

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
TIREE RENEWABLE ENERGY COMPANY LIMITED**

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For The Year Ended 31 December 2013**

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TIREE RENEWABLE ENERGY COMPANY LIMITED

COMPANY INFORMATION
For The Year Ended 31 December 2013

DIRECTORS:

Mark Alastair Beese
Jabez Bruce Kemp
Iain Ferguson MacDonald
Jonathan Mark Bowler
Roger Harold Jarvis
Cecilia Ann Kirby
Cameron Andrew Smith
Andrew Alexander MacIntosh

SECRETARY:

Cecilia Ann Kirby

REGISTERED OFFICE:

Trust Office
Tiree Rural Centre
Crossapol
Isle of Tiree
Argyll
PA77 6UP

REGISTERED NUMBER:

SC292914 (Scotland)

AUDITORS:

R A Clement Associates
Chartered Accountants
Registered Auditors
Argyll Square
Oban
Argyll
PA34 4AZ

**REPORT OF THE DIRECTORS
For The Year Ended 31 December 2013**

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

Mark Alastair Beese
Jabez Bruce Kemp
Iain Ferguson MacDonald
Jonathan Mark Bowler
Roger Harold Jarvis
Cecilia Ann Kirby
Cameron Andrew Smith
Andrew Alexander MacIntosh

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, R A Clement Associates, are deemed to be re-appointed in accordance with section 487(2) of the Companies Act 2006.

**REPORT OF THE DIRECTORS
For The Year Ended 31 December 2013**

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

.....
Cecilia Ann Kirby - Director

Date:

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TIREE RENEWABLE ENERGY COMPANY LIMITED**

We have audited the financial statements of Tiree Renewable Energy Company Limited for the year ended 31 December 2013 on pages six to eleven. 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 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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page two, 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 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 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 Report of the Directors 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 December 2013 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 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TIREE RENEWABLE ENERGY 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Fiona McGlynn (Senior Statutory Auditor)
for and on behalf of R A Clement Associates
Chartered Accountants
Registered Auditors
Argyll Square
Oban
Argyll
PA34 4AZ

Date:

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2013

| | Notes | 2013 £ | 2012 £ |
|--|-------|----------------------|-----------------------|
| TURNOVER | | 518,036 | 597,681 |
| Administrative expenses | | <u>366,553</u> | <u>378,930</u> |
| OPERATING PROFIT | 2 | 151,483 | 218,751 |
| Interest payable and similar charges | | <u>66,260</u> | <u>76,676</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 85,223 | 142,075 |
| Tax on profit on ordinary activities | 3 | <u>17,045</u> | <u>27,935</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>68,178</u> | <u>114,140</u> |

TIREE RENEWABLE ENERGY COMPANY LIMITED (REGISTERED NUMBER: SC292914)

**BALANCE SHEET
31 December 2013**

| | Notes | 2013 | | 2012 | |
|--|-------|----------------|-----------------------|---------|----------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 4 | | 1,737,816 | | 1,846,406 |
| CURRENT ASSETS | | | | | |
| Debtors | 5 | 185,513 | | 128,556 | |
| Prepayments and accrued income | | 10,359 | | 11,628 | |
| Cash at bank | | 371,637 | | 378,024 | |
| | | | <u>567,509</u> | | <u>518,208</u> |
| CREDITORS | | | | | |
| Amounts falling due within one year | 6 | 201,333 | | 200,440 | |
| NET CURRENT ASSETS | | | <u>366,176</u> | | <u>317,768</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 2,103,992 | | 2,164,174 |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 7 | | (1,486,087) | | (1,631,492) |
| PROVISIONS FOR LIABILITIES | 9 | | (115,260) | | (98,215) |
| NET ASSETS | | | <u>502,645</u> | | <u>434,467</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 42,100 | | 42,100 |
| Profit and loss account | 11 | | 460,545 | | 392,367 |
| SHAREHOLDERS' FUNDS | | | <u>502,645</u> | | <u>434,467</u> |

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on and were signed on its behalf by:

.....
Jabez Bruce Kemp - Director

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2013

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|---------------|
| Installation and Grid | - 5% on cost |
| Wind Turbine | - 5% on cost |
| Computer equipment | - 33% on cost |

The Board have assessed the useful economic life of the turbine and installation and have decided to write down the asset straight line over 20 years.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Capitalisation of interest

The interest charged on both the loan from the Tiree Community Development Trust, and the Co-operative Bank prior to the commissioning of the turbine has been capitalised as part of the construction costs of the asset.

