

Kilbraur Wind Energy Co-operative Ltd

Annual Report, AGM Notification and Summary Financial Statements for the year ended 31st December 2010

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Society Information

Directors	Graham Phillips Bruce Field Colin Lawrence George Potts Tom Robinson Graham Strachan John Whitfield
Chairman	Colin Lawrence
Company Secretary	Annette Heslop
Registered Number	2701RS
Registered office	Robert Owen House 87 Bath Street Glasgow G2 2EE
Administration Address:	Unit 33, Trinity Enterprise Centre Furness Business Park Barrow-in-Furness LA14 2PN
Auditors	Melville & Co. 18 Trinity Enterprise Centre Furness Business Park Barrow-in-Furness Cumbria LA14 2PN
Bankers	Co-operative Bank plc 1 Balloon Street Manchester M60 4EP
Solicitors	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH
Number of Current members	518

Chairman's Statement – Year ending 31st December 2010

Firstly, I have to inform you that Bruce Field, who was appointed to the office of Chairman in June 2010, resigned from the Board of the Co-operative and from the office of Chairman on 17 May 2011. The Board met on 25 May 2011 to make a new appointment and I was appointed to the office of Chairman at that meeting.

This means that Bruce Field and Tom Robinson, the remaining founder members of the Co-op Board, are standing down this year and are not seeking re-election. On behalf of the Board, I would like to take this opportunity to thank Bruce and Tom for their hard work and commitment to the Co-op during the past three years and particularly for their very considerable input into the launch of the Co-op in 2008. Without Bruce's and Tom's commitment during the launch, I suspect that the Co-op would not exist. I am sure that you would wish to join me and the other members of the Board in wishing them the very best for the future.

We received no new nominations for appointment to the Board this year and, with Bruce and Tom leaving, this has the effect of reducing the number of directors from seven to five. Elsewhere in the agenda you will see that it had been the intention of the Board to seek Co-op Members' approval to reduce the number of directors from seven to six within the existing rules of the Co-op. However, I am confident that, with my fellow directors Graham Phillips, George Potts, Graham Strachan and John Whitfield, the Board has sufficient business, financial and renewables expertise to ensure the efficient and effective operation of the Co-op. The individual directors have already demonstrated a high level of commitment to the Co-op.

The approach that the Board takes to the management of the Co-op is to focus primarily on the protection of Members' investments and to ensure that Members receive the maximum return on their investments. To this end, the Board has introduced arrangements for the financial monitoring of the Co-op's partner organisations in addition to its own accounts, undertaken a financial risk assessment, introduced arrangements for monitoring and analysing the performance of the wind farm and developed a policy to limit the costs associated with the running of the Board. This does not mean that the Board has lost sight of promoting the work of the Co-op and broadening awareness of wind energy more generally and, with the agenda documents, you can read about the project that has been undertaken in conjunction with local schools. At present, the Board is working with Energy4All (E4A) to provide outreach funding for a mobile scanner to be operated by the Highland Hospice in the northern highlands. Not only will this bring a much needed service to local residents, but it will also considerably reduce the carbon emissions arising from residents travelling to hospitals from remote locations.

A significant change to the internal administration of the Co-op has resulted from the departure from the Board in June 2010 of Paul Phare, the remaining E4A representative on the Board. Paul had acted as Administration Secretary since the inauguration of the Co-op and, since his departure, this office and the work associated with it has transferred to our current Administration Secretary, John Whitfield. There is a consequent saving of £1,500 per annum resulting from the E4A representative's departure from the Board, and there are proposals elsewhere in the agenda requesting Co-op Members' approval for the Board to retain a total of £500 per annum of this saving for payment to Board members who undertake significant duties in addition to their normal duties and responsibilities as directors.

I should make it clear at this point that E4A continues to provide the Co-op with the services specified in the Service Agreement between the Co-op and E4A, and I would like to take this opportunity to thank Annette

Heslop for undertaking the role of Company Secretary and in particular to thank her and her team for the timely and accurate preparation of the Co-op's accounts and the organisation of the AGM.

