

Great Glen Energy Co-operative Ltd

Annual Report, AGM Notification and Summary Financial Statements for the year ended 31st December 2012

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Society Information

Directors:	Felix Paterson Graham Strachan Lorna Lumsden Kenneth Knott Ian Whyte Garry Page
Chairman:	Graham Strachan
Company Secretary:	Annette Heslop
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
Registered Number:	2700RS
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
Number of current members	675

GREAT GLEN ENERGY CO-OP

CHAIRMAN's REPORT - Year Ending 31 December 2012

It doesn't seem like 5 years since the Great Glen Energy Co-operative Ltd was established. We were first rewarded for our investments in September 2008. Whilst income is down on last year we are happy to report on another successful year with a return on investment of 9.3%. Members will find more information below along with some information on our other activities. We will be holding our fifth AGM on Tuesday 16th April 2013 at the Kingsmills Hotel, Inverness. We look forward to meeting as many members as can make it to this event. Along with colleagues we hope to answer any questions you may have on how our co-op is developing.

Productivity & Financial Report

The original turbines have now been operating for 4 full years and the additional turbines have just had their first full year of production. As advised in my report last year all members will receive one share interest payment.

We receive monthly productivity reports (see website) and have good contact with Falck's local staff who are available to explain any problems or variations from expected production. We regularly consider risks facing the co-operative and are not aware of any current issues of concern other than the general uncertainty with regard to energy markets.

Throughout 2012 we have benefited from occasions when we have had to cease production due to a curtailment when the grid requires energy producers not to produce. As advised, such payments to wind producers are small by comparison with larger more traditional energy producers.

Our return on investment is dependent on many factors not least wind availability, turbine availability, wholesale electricity prices and the market in Renewable Obligation Certificates (ROCs). Whilst output is down on last year, turbine availability has been good. Income from the trading of recycled ROCs has been falling over the years and 2011/12 was particularly low due to more producers reaching their targets (with offshore wind and other renewable sources). It is expected that the ROC recycled value shouldn't fall to zero and should tend towards 10% of the ROC value. However, the recycled element is a small portion of the overall income. The wholesale price of electricity also affects our returns and this is clearly a volatile factor not always directly or transparently linked to domestic prices. The directors continue to monitor these variables but members will realise that we are not in a position to influence them.

Full details of the financial return payable to members in respect of 2012 can be found on page 10. All Directors have considered this return and are happy to recommend full disbursement to members.

Share Transfers and Sales

Members will be aware that an investment with the co-op was always seen as a long term commitment. We maintain a list of members seeking additional shares in the co-op. On the death of a member we will seek to transfer any shares in accordance with the wishes of the deceased or make payment to the estate. We are also aware that some members may need to redeem their shares and Energy4All will usually seek to match them with members wishing to acquire additional shares, at par (£1 per share). We have developed a policy clarifying how we normally handle such requests (available on the website or from the office). The net effect of all changes is that we have 4 fewer members than we had in July 2009.

Development Funding

We were finding it difficult to identify projects able to make use of our development funds (awarded by E4A). We did promote the fund to local schools and more generally but were disappointed at the lack of interest. We were however very happy to assist Abriachan Forest Trust with their outdoor classroom and latterly with their new indoor classroom sustainable heating system. We hope to hold a meeting in the new classroom next year. Funding is nearly exhausted and members will be asked to consider making a contribution from profits towards a top-up fund probably next year. A note on this project along with photos can be found in the Newsletter issued in January and available on the website.

Board Membership, Fees and Allowances

As in the previous year we have operated throughout 2012 with a Board of six directors. Our rules require Lorna and Garry to stand down this year and Lorna has indicated that she is prepared to stand again. We are sorry to see Garry Page retire and would like to thank Garry for his valuable contribution to the work of the Co-op and we wish him well for the future. The Rules allow for a maximum number of seven Directors. The Board have produced a budget along similar lines to previous years and this is available on the website or from the office. We have saved on previous budgets by holding meetings at either the Falck Offices or Lorna's house. I want to thank all my fellow Directors for their service over the past year, in particular Lorna who as Administrative Secretary has taken all our minutes which, when approved, are posted on our website.

Conclusion

After five years of trading, myself and fellow directors are pleased to report another generally good year. We feel members will appreciate that we are not as directors in a position to influence outcomes and that we must always take a long term view on returns. As a board we will continue to monitor production and trust to Energy4All and our Company Secretary to keep the co-op administration running smoothly.