2. OPERATING PROFIT

The operating profit is stated after charging:

| | 2013 | 2012 |
|--|-------------------|-------------------|
| | £ | £ |
| Depreciation - owned assets | 108,590 | 108,798 |
| Auditors' remuneration | 3,200 | 3,200 |
| | <u> </u> | <u> </u> |
| Directors' remuneration and other benefits etc | - | - |
| | <u> </u> | <u> </u> |

3. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

| | 2013 | 2012 |
|--------------------------------------|-------------------|-------------------|
| | £ | £ |
| Deferred tax | 17,045 | 27,935 |
| | <u> </u> | <u> </u> |
| Tax on profit on ordinary activities | 17,045 | 27,935 |
| | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013

4. TANGIBLE FIXED ASSETS

| | Installation and Grid £ | Wind Turbine £ | Computer equipment £ | Totals £ |
|---|-------------------------------|----------------------|----------------------------|------------------|
| COST | | | | |
| At 1 January 2013 and 31 December 2013 | <u>1,061,962</u> | <u>1,109,841</u> | <u>622</u> | <u>2,172,425</u> |
| DEPRECIATION | | | | |
| At 1 January 2013 | 158,921 | 166,476 | 622 | 326,019 |
| Charge for year | <u>53,098</u> | <u>55,492</u> | - | <u>108,590</u> |
| At 31 December 2013 | <u>212,019</u> | <u>221,968</u> | <u>622</u> | <u>434,609</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2013 | <u>849,943</u> | <u>887,873</u> | - | <u>1,737,816</u> |
| At 31 December 2012 | <u>903,041</u> | <u>943,365</u> | - | <u>1,846,406</u> |

Interest of £16,288 on the loans for the construction of the asset has been capitalised and is included in the installation costs above.

The company has not included a provision for decommissioning costs of the turbine as a reasonable estimate can not be placed upon these costs and the company has a separate ring fenced cash reserve that is increased each year for this sole purpose. It is therefore the opinion of the directors not to recognise a decommissioning provision in the financial statements.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2013 £ | 2012 £ |
|----------------|----------------|----------------|
| Accrued income | <u>185,513</u> | <u>128,556</u> |

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2013 £ | 2012 £ |
|------------------------------------|----------------|----------------|
| Bank loans and overdrafts | 100,253 | 96,554 |
| Trade creditors | 956 | 440 |
| Amounts owed to group undertakings | - | 2,000 |
| Taxation and social security | 8,365 | 9,928 |
| Other creditors | <u>91,759</u> | <u>91,518</u> |
| | <u>201,333</u> | <u>200,440</u> |

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2013 £ | 2012 £ |
|-----------------|------------------|------------------|
| Bank loans | 867,251 | 967,504 |
| Other creditors | <u>618,836</u> | <u>663,988</u> |
| | <u>1,486,087</u> | <u>1,631,492</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013

| | | | |
|----|--|-----------------------|------------------|
| 7. | CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued | 2013 | 2012 |
| | | £ | £ |
| | Amounts falling due in more than five years: | | |
| | Repayable by instalments | | |
| | Bank loans more 5 yr by instal | 466,342 | 575,271 |
| | Other loans more 5yrs instal | 391,473 | 441,124 |
| | | <u>857,815</u> | <u>1,016,395</u> |

8. **SECURED DEBTS**

The following secured debts are included within creditors:

| | | |
|-------------|-------------------------|------------------|
| | 2013 | 2012 |
| | £ | £ |
| Bank loans | 967,504 | 1,064,058 |
| Other loans | 672,893 | 712,600 |
| | <u>1,640,397</u> | <u>1,776,658</u> |

In April 2009, BIG (Big Lottery Fund) was granted a standard security in respect of the amounts owed by Tiree Renewable Energy Company Limited over the company's interest as a tenant in the lease of the turbine site on Tiree. The security is in respect of all sums due, or becoming due, in terms of the agreement between the company, Tiree Community Development Trust and BIG.

A bond and floating charge, and a standard security, were also registered in April 2009 (amended January 2014) in favour of the Co-operative Bank plc in respect of the provision of a revolving credit facility, overdraft facility and a term loan.

