

Company Registration No. 2685RS (England and Wales)

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Ms K MacRae Mr S Henderson Mr S Shaw Mr I G Macdonald Mrs J Talbot |
| Secretary | Mrs A Heslop |
| Company number | 2685RS |
| Registered office | Robert Owen House 87 Bath Street Glasgow G2 2EE |
| Auditors | Melville & Co. 18 Trinity Enterprise Centre Furness Business Park Barrow-in-Furness Cumbria LA14 2PN |
| Bankers | Royal Bank of Scotland plc Portree Branch Bank Street Portree Isle of Skye IV51 9BX |
| Solicitors | Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH |

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

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ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and financial statements for the year ended 31 December 2012.

Principal activities

The principal activity of the Co-operative is that of the generation of electricity through renewable sources.

Directors

The following directors have held office since 1 January 2012:

Ms K MacRae

Mr S Henderson

Mr R W Laing (Deceased 3 September 2012)

Mr S Shaw

Mr I G Macdonald

Mrs J Talbot

Mr A Robertson (Resigned 24 April 2012)

In accordance with the Co-operative's rules of association, Mr S Henderson and Mr S Shaw retire by rotation. Mr S Shaw, being eligible will stand for re-election at the forthcoming AGM. Mr S Henderson has indicated that he will not stand for re-election.

Auditors

In accordance with the Co-operative's rules of association, a resolution proposing that Melville & Co. be reappointed as auditors of the company will be put at a General Meeting.

Statement of directors' responsibilities

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

The rules of the Co-operative require the directors to prepare financial statements for each financial year. Under those rules the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Co-operative and of the profit or loss of the Co-operative for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965-2002. They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

.....

Mrs A Heslop

Secretary

.....

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

We have audited the financial statements of Isle of Skye Renewables Co-operative Limited for the year ended 31 December 2012 set out on pages 4 to 9. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the co-operative's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the co-operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the co-operative and the co-operative'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 set out on pages 1, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 Co-operative'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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002.

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Acts 1965 to 2002 require us to report to you if, in our opinion:

- proper books of account have not been kept in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been maintained by the Co-operative in accordance with the requirements of the legislation; or
- the profit and loss account to which our report relates, and the balance sheet are not in agreement with the books of account of the Co-operative ; or
- we have not received all the information and explanations we require for our audit.

Melville & Co

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**Chartered Accountants
Statutory Auditor**

18 Trinity Enterprise Centre
Furness Business Park
Barrow-in-Furness
Cumbria
LA14 2PN

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | 2012 £ | 2011 £ |
|--|----------|-----------------------|-----------------------|
| Turnover | | 147,788 | 181,381 |
| Cost of sales | | (30,431) | (27,470) |
| Gross profit | | <u>117,357</u> | <u>153,911</u> |
| Administrative expenses | | (21,233) | (22,240) |
| Other operating income | | 15,982 | 16,647 |
| Operating profit | 2 | <u>112,106</u> | <u>148,318</u> |
| Other interest receivable and similar income | 3 | 332 | 303 |
| Profit on ordinary activities before taxation | | <u>112,438</u> | <u>148,621</u> |
| Tax on profit on ordinary activities | 4 | - | - |
| Profit for the year | | <u><u>112,438</u></u> | <u><u>148,621</u></u> |

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2012

| | Notes | 2012 | | 2011 | |
|---|-------|------------------|------------|------------------|------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 6 | 1,518,937 | | 1,518,937 | |
| Investments | 7 | | 1 | | 1 |
| | | | <u>1</u> | | <u>1</u> |
| | | 1,518,938 | | 1,518,938 | |
| Current assets | | | | | |
| Debtors | 8 | 60,416 | | 69,463 | |
| Cash at bank and in hand | | 71,827 | | 102,464 | |
| | | <u>132,243</u> | | <u>171,927</u> | |
| Creditors: amounts falling due within one year | 9 | <u>(132,244)</u> | | <u>(171,928)</u> | |
| Net current liabilities | | | <u>(1)</u> | | <u>(1)</u> |
| Total assets less current liabilities | | <u>1,518,937</u> | | <u>1,518,937</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 10 | 1,518,937 | | 1,518,937 | |
| Shareholders' funds | | <u>1,518,937</u> | | <u>1,518,937</u> | |

These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board for issue on

.....
Mr S Henderson
Director

.....
Ms K MacRae
Director

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable from the royalty instrument for share of revenues less operational expenses net of VAT. The royalty instrument has a loan note element which ensures that net revenues will not fall below a certain level. Any excess of the loan note minimum payment over the share of revenues less operational expenses (if applicable) is dealt with as interest income.

