   |      | 8,440,562                                       | -   | 8,440,562  | 10,291,933                                       | -  | 10,291,933  |
| Current assets                                 |      | 2,257,259                                       | -   | 2,257,259  | 3,247,307  | -  | 3,247,307   |
| Creditors: amounts falling due within one year |      | (1,030,439)                                     | -   | (1,030,439)                                      | (1,010,442)                                      | -  | (1,010,442)                                       |
| <b>Net current assets</b>                      |      | <b>1,226,820</b>                                | <b>-</b>  | <b>1,226,820</b>                                 | <b>2,236,865</b>                                 | <b>-</b>   | <b>2,236,865</b>                                  |
| <b>Total assets less current liabilities</b>   |      | <b>9,667,382</b>                                | <b>-</b>  | <b>9,667,382</b>                                 | <b>12,528,798</b>                                | <b>-</b>   | <b>12,528,798</b>                                 |
| Provisions for liabilities                     |      | (8,637,344)                                     | (81,000)  | (8,718,344)                                      | (11,061,710)                                     | (106,000)  | (11,167,710)                                      |
| <b>Net assets</b>                              |      | <b>1,030,038</b>                                | <b>(81,000)</b>                                 | <b>949,038</b>                                   | <b>1,467,088</b>                                 | <b>(106,000)</b>                                 | <b>1,361,088</b>                                  |
| Capital and reserves                           |      | 1,030,038                                       | (81,000)  | 949,038  | 1,467,088  | (106,000)  | 1,361,088   |

**ABERDEEN HEAT AND POWER COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**29. FIRST TIME ADOPTION OF FRS 102 (continued)**

|  | Note | As previously<br>stated<br>31 March<br>2015<br>£ | Effect of<br>transition<br>31 March<br>2015<br>£ | FRS 102<br>(as restated)<br>31 March<br>2015<br>£ |
|--|------|--|--|---|
| Turnover   |      | 2,940,346  | -  | 2,940,346   |
| Cost of sales  |      | (2,117,016)                                      | -  | (2,117,016)                                       |
|  |      | <hr/>  | <hr/>  | <hr/>   |
|  |      | 823,330  | -  | 823,330   |
| Administrative expenses  |      | (580,558)  | (6,000)  | (586,558)   |
| Other operating income   |      | 306,642  | -  | 306,642   |
|  |      | <hr/>  | <hr/>  | <hr/>   |
| <b>Operating profit</b>  |      | 549,414  | (6,000)  | 543,414   |
| Interest receivable and similar income   |      | 12,886   | -  | 12,886  |
| Taxation   |      | (125,253)  | -  | (125,253)   |
|  |      | <hr/>  | <hr/>  | <hr/>   |
| <b>Profit on ordinary activities after taxation and for<br/>the financial year</b> |      | <u>437,047</u>                                   | <u>(6,000)</u>                                   | <u>431,047</u>                                    |

Explanation of changes to previously reported profit and equity:

- 1 The transition adjustments relate to the recognition of the liability which exists as a result of the company's membership of a multi-employer defined benefit pension scheme (Note 24).