The Co-operative Bank's securities, both floating and fixed, rank first in the order of priorities.

| | | | |
|----|-----------------------------------|-----------------------|-----------------------|
| 9. | PROVISIONS FOR LIABILITIES | 2013 | 2012 |
| | | £ | £ |
| | Deferred tax | 115,260 | 98,215 |
| | | <u>115,260</u> | <u>98,215</u> |
| | | | Deferred tax |
| | | | £ |
| | Balance at 1 January 2013 | | 98,215 |
| | Provision for the year | | 17,045 |
| | | | <u>115,260</u> |

10. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| | | | | |
|---------|----------|----------------|----------------------|---------------|
| Number: | Class: | Nominal value: | 2013 | 2012 |
| | | | £ | £ |
| 42,100 | Ordinary | £1 | 42,100 | 42,100 |
| | | | <u>42,100</u> | <u>42,100</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013

11. RESERVES

| | Profit and loss account £ |
|---------------------|--|
| At 1 January 2013 | 392,367 |
| Profit for the year | 68,178 |
| | <hr/> |
| At 31 December 2013 | 460,545 |
| | <hr/> <hr/> |

12. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

No director received any reimbursement of expenses, remuneration or benefits in kind during the year .

13. RELATED PARTY DISCLOSURES

The loan of £672,893 from the Tiree Community Development Trust (TCDT) carries an interest rate of 1.5% over the base rate of the Co-operative Bank and is repayable by 31 December 2025, unless otherwise agreed. An amount of £12,661 was charged for the year to 31 December 2013, and at the end of the year all of the interest due had been paid. The Total Capital repaid in the year was £39,707.

14. ULTIMATE CONTROLLING PARTY

The company is controlled by Tiree Community Development Trust, a company limited by guarantee and recognised as a Scottish Charity, which owns 100% of the issued share capital of the company.

15. CONFLICT OF INTEREST

The company has adopted a policy on conflicts of interest which includes maintaining a register of interests for all directors and senior personnel, which details any contractual or financial relationship, position of authority with outside companies or firms, associations, or organisations. Whenever a director or senior manager has an interest in any item discussed by the Board, he/she takes no part in the discussion or decision making process.

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2013

| | 2013 | | 2012 | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Energy sales | 177,081 | | 189,717 | |
| Energy sales - LEC | 17,140 | | 12,544 | |
| Feed in Tariff - generation | 307,531 | | 378,826 | |
| GDUOS - pass through | 16,284 | | 16,594 | |
| | <u> </u> | 518,036 | <u> </u> | 597,681 |
| Expenditure | | | | |
| Turbine site lease | 25,904 | | 30,743 | |
| Site Access/Other rents | 2,670 | | 2,550 | |
| Insurance | 26,667 | | 21,615 | |
| Telephone | 1,621 | | 1,143 | |
| Post and stationery | 188 | | 502 | |
| Computer and IT | - | | 480 | |
| Annual turbine maintenance | 17,425 | | 13,206 | |
| Sundry expenses | 538 | | 1,464 | |
| Management fees | 24,000 | | 14,000 | |
| Accountancy | 2,700 | | 3,400 | |
| SSE Charges | 2,530 | | 2,681 | |
| Legal and professional fees | 400 | | - | |
| Auditors' remuneration | 3,200 | | 3,200 | |
| Donations | 150,000 | | 175,000 | |
| | <u> </u> | 257,843 | <u> </u> | 269,984 |
| | | <u> </u> | | <u> </u> |
| | | 260,193 | | 327,697 |
| Finance costs | | | | |
| Bank charges | 120 | | 148 | |
| Bank loan interest | 53,599 | | 62,424 | |
| Loan interest - Trust | 12,661 | | 14,252 | |
| | <u> </u> | 66,380 | <u> </u> | 76,824 |
| | | <u> </u> | | <u> </u> |
| | | 193,813 | | 250,873 |
| Depreciation | | | | |
| Improvements to property | 53,098 | | 53,098 | |
| Plant and machinery | 55,492 | | 55,492 | |
| Computer equipment | - | | 208 | |
| | <u> </u> | 108,590 | <u> </u> | 108,798 |
| NET PROFIT | | <u> </u> | <u> </u> | <u> </u> |
| | | 85,223 | | 142,075 |