

Kilbraur Wind Energy Co-operative Ltd (Reg. No. 2701RS)

Minutes of Annual General Meeting

Held at: Royal Marine Hotel, Golf Road, Brora, Sutherland KW9 6QS

Wednesday 24 June 2015 at 6.30 pm

Present: Total 18 members + 2 guests + 2 Falck Representatives

Directors : Colin Lawrence (Chairman) (*)
John Macdonald (*)
Malcolm Moss (*)
Graham Phillips
John Whitfield (Board Secretary) (*)

Members: Scilla Aitchison
Yvette Angus (*)
Mike Atkinson (*)
Heather Barot (*)
Eric Billett (*)
Lesley Billett (*)
Malachy Hargadon
James Holm
Ivan Irvine
Hamish Jack (*)
Anne Robinson
Tom Robinson
Ian Whyte (*)

Guests: Prabhat Barot (*)
Mrs Jack (*)

Falck: Ewan Currie (*)
Asbjørn Klomp (*)

(*) attended site visit 4 to 6 pm.

Voting: Postal (including electronic) votes were received from 53 Members, including 16 appointing the Chairman to vote on their behalf.

Apologies: Total 8

Members: Monica Bolton
Margaret Brisley
Hazel Carter
Carol Collings
David Collings
Michael Edwards
Edward King
Shirley Pearson

1. Introduction and Chairman's Presentation

The Members were welcomed by the Chairman, Colin Lawrence, to the seventh AGM of the Kilbraur Wind Energy Co-operative (KWEC). Colin reminded those attending of the importance of supporting the AGM, which provided an update to members on performance of the wind farm and noted that without a valid AGM the business of the Co-op could not be conducted. Colin was particularly pleased that the number of members attending the AGM had increased from recent years and thanked the 13 members who had attended the site visit before the AGM for their interest. Colin also thanked Ewan Currie and Asbjørn Klomp of the wind farm operator, Falck for having hosted the site visit and for attending the AGM.

Colin outlined the work of the Board over the previous year, including ongoing monitoring of the performance of the wind farm, control of expenditure by the Board, and safeguarding the members'

financial interests. 2014 had been the third full year of the extended wind farm and the return of 8.86% was considered good compared with other investment opportunities available at present. In order to safeguard member's funds in the period between the current annual payment to members, the Board had finally, after an extremely lengthy and complex process, opened a second bank account (with RBS) to ensure that funds were covered by the Financial Services Compensation Scheme (FSCS) under which different banking groups each attract a guaranteed cover of £85,000.

Colin noted that the sale of 49% of the wind farm to Copenhagen Infrastructure Partners (CIP) seemed to have had no adverse impact on the operation or performance of the wind farm and welcomed the interest of another party in the venture. The change had resulted in Falck reducing its management operations in the UK