

THE LOWWOOD PRODUCTS COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2009

Registered number: 515487

ALEXANDER & CO
Chartered Accountants

TUESDAY



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THE LOWWOOD PRODUCTS COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

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THE LOWWOOD PRODUCTS COMPANY LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2009

Directors

J R Barratt
O W Barratt
J P E Taylor
W W Wilson

Secretary

G Moon

Registered Office

74 Duke Street
Barrow in Furness
Cumbria
LA14 1RX

Auditors

Alexander & Co
Chartered Accountants
17 St Ann's Square
Manchester
M2 7PW

Bankers

HSBC

THE LOWWOOD PRODUCTS COMPANY LIMITED

CHAIRMAN'S REPORT

The year ended 31st March 2009 was a good year for your company. The net profit before tax on the ordinary activities of the company was £110,804 (excluding the profit on sale of The Common) compared to £82,232 in the previous year.

The production of hydro-electricity continues to be the company's principal long term business. An operating profit of £64,892 (2008: £23,097) was achieved on a turnover of £165,260 (2008: £118,530). This increase was achieved partly due to better flow in the river (37,000 more units) but mainly due to a higher price from Tradelink Solutions for the Low Wood electricity. There was also a significant compensation payment from the Environment Agency for loss of revenue while the Low Wood turbines were turned off during the smolt run.

If any shareholder is interested in offsetting his or her carbon footprint, we generated 8,623kWh/share.

The company is a founder member of the British Hydropower Association (originally the National Association of Waterpower Users) and Oliver Barratt serves on their council. He and James Barratt attended the BHA annual conference in Liverpool this October.

As far as property is concerned, The Common, Windermere was sold during the year for £1,600,000 – delivering a profit of £674,397 - naturally leading to a reduction in rental income. It is the board's policy to sell non-operational property at appropriate times and Carter Jonas have recently been instructed to advise on the sale of the company's two Yorkshire properties – Rookery Farm and Owslin Laithe.

A special dividend of £100,000, based on the sale of The Common, was paid on 5th January, in addition to a normal dividend of £22,500, making a total of £122,500 (£408.33/share). After the year-end, the board authorised a further special dividend of £300,000 (also based on the sale of The Common), paid on 19th August 2009.

In recent years, the company's policy has been to pay a normal dividend of approximately 50% of the net operating profit for the year after tax. For the year ended 31st March 2009, that figure amounts to approximately £50,000. Accordingly, the directors are recommending the payment of a normal dividend of £83.33 per share, totalling £25,000. If approved by shareholders at the AGM, this dividend will be paid shortly after the AGM.

InterHydro Technology (IHT) has been instructed to complete their survey and report on options for the redevelopment of the Low Wood hydro site in order to obtain an enhanced payment per unit, as well as to increase production by using more water. As the Environment Agency has now stated that Archimedean Screw turbines are acceptable without smolt screening, there is a strong incentive to use these rather than conventional machines, and two directors have been to see an installation using a large screw in Yorkshire. Unfortunately, IHT's report has been delayed (partly due to the Lake District National Park Authority's new-found enthusiasm for hydro-electric generation, and IHT doing a study for them) but it is expected to be delivered to us shortly. In order for the Lowwood site to be redeveloped, a significant investment of potentially up to £800,000 will be required by the company.

THE LOWWOOD PRODUCTS COMPANY LIMITED

CHAIRMAN'S REPORT (CONT...)

The company currently has the financial resources to commit to this investment. However, the board will only do so once it has given shareholders full information concerning the investment options and related returns and provided an opportunity for shareholders to support or otherwise the board's recommendations.

In an effort to open a market in the company's shares, a questionnaire was sent to shareholders in August 2008 asking them to state whether or not they were interested in buying or selling their shares in the company. Further to this process, which revealed that a few shareholders were interested in buying and selling, in August 2009 the board instructed Mr Stephen Verber of Alexander & Co to value independently the company's shareholdings. His discussion draft was issued to shareholders on 1 October and, following an opportunity for comments from shareholders, his final report is imminent.

The directors are grateful to the shareholders for their continuing support of the company. We hope that as many of you as possible will be able to attend the forthcoming AGM.

William Wilson
Chairman

 2/12/09

THE LOWWOOD PRODUCTS COMPANY LIMITED

DIRECTORS' REPORT

31 MARCH 2009

The directors present their report and audited accounts for the year ended 31 March 2009.

Principal activities

The company's principal activities during the year were predominantly connected with the generation and sale of electricity. It also receives rental income from its investment properties.

Fixed assets

Movements in fixed assets are set out in note 7 to the accounts.