Our support staff at Energy4All continues to provide agreed administrative (including all financial) services. Falck Renewables Wind Ltd cover these costs under an arrangement with Energy4All. I would like to thank all Energy4All staff for their support throughout the year. I would also like to thank Euan Fraser and the team at Falck for their support.

On behalf of all directors I am pleased to recommend this Annual Report 2012 to you for your approval.



Graham Strachan
Chairman, Great Glen Energy Co-operative Ltd

March 2013

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

Principal activities

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

Board of Directors

Current serving directors

Kenneth Knott

Felix Paterson

Lorna Lumsden

Graham Strachan (Chair)

Garry Page

Ian Whyte

The Rules allow for a maximum number of seven Board members of which one third must retire each year in rotation. At the AGM in April 2013, Lorna Lumsden and Garry Page will retire by rotation and, whilst Lorna has indicated she would like to stand again, Garry will not be doing so.

The Co-op received one new nomination to join the Board from Robert Jackson. A ballot is not required as the total number of Board members does not exceed seven. Members are asked to re-elect Lorna Lumsden and elect Robert Jackson through a motion.

Auditors

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

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. The Chairman and the Administration Secretary are paid £750 per annum. Details of the total value of fees paid are provided in the Notes to the Summary Profit & Loss.

Management

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

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.

Income through the Royalty Instrument Agreement

The Co-op 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 that annual investment returns, before deducting administration costs, 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

2012	P50 Budgeted Output MWh	Actual Output MWh	Cumulative % of P50 forecast
January	22,900	22,315	97
February	15,600	21,515	114
March	16,400	18,797	114
April	18,200	9,870	99
May	12,500	6,900	93
June	13,500	7,738	88
July	12,200	10,600	88
August	14,000	9,558	86
September	19,300	21,207	89
October	16,800	8,412	85
November	19,900	16,323	85
December	20,900	16,634	84
Totals	202,200	169,869	

Production during 2012 is approximately 16% down on the budgeted forecast during the year primarily due to lower than average wind speeds and grid outages and curtailment.

Great Glen Energy Co-operative Limited
Notice of Annual General Meeting to be held on
Tuesday 16th April 2013

NOTICE is given that the Annual General Meeting of members will be held at 6:30pm on Tuesday 16th April 2013 at the Kingsmills Hotel, Culcabock Road, Inverness IV2 3LP for the following purposes:

AGENDA

1. Introductions and welcome.
2. **Motion 1:** To approve the minutes of the annual general meeting held on 19th April 2012. Circulated May 2012.
3. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the year ended 31st December 2012, together with the Report of the auditors thereon.
4. **Motion 3:** To re-appoint the firm of Melville & Co, Chartered Accountants, as auditor until the conclusion of the next Annual General Meeting at a fee to be agreed by the Board.
5. **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 payment.
6. **Election of Directors**
Motion 5: To re-appoint Lorna Lumsden as a Director of the Co-op.
Motion 6: To appoint Robert Jackson as a Director of the Co-op.
7. Any Other Business

Close of Formal Business

The AGM will be followed by a short presentation on "Operational, performance and general matters affecting Millennium Wind Farm" by Falck Renewables.

By order of the Board
Annette Heslop,
Company Secretary
14th March 2013

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@greatglen.coop

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

Nominations to the Board

The Rules allow for a maximum number of seven Board members. Both Lorna Lumsden and Garry Page will retire by rotation and whilst Lorna has indicated she would like to stand again, Garry will not be doing so. This will leave three vacancies. The Co-op received one new nomination to join the Board from Robert Jackson. A ballot is not required as the total number of Board members does not exceed seven. Members are asked to re-elect Lorna Lumsden and elect Robert Jackson through a motion.

Nominations to the Board Biographical Notes

Retiring Directors Seeking Re-election

Lorna Lumsden – Abriachan, Inverness

Lorna Lumsden has lived in the Highlands most of her adult life having spent a childhood between Iraq, Ghana and Edinburgh. Originally trained as a nurse and midwife, Lorna's career change to Estate Management led to 20 years of looking after Applecross Estate for The Applecross Trust, a conservation charity in ownership of the 75000 acre estate. Now retired, Lorna has an interest in renewable energy and conservation generally. Putting this into practice, she has her own 5kw wind turbine in her garden as well as solar panels. Her retirement project is tree-growing with over 1000 trees planted to date in mini blocks with rescued Shetland ponies grazing between the blocks to control the grass and provide manure for natural nourishment of the trees and her organic vegetable garden. Lorna is also a Trustee of the Abriachan Forest Trust, a conservation charity with a wide-ranging educational philosophy and a well established rolling programme of conservation-based education in its Forest School serving diverse learning groups across the Highlands.