Turning to the performance of the wind farm during 2010, you will probably be aware that wind speeds across the UK were the lowest on record. This had an impact on the output of the wind farm. However, the initial problems that were experienced with the turbines during 2009 were reduced dramatically, with the net effect that we are able to offer Co-op Members a dividend of 6.7 per cent for the 2010 financial year. Although this falls short of the projected return, I am of the view that, when taken in conjunction with the 7.7 per cent dividend paid in 2009, the fact that the cash value of Members' investments is protected, and the green nature of the Co-op's business, this amounts to a very worthwhile investment.

Looking to the future, the eight new turbines that comprise the extension to the wind farm have now been installed and, at the time of writing, commissioning is taking place. Falck Renewables has indicated that it is prepared to offer a further investment opportunity in the new turbines to existing Members of the Co-op. Details of the offer are currently the subject of discussions between the Board, E4A and Falck, and we hope to be in a position to give Members more information at the AGM, including the timescale under which the offer will be made. Information disclosed at the AGM will be minuted promptly and circulated to all Members of the Co-op. The formal offer will be communicated in writing to all Members a little later in the summer.

Finally, I would like to thank you for your continued investment in the Co-op, and I look forward to the Co-op providing you with a good return on your investment in the future.

Colin Lawrence

Colin Lawrence
Chairman, Kilbraur Wind Energy Co-operative Ltd.
May 2011

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Principal activities

The principal activity of the Co-operative continued to be that of the generation of electricity through renewable sources.

Board of Directors

The following directors have held office since 1 January 2010:

Garry Coutts	(Resigned 23 June 2010)
Bruce Field	(Resigned 17 May 2011)
Colin Lawrence	
Paul Phare	(Resigned 23 June 2010)
Graham Phillips	(Appointed 23 June 2010)
George Potts	(Appointed 23 June 2010)
Tom Robinson	
Graham Strachan	
John Whitfield	

In accordance with the Co-operative's rules of Association, Bruce Field and Tom Robinson retire by rotation. Neither Bruce Field nor Tom Robinson is standing for re-election and Bruce Field resigned from the board on 17 May 2011. This will leave two vacancies, however the Co-operative has received no new applications to join the Board therefore an election is not required.

Auditors

A resolution to re-appoint Melville & Co as auditors of the Co-operative for the ensuing year will be proposed at the AGM.

Management

Energy4All Ltd, a company dedicated to developing community ownership of renewables, manages the day to day activities of the Co-operative along with maintaining the members share register.

In a letter to members dated 25 March 2011, it was noted that in the interests of the cost-effective management of the Co-operative, the Board would submit a motion to the AGM to reduce the number of Directors from 7 to 6. This proposal is consistent with the Co-operative rule 11.2a that states that the Board shall consist of "not less than 3 but no more than 7 Directors". Two existing Directors are standing down and no other applications to join the Board have been received. It is therefore not necessary for the Motion suggested in the letter of 25 March to be submitted.

After a Co-operative is founded, Energy4All Ltd provides ongoing support in the early years by maintaining a presence on the board of each Co-operative. Following the departure last June of Paul Phare, the Energy4All Ltd representative, from the KWEC board the board has operated independently. This has entailed a significant increase in workload for the office-holders (Chairman and Administration Secretary) in particular.

Remuneration of Directors

The Board considers it is not appropriate, given the size of the Society, to establish a separate Remuneration Committee, and these functions are carried out by the Board as a whole. The Directors are

entitled to claim £500 per annum plus reasonable expenses incurred in the performance of their duties. Details of the total value of fees paid are provided in the Notes to the Summary Profit & Loss.

The reduction in the size of the Board will reduce the cost to members by a minimum of £500 per year. The departure from the Board of the Energy4All Ltd representative has already saved the members around £1000 in travel expenses. The Board proposes to share the majority of these savings with the members, but to submit a Motion to the AGM to allocate £500 of these savings in total between the office-holders (Chairman and Administration Secretary) to reflect the considerable amount of additional work that has already been undertaken over the last year. This sum will be subject to an annual review by the Board to reflect the share of additional work carried out by the Chairman and Administration Secretary.