Directors and their interests

The directors who served during the year were as follows:

J R Barratt
O W Barratt
J P E Taylor
W W Wilson, Chairman

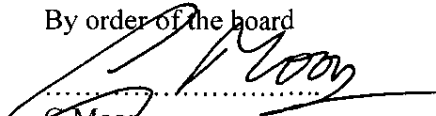
According to the register of directors' interests, no rights to subscribe for shares or debentures of the company or any other group company were granted to any of the directors or their immediate families or exercised by them, during the financial year.

Auditors

A resolution to reappoint Alexander & Co as auditors will be put to the members at the Annual General Meeting.

The directors' report is prepared in accordance with special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


.....
G Moyn
Secretary

09/12/09

THE LOWWOOD PRODUCTS COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

We are required under company law to prepare financial statements for each financial year which 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 year. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and that enable us to ensure that the financial statements comply with the Companies Act 1985;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the persons who are directors at the time when the report is approved, the following applies:-

- so far as the director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware;
- each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of the information.

By order of the Board



Date:

7/12/09

THE LOWWOOD PRODUCTS COMPANY LIMITED
AUDITORS REPORT

Independent Auditors' report to the members of
The Lowwood Products Company Limited

We have audited the financial statements of The Lowwood Products Company Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out therein. The corresponding figures are unaudited.

This report is made solely to the company's members, as a body in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

THE LOWWOOD PRODUCTS COMPANY LIMITED
AUDITORS REPORT (CONT...)

Independent Auditors' report to the members of
The Lowwood Products Company Limited

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report for the financial year ended 31 March 2009 is consistent with the financial statements

Alexander & Co

Alexander & Co
Chartered Accountants &
Registered Auditor
17 St Ann's Square
Manchester
M2 7PW

Date: 17 December 2009

THE LOWWOOD PRODUCTS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £	2008 £
Turnover	2	165,260	118,530
Cost of sales		(37,171)	(35,766)
Gross profit		----- 128,089	----- 82,764
Depreciation		27,336	27,335
Other administrative costs		35,861	32,332
Administrative expenses		----- (63,197)	----- (59,667)
Operating profit		----- 64,892	----- 23,097
Income from fixed asset investment properties		22,493	58,203
Tax free income		100	150
Interest receivable		23,319	2,531
Interest payable and similar charges		-	(1,749)
Profit on sale of fixed asset investment property		674,397	-
		-----	-----
Profit on ordinary activities before taxation	3	785,201	82,232
Tax on profit on ordinary activities	5	(273,103)	(16,630)
Profit on ordinary activities after taxation retained for the year	13	----- 512,098 =====	----- 65,602 =====

None of the company's activities were acquired or discontinued during the above two financial periods.

The notes on pages 11 to 16 form part of these accounts.

THE LOWWOOD PRODUCTS COMPANY LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

	2009	2008
	£	£
Profit for the financial year attributable to members	512,098	65,602
Unrealised surplus on revaluation of land and buildings	183,150	-
	-----	-----
Total recognised gains and losses arising in the year	695,248	65,602
	=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

Profit for the financial year attributable to members	785,201	82,232
Realisation of property revaluation gains of previous years	485,500	-
	-----	-----
Historical cost of profit on ordinary activities before taxation	1,270,701	82,232
	=====	=====
Historical cost of profit on ordinary activities after taxation and dividends	875,098	55,000
	=====	=====

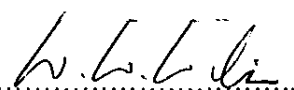
THE LOWWOOD PRODUCTS COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2009

	Note	2009		2008	
		£	£	£	£
Fixed Assets					
Tangible assets	7		1,842,107		2,586,292
Investments	8		1		1
			-----		-----
			1,842,108		2,586,293
Current Assets					
Debtors	9	140,769		102,527	
Cash at bank and in hand		1,584,348		41,354	
		-----		-----	
		1,725,117		143,881	
Creditors - amounts falling due within one year	10	(297,593)		(34,267)	
		-----		-----	
Net current assets			1,427,524		109,614
			-----		-----
Total assets less current liabilities			3,269,632		2,695,907
Provisions for liabilities	11		(62,524)		(61,547)
			-----		-----
Net assets			3,207,108		2,634,360
			=====		=====
Capital and reserves					
Called up Share Capital	12		300		300
Revaluation reserve	13		1,143,032		1,445,382
Profit and loss account	13		2,063,776		1,188,678
			-----		-----
Shareholders' funds			3,207,108		2,634,360
			=====		=====

The financial statement on pages 8 to 16 were authorised for issue on



Director

Registered number: 515487

9/12/09

The notes on page 11 to 16 form an integral part of these financial statements.

