

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
FOR
TIREE RENEWABLE ENERGY COMPANY LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2012**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8
Profit and Loss Account	12

TIREE RENEWABLE ENERGY COMPANY LIMITED

COMPANY INFORMATION
For The Year Ended 31 December 2012

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 2012**

The directors present their report with the financial statements of the company for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of operating a renewable energy project for the generation of power on the Island of Tiree.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

Mark Alastair Beese
Jabez Bruce Kemp
Iain Ferguson MacDonald
Jonathan Mark Bowler
Roger Harold Jarvis
Cecilia Ann Kirby

Other changes in directors holding office are as follows:

Cameron Andrew Smith - appointed 16 March 2012
Andrew Alexander MacIntosh - appointed 2 March 2012

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made donations to its parent charity, the Tiree Community Development Trust, amounting to £175,000.

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 2012**

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:

.....
Jabez Bruce Kemp - 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 2012 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. 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 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 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 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 2012

	Notes	2012 £	2011 £
TURNOVER		597,681	551,982
Administrative expenses		<u>378,930</u>	<u>207,392</u>
OPERATING PROFIT	2	218,751	344,590
Interest payable and similar charges		<u>76,676</u>	<u>81,457</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		142,075	263,133
Tax on profit on ordinary activities	3	<u>27,935</u>	<u>54,905</u>
PROFIT FOR THE FINANCIAL YEAR		<u>114,140</u>	<u>208,228</u>

TREE RENEWABLE ENERGY COMPANY LIMITED (REGISTERED NUMBER: SC292914)

**BALANCE SHEET
31 December 2012**

	Notes	2012		2011	
		£	£	£	£
FIXED ASSETS					
Tangible assets	4		1,846,406		1,955,204
CURRENT ASSETS					
Debtors	5	128,556		230,428	
Prepayments and accrued income		11,628		6,795	
Cash at bank and in hand		378,024		126,420	
			<u>518,208</u>		<u>363,643</u>
CREDITORS					
Amounts falling due within one year	6		200,440		151,582
NET CURRENT ASSETS			<u>317,768</u>		<u>212,061</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,164,174		2,167,265
CREDITORS					
Amounts falling due after more than one year	7		(1,631,492)		(1,776,658)
PROVISIONS FOR LIABILITIES	9		(98,215)		(70,280)
NET ASSETS			<u>434,467</u>		<u>320,327</u>
CAPITAL AND RESERVES					
Called up share capital	10		42,100		42,100
Profit and loss account	11		392,367		278,227
SHAREHOLDERS' FUNDS			<u>434,467</u>		<u>320,327</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 2012

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:

	2012	2011
	£	£
Depreciation - owned assets	108,798	108,797
Auditors' remuneration	3,200	2,900
	<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:

	2012	2011
	£	£
Deferred tax	27,935	54,905
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	27,935	54,905
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

4. TANGIBLE FIXED ASSETS

	Installation and Grid £	Wind Turbine £	Computer equipment £	Totals £
COST				
At 1 January 2012 and 31 December 2012	<u>1,061,962</u>	<u>1,109,841</u>	<u>622</u>	<u>2,172,425</u>
DEPRECIATION				
At 1 January 2012	105,823	110,984	414	217,221
Charge for year	<u>53,098</u>	<u>55,492</u>	<u>208</u>	<u>108,798</u>
At 31 December 2012	<u>158,921</u>	<u>166,476</u>	<u>622</u>	<u>326,019</u>
NET BOOK VALUE				
At 31 December 2012	<u>903,041</u>	<u>943,365</u>	-	<u>1,846,406</u>
At 31 December 2011	<u>956,139</u>	<u>998,857</u>	<u>208</u>	<u>1,955,204</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.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Accrued income	<u>128,556</u>	<u>230,428</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Bank loans and overdrafts	96,554	92,878
Trade creditors	440	1,725
Amounts owed to group undertakings	2,000	-
Taxation and social security	9,928	14,663
Other creditors	<u>91,518</u>	<u>42,316</u>
	<u>200,440</u>	<u>151,582</u>

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

	2012 £	2011 £
Bank loans	967,504	1,064,058
Other creditors	<u>663,988</u>	<u>712,600</u>
	<u>1,631,492</u>	<u>1,776,658</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

7.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued	2012	2011
		£	£
	Amounts falling due in more than five years:		
	Repayable by instalments		
	Bank loans more 5 yr by instal	575,271	678,358
	Other loans more 5yrs instal	441,124	675,353
		1,016,395	1,353,711
		1,016,395	1,353,711

8. **SECURED DEBTS**

The following secured debts are included within creditors:

	2012	2011
	£	£
Bank loans	1,064,058	1,156,936
Other loans	712,600	712,600
	1,776,658	1,869,536
	1,776,658	1,869,536

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 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**

	2012	2011
	£	£
Deferred tax	98,215	70,280
	98,215	70,280
		Deferred tax
		£
Balance at 1 January 2012		70,280
Provision for the year		27,935
		98,215
Balance at 31 December 2012		98,215

10. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2012	2011
			£	£
42,100	Ordinary	£1	42,100	42,100
			42,100	42,100

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

11. RESERVES

	Profit and loss account £
At 1 January 2012	278,227
Profit for the year	114,140
	<hr/>
At 31 December 2012	392,367
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12. TRANSACTIONS WITH DIRECTORS

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

13. RELATED PARTY DISCLOSURES

The loan of £712,600 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 £14,252 was charged for the year to 31 December 2012, and at the end of the year all of the interest due had been paid. Repayments on the loan commenced in February 2013 at a monthly rate of £5,570.

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 2012

	2012		2011	
	£	£	£	£
Turnover				
Energy sales	189,717		143,859	
Energy sales - LEC	12,544		12,399	
Feed in Tariff - generation	378,826		376,596	
GDUOS - pass through	16,594		19,128	
	<u> </u>	597,681	<u> </u>	551,982
Expenditure				
Turbine site lease	30,743		26,731	
Site Access/Other rents	2,550		6,500	
Insurance	21,615		11,353	
Telephone	1,143		1,238	
Post and stationery	502		946	
Computer and IT	480		1,235	
Annual turbine maintenance	13,206		6,755	
Sundry expenses	1,464		1,521	
Management fees	14,000		4,201	
Accountancy	3,400		2,500	
SSE Charges	2,681		2,507	
Legal and professional fees	-		2,680	
Auditors' remuneration	3,200		2,900	
Donations	175,000		13,296	
	<u> </u>	269,984	<u> </u>	84,363
		<u> </u>		<u> </u>
		327,697		467,619
Finance costs				
Bank charges	148		14,232	
Bank loan interest	62,424		67,205	
Loan interest - Trust	14,252		14,252	
	<u> </u>	76,824	<u> </u>	95,689
		<u> </u>		<u> </u>
		250,873		371,930
Depreciation				
Improvements to property	53,098		53,098	
Plant and machinery	55,492		55,492	
Computer equipment	208		207	
	<u> </u>	108,798	<u> </u>	108,797
NET PROFIT		<u> </u>	<u> </u>	<u> </u>
		142,075		263,133