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.

Director's Activities

In 2010, the Directors continued to monitor the production figures for the wind farm. This entailed a monthly review of the data and a detailed assessment at each quarterly Board meeting. In addition, a second visit to Falck's office in Inverness was undertaken by 2 Directors in March 2011 to carry out a detailed review of the production data to date, given the ongoing under-budget performance figures. The Director's continue to liaise with Energy4All Ltd on a regular basis and to seek detailed historic data from other comparable wind farms with which to 'benchmark' the performance of Kilbraur Wind Farm. What has become clearer over 2010 is that, although the wind has continued to disappoint, Falck have made considerable efforts to improve the operational performance of the turbines, working closely with the manufacturer, Nordex. This has resulted in an improvement in the availability of the turbines compared with 2009. The Directors have developed an independent trend analysis process which will continue to be monitored and updated as more production becomes available.

The board has kept a close eye on financial matters and, in addition to close scrutiny of the accounts, established and monitored a Board expenses policy and developed a regime to monitor and control financial risks. The Board spent considerable time liaising with the three local primary schools and spent a portion of the development fund on supporting projects at these schools as outlined in the accompanying

note. The board has also been working on allocating the final sum of development fund money to support a project submitted by The Highland Hospice.

Income through the Royalty Instrument Agreement

The Co-operative has a right to an income through a Royalty Instrument with Falck Renewables Wind Ltd. The Royalty Instrument represents an amount paid to secure an entitlement to a share of income from electricity and environmental attributes less operating costs for a period of 25 years. The royalty instrument has a loan note element which ensures the annual investment returns from Falck do not fall below 6.5%. The purchase price is repayable in full at the end of the term so no amortisation is provided.

Wind Farm Production

2010	P50 Budgeted Output MWh	Actual Output MWh	Cumulative % of P50 forecast
January	14,400	12,109	84.09%
February	15,300	6,445	62.47%
March	14,900	12,912	70.55%
April	12,700	9,405	71.33%
May	10,900	5,695	68.28%
June	10,900	7,636	68.52%
July	8,400	11,263	74.82%
August	8,900	6,119	74.26%
September	10,100	12,641	79.08%
October	12,600	13,943	82.43%
November	13,200	9,592	81.45%
December	12,400	8,499	80.35%
Totals	144,700	116,259	

Production during 2010 is approximately 20% down on the budgeted forecast during the year primarily due to lower than average wind speeds. In fact, the industry has gone on record as reporting that during 2010 the wind across the whole of the UK was the lowest since records began in the 19th century.

The Co-operative's surplus for 2010 represents a dividend to members of 6.7%. Agenda Motion 4 invites members to approve the distribution of this surplus.

Kilbraur Wind Energy Co-operative Limited

Notice of Annual General Meeting to be held on Wednesday 29th June 2011

NOTICE is given that the Annual General Meeting of members will be held at 6:30pm on Wednesday 29th June 2011 at the Royal Marine Hotel, Golf Road, Brora, Sutherland KW9 6QS for the following purposes:

AGENDA

1. Chairman's Introduction and welcome.
2. Short Presentation by Euan Fraser, Asset Manager, Falck Renewables Wind Ltd.
3. **Motion 1:** To approve the minutes of the annual general meeting held on 23rd June 2010 (circulated July 2010).
4. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the period ended 31st December 2010, together with the Report of the auditors thereon.
5. **Motion 3:** To re-appoint the firm of Melville & Co, Chartered Accountants, as auditor until the conclusion of the next Annual General Meeting.
6. **Motion 4:** To approve the distribution of the surplus funds for the year (the operating profit together with any other income) by way of Share Interest. A share interest statement will be provided with each cheque payment.
7. **Motion 5:** To approve the retention of £500 of the £1,500 savings in Directors costs for redistribution annually by the Board in the form of additional responsibility payments to Directors.