THE LOWWOOD PRODUCTS COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2009

1. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with both applicable accounting standards and the Financial Reporting Standards for Smaller Entities (effective January 2007). They are prepared under the historical cost accounting rules, as modified for the revaluation of certain fixed assets.

Group financial statements

The financial statements contain information about The Lowwood Products Company Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by Section 248 of the Companies Acts 1985 not to produce consolidated financial statements as the group it leads qualifies as a small group.

Cash flow statement

The company has taken advantage of the exemption provided by Financial Reporting Standard No.1 and has not prepared a cash flow statement for the year because it qualifies as a small company.

Turnover

Turnover represents the invoiced amounts of goods sold and services provided within the company's ordinary activities after trade discounts and net of value added tax.

Investments

Investments in subsidiary undertakings are stated at the lower of cost and their realisable value.

Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation of fixed assets is calculated to write off their cost less any residual value over their estimated useful lives as follows:

Freehold investment properties	Nil
Powerhouse	2% straight line
Plant and machinery	10% reducing balance and 4% straight line

Investment properties are shown at open market value, in accordance with SSAP19. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

THE LOWWOOD PRODUCTS COMPANY LIMITED

NOTES TO THE ACCOUNTS (cont...)

FOR THE YEAR ENDED 31 MARCH 2009

1. Accounting policies (cont...)

In accordance with Statement of Standard Accounting Practice No.19 'Accounting for investment properties', no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. The amount which might otherwise have been shown cannot be separately identified or quantified.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the resulting gain or loss has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. Turnover

Turnover is attributable to the company's principal activity which is the sale of electricity and arose wholly within the United Kingdom.

THE LOWWOOD PRODUCTS COMPANY LIMITED

NOTES TO THE ACCOUNTS (cont...)

FOR THE YEAR ENDED 31 MARCH 2009

3. Profit on ordinary activities before taxation	2009	2008
	£	£
This is stated after charging/(crediting):		
Depreciation of owned fixed assets	27,335	27,335
Net rents receivable from properties	(22,493)	(58,203)
	<u> </u>	<u> </u>
4. Directors emoluments		
Remuneration and other benefits	5,400	5,400
	<u> </u>	<u> </u>
5. Taxation		
i) Analysis of charge in period	2009	2008
	£	£
UK Corporation Tax		
Current tax on income for the period	272,256	13,301
Amendment in respect of prior year	(130)	(2,602)
Deferred tax (note 11)		
Origination and reversal of timing differences	977	5,931
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	273,103	16,630
	<u> </u>	<u> </u>
The company has capital losses of £nil (2008 - £39,000). The brought forward capital losses were utilised during the year.		
ii) Factors that may affect future tax charges.		
No deferred tax has been provided in respect of freehold investment properties. Had the revalued investment properties been sold at their carrying values, the tax liability would be approximately £280,000.		
6. Dividend		
	£	£
Dividend paid of £75.00 per ordinary share (2008 - £35.34)	22,500	10,602
Special dividend re sale of The Common £333.33 per ordinary share	100,000	-
	<u> </u>	<u> </u>
	122,500	10,602
	<u> </u>	<u> </u>

THE LOWWOOD PRODUCTS COMPANY LIMITED

NOTES TO THE ACCOUNTS (cont...)

FOR THE YEAR ENDED 31 MARCH 2009

7. Tangible fixed assets	Freehold investment properties £	Land & buildings £	Plant and machinery £	Total £
Cost or valuation				
At 1 April 2008	2,091,600	30,810	703,296	2,825,706
Revaluation	183,150	-	-	183,150
Disposals	(900,000)	-	-	(900,000)
	-----	-----	-----	-----
At 31 March 2009	1,374,750	30,810	703,296	2,108,856
	=====	=====	=====	=====
Depreciation				
At 1 April 2008	-	810	238,604	239,414
Charge for year	-	-	27,335	27,335
	-----	-----	-----	-----
At 31 March 2009	-	810	265,939	266,749
	=====	=====	=====	=====
Net book value				
At 31 March 2009	1,374,750	30,000	437,357	1,842,107
	=====	=====	=====	=====
At 31 March 2008	2,091,600	30,000	464,692	2,586,292
	=====	=====	=====	=====

Investment properties were professionally valued at 31 March 2009 by external Chartered Valuation Surveyors, Carter Jonas LLP at £1,374,750 on the basis of open market value. Such properties are not depreciated.

The historical cost of freehold investment properties is £231,718.