Lorna has been on the GGEC board for three years and is eligible and willing to stand for re-election.

New Candidate

Robert Jackson - Neilston

I have a long standing interest in renewable energy and energy efficiency, having worked as a project engineer and energy manager in manufacturing industry and more recently as a self-employed energy consultant. In this capacity I have worked on many renewable projects including a number of community projects over a range of scales from Edinburgh to Skye. Such projects have covered technical aspects, financial issues and planning considerations.

In my 18 years of experience in working in energy across industry, commerce and the public sector, I have been involved in corporate governance and strategy as well as corporate auditing and reporting - both at board level and in the public domain to satisfaction of external verifiers. Of course, I am also responsible for the accounting and reporting of my small company.

My wife, two sons and I live in Neilston where I am a member of Neilston Development Trust. The Trust has developed a 10MW community wind farm as a joint venture with a private developer. The next stage will be the management and distribution of the benefits coming into the village from the wind farm and also the development of the village's hydro-electric capacity for further community benefit.

**INDEPENDENT AUDITORS' STATEMENT
TO THE SHAREHOLDERS OF GREAT GLEN ENERGY CO-OPERATIVE LIMITED**

We have examined the summary financial statement for the year ended 31 December 2012 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 Director' 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 Great Glen Energy Co-operative Limited for the year ended 31 December 2012 and have been prepared in accordance with relevant guidance and regulations.



Melville & Co.
Chartered Accountants
Statutory Auditor

06/03/2013

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

GREAT GLEN ENERGY CO-OPERATIVE LIMITED

SUMMARY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Share of net operational income of wind farm		229,800	245,462
Operating costs		(61,337)	(52,625)
Gross profit		168,463	192,837
Administrative expenses	1	(26,470)	(23,876)
Other operating income	2	21,844	19,329
Operating profit		163,837	188,290
Other interest receivable and similar income	3	886	272
Profit on ordinary activities before taxation		164,723	188,562
Tax on profit on ordinary activities		-	-
Profit for the period	4	164,723	188,562
Members share interest		164,723	188,562
Members Return on Investment			
Gross Return		9.3%	11.3%

Notes

1 Administrative expenses

Administrative services for the Co-operative are provided by Energy4All Ltd under contract. These costs are recovered by the Co-operative from Falck Renewables Wind Ltd (see note 2). Other items under this heading are Directors' remuneration (£3,550) & expenses, and charitable donations (£5,000).

2 Other operating income

The Co-operative recovers its administrative expenses from Falck Renewables Wind Ltd. Energy4All also provides a sum for the development of the co-op in its early years

3 Other interest receivable

Bank interest received

4 Members share interest

Profit available for distribution to members

GREAT GLEN ENERGY CO-OPERATIVE LIMITED

SUMMARY BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
Fixed Assets					
Intangible assets	1	1,777,940		1,777,940	
Investments	2		1		1
		<u>1,777,941</u>		<u>1,777,941</u>	
Current assets					
Debtors	3	87,180		107,148	
Cash at bank		105,745		112,695	
		<u>192,925</u>		<u>219,843</u>	
Creditors: amounts falling due within one year	4	<u>(192,926)</u>		<u>(219,844)</u>	
Net current liabilities			(1)		(1)
Total assets less current liabilities		<u>1,777,940</u>		<u>1,777,940</u>	
Capital and reserves					
Called up share capital	5	1,777,940		1,777,940	
Shareholders' funds		<u>1,777,940</u>		<u>1,777,940</u>	

Notes

1 Intangible assets

Represents the royalty instrument that secures entitlement to a share of the revenues less operating costs of the Millennium 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.

	2012	2011
3 Debtors		
Trade debtors	9,592	0
Prepayments and accrued income	<u>77,588</u>	<u>107,148</u>
	87,180	107,148
4 Creditors		
Trade creditors	9,609	10,269
Accruals	15,490	14,911
VAT	2,476	5,894
Members share interest (includes uncashed amounts from previous years)	<u>165,351</u>	<u>188,770</u>
	192,926	219,844

5 Called up share capital

1,777,940 Ordinary Shares of £1 each issued in order to fund the acquisition of a Royalty Instrument with Loan Note element.