Close of Formal Business

By order of the Board
Annette Heslop,
Company Secretary
27th May 2011

Registered Office:
Robert Owen House,
87 Bath Street
Glasgow G2 2EE

Administration Address:
Unit 33, Trinity Enterprise Centre
Furness Business Park
Barrow in Furness
Cumbria LA14 2PN
Tel: 01229 821028
info@kilbraur.coop

Please refer to the enclosed Form of Proxy for instruction on voting.

**INDEPENDENT AUDITORS' STATEMENT
TO THE SHAREHOLDERS OF KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED**

We have examined the summary financial statement for the period ended 31 December 2010 set out on pages 10 and 11.

Respective responsibilities of directors and the auditors

The directors are responsible for preparing the summarised financial statements in accordance with applicable United Kingdom law and guidance.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the summarised annual report with the full financial statements and the Directors' Report.

We also read the other information contained in the summarised financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full financial statements describes the basis of our opinion on those financial statements and the Directors' Report.

Opinion

In our opinion the summary financial statements are consistent with the full financial statements and the Directors Report of Kilbraur Wind Energy Co-operative Limited for the period ended 31 December 2010 and have been prepared in accordance with relevant guidance and regulations.



27th May 2011

Melville & Co.
Chartered Accountants
Statutory Auditor

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

KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED

SUMMARY PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Share of net operational income of wind farm		107,804	105,139
Cost of sales	1	(31,996)	(31,447)
Gross profit		75,808	73,692
Administrative expenses	2	(27,649)	(25,794)
Other operating income	3	21,839	20,200
Operating profit		69,998	68,098
Other interest receivable	4	121	2
Profit on ordinary activities before taxation		70,119	68,100
Tax on profit on ordinary activities		-	2,569
Profit for the period	5	70,119	70,669
Members Return on Investment			
Gross Return		6.7%	7.7%

Notes

1 Cost of Sales

Typical operating costs include operational & maintenance fees, rates, land rental fees, insurance and community benefit.

2 Administrative expenses

Includes directors remuneration (£3,503), directors expenses, management & admin charges & charitable donations.

3 Other operating income

Re-imbursable admin & management charge and project development income from E4A.

Energy4All also provides a sum for the development of the co-op in its early years.

4 Other interest receivable

Interest receivable from funds in Co-operative Bank accounts.

5 Profit for the period

Profit for distribution to members.

KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED

SUMMARY BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010		2009	
		£	£	£	£
Fixed Assets					
Intangible assets	1	1,043,900		1,043,900	
Investments	2		1		1
		<u>1,043,901</u>		<u>1,043,901</u>	
Current assets					
Debtors	3	46,693		46,645	
Cash at bank		45,279		55,822	
		<u>91,972</u>		<u>102,467</u>	
Creditors: amounts falling due within one year	4	<u>(91,973)</u>		<u>(102,468)</u>	
Net current assets			(1)		(1)
Total assets less current liabilities		<u>1,043,900</u>		<u>1,043,900</u>	
Capital and reserves					
Called up share capital	5	1,043,900		1,043,900	
Shareholders' funds		<u>1,043,900</u>		<u>1,043,900</u>	

Notes

1 Intangible assets

Represents the royalty instrument that secures an entitlement to a share of the revenues less operating costs of the Kilbraur Wind Farm and there is a loan note element which ensures that net revenues will not fall below 6.5%. The purchase price is repayable in full at the end of the 25 year term or the commencement of decommissioning if earlier.

2 Fixed asset investment

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

	2010	2009
3 Debtors		
Trade debtors	11,059	11,615
Prepayments and accrued income	35,634	32,028
Corporation Tax recoverable	-	2,569
VAT	-	433
	<u>46,693</u>	<u>46,645</u>
4 Creditors		
Trade creditors	11,363	13,974
Accruals	8,721	8,163
Share Interest	70,793	80,331
VAT	1,096	-
	<u>91,973</u>	<u>102,468</u>

5 Called up share capital

1,043,900 Ordinary Members Shares of £1 each issued in order to fund the acquisition of a Royalty Instrument with Loan Note element.