8.	Investments	Investments in subsidiary undertakings	
		£	
	Cost		
	At 1 April 2008 and		
	At 31 March 2009		1
			=====
	Company	Country of registration or incorporation	Shares held
			Class %
	Charcoal Iron Company Limited	England and Wales	Ordinary 100

The company has not traded during the current and previous year and had net assets at 30 June 2008 of £46. No group financial statements have been prepared as the parent and subsidiary undertaking qualify as a small group.

THE LOWWOOD PRODUCTS COMPANY LIMITED

NOTES TO THE ACCOUNTS (cont...)

FOR THE YEAR ENDED 31 MARCH 2009

9. Debtors	2009	2008
	£	£
Trade debtors	48,302	36,938
Due from letting agent	83,979	63,803
Other debtors	8,488	1,786
	<u>140,769</u>	<u>102,527</u>

All debtors fall due within one year.

10. Creditors: amounts falling due within one year	£	£
Corporation Tax	272,256	13,301
Trade creditors	15,345	5,439
VAT	3,321	8,057
Deferred income	6,671	7,470
	<u>297,593</u>	<u>34,267</u>

11. Provisions for liabilities and charges	2009	2008
	£	£
At 1 April 2008	61,547	55,616
Deferred tax charge in profit and loss account (note 5)	977	5,931
	<u>62,524</u>	<u>61,547</u>
At 31 March 2009		

The elements of deferred tax are as follows:	£	£
Difference between accumulated depreciation and amortisation and Capital Allowances	62,524	61,547
	<u>62,524</u>	<u>61,547</u>
Deferred tax liability		

12. Share capital	2009	2008
	£	£
Authorised:		
300 Ordinary shares of £1	300	300
	<u>300</u>	<u>300</u>
Allotted, called up and fully paid		
300 Ordinary shares of £1	300	300
	<u>300</u>	<u>300</u>

THE LOWWOOD PRODUCTS COMPANY LIMITED

NOTES TO THE ACCOUNTS (cont...)

FOR THE YEAR ENDED 31 MARCH 2009

13. Reconciliation of shareholders' funds

	Share Capital	Revaluation Reserve	Profit & Loss	Total
At 1 April 2008	300	1,445,382	1,188,678	2,634,360
Profit for the year	-	-	512,098	512,098
Dividend	-	-	(122,500)	(122,500)
Reserves transfer	-	(485,500)	485,500	-
Revaluation during the year	-	183,150	-	183,150
	-----	-----	-----	-----
At 31 March 2009	300	1,143,032	2,063,776	3,207,108
	=====	=====	=====	=====

14. Controlling party

In the opinion of the directors, there is no overall controlling party of the company.

THE LOWWOOD PRODUCTS COMPANY LIMITED
SCHEDULE TO PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2009

	2009	2008
Sales of electricity	£	£
Lowwood	59,837	38,333
Backbarrow	71,887	71,630
Levy exemption certificates - Lowwood	5,039	4,367
	-----	-----
	136,763	114,330
Environment Agency compensation	19,466	4,200
Loss of revenue insurance proceeds - Backbarrow	9,031	-
	-----	-----
	165,260	118,530
	=====	=====
Cost of sales		
Electricity used	6,608	6,135
Repairs, maintenance - Backbarrow	23,867	26,230
Repairs, maintenance - Lowwood	6,696	3,401
	-----	-----
	37,171	35,766
	=====	=====
Gross profit	128,089	82,764
Rental income		
Levensdale Cottages, Lowwood	10,274	10,131
The Common, Windermere	9,206	47,988
Caravan Park	6,975	8,176
Rookery Farm	8,500	8,500
Owslin Laithe, Hills Lane, Winterburn	5,250	4,880
Sundries	1,248	1,541
Grants	88	551
Bad debts	(2,445)	-
	-----	-----
	39,096	81,767
Less: Expenditure	(16,603)	(23,564)
	-----	-----
	22,493	58,203
Other income		
Bank interest	23,319	2,531
Tax free PAYE online filing bonus	100	150
Profit re property sales	674,397	-
	-----	-----
	697,816	2,681
Less: Administrative expenses		
Directors' remuneration	5,400	5,400
Subscriptions	361	292
Legal & professional	3,426	4,865
Accounting	11,848	9,460
Rates	2,626	1,376
Insurance	10,863	9,911
Sundry charges	1,214	902
Bank charges and interest	123	126
	-----	-----
	35,861	32,332
	-----	-----
Less: Depreciation	27,336	27,335
Interest payable	-	1,749
	-----	-----
Profit before taxation	785,201	82,232
	=====	=====
Electricity units produced	Number of units	
Lowwood	1,300,317	1,236,575
Backbarrow	1,286,835	1,313,512
	-----	-----
	2,587,152	2,550,087
	=====	=====