1.4 Royalty instrument

The Royalty Instrument represents an amount paid to secure an entitlement to a share of income less related costs from electricity and environmental attributes for a period of 25 years. The royalty instrument has a loan note element which ensures that net revenues will not fall below a certain level. The purchase price is repayable in full at the end of the term so no amortisation is provided.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2 Operating profit

| | 2012 | 2011 |
|--|--------------|--------------|
| | £ | £ |
| Operating profit is stated after charging: | | |
| Directors' remuneration | 3,000 | 3,500 |
| | <u>3,000</u> | <u>3,500</u> |

The audit costs of the Co-operative were borne by Energy4All Limited and were charged within the management fee.

3 Investment income

| | 2012 | 2011 |
|---------------|------------|------------|
| | £ | £ |
| Bank interest | 332 | 303 |
| | <u>332</u> | <u>303</u> |

4 Taxation

No tax is due for the year because the Co-operative distributes its full available profits as members share interest which is deductible for corporation tax purposes.

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | | |
|----------|---|-------------------|---------------------------|
| 5 | Members share interest | 2012 | 2011 |
| | | £ | £ |
| | Members share interest | 112,438 | 148,621 |
| | | <u> </u> | <u> </u> |
| | | | |
| 6 | Intangible fixed assets | | Royalty instrument |
| | | | £ |
| | Cost | | |
| | At 1 January 2012 & at 31 December 2012 | | 1,518,937 |
| | | | <u> </u> |
| | Net book value | | |
| | At 31 December 2012 | | 1,518,937 |
| | | | <u> </u> |
| | At 31 December 2011 | | 1,518,937 |
| | | | <u> </u> |

The royalty instrument secures an entitlement to a share of the revenues less operating costs of the Ben Aketil Wind Farm and there is a loan note element which ensures that net revenues will not fall below a certain level. The purchase price is repayable in full at the end of the 25 year term or the commencement of decommissioning if earlier.

| | | | |
|----------|---|--|-----------------------------|
| 7 | Fixed asset investments | | Unlisted investments |
| | | | £ |
| | Cost | | |
| | At 1 January 2012 & at 31 December 2012 | | 1 |
| | | | <u> </u> |
| | Net book value | | |
| | At 31 December 2012 | | 1 |
| | | | <u> </u> |
| | At 31 December 2011 | | 1 |
| | | | <u> </u> |

Fixed asset investments comprise an investment of £1 for ordinary shares in Energy4All Limited.

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | |
|---|------------------|------------------|
| 8 Debtors | 2012 | 2011 |
| | £ | £ |
| Trade debtors | 8,993 | - |
| Other debtors | 51,423 | 69,463 |
| | <u>60,416</u> | <u>69,463</u> |
| | | |
| 9 Creditors: amounts falling due within one year | 2012 | 2011 |
| | £ | £ |
| Bank loans and overdrafts | 500 | - |
| Trade creditors | 8,993 | 9,846 |
| Other creditors | 122,751 | 162,082 |
| | <u>132,244</u> | <u>171,928</u> |
| | | |
| 10 Share capital | 2012 | 2011 |
| | £ | £ |
| Allotted, called up and fully paid | | |
| 1,518,937 Members ordinary shares of £1 each | <u>1,518,937</u> | <u>1,518,937</u> |

11 Control

There is no overall controlling party of the Co-operative and no individual shareholder owns more than £20,000 shares.

12 Related party transactions

The management services of the Co-operative are carried out by Energy4All Limited, a company which specialises in assisting in the setting up, development and management of renewable energy co-operatives. Isle of Skye Renewables Co-operative Limited holds one share in this company. Energy4All Limited charged a management fee of £14,982 (2011 - £16,147) although this cost was re-imbursed by the wind farm developer.

ISLE OF SKYE RENEWABLES CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

13 Post balance sheet events

The Co-operative have been advised by the Wind Farm Company that they intend to make a claim against the turbine manufacturer as the availability rate for the turbines did not make the guaranteed rate. The Co-operative would be entitled to a share of any revenues arising from the claim. Since the amounts have not yet been quantified and the claim will be subject to negotiation any income arising will be dealt with as income next year. The claim for 2011 which could not be quantified at the date of approval of the 2011 accounts has now been agreed at £4,128 and is included within revenues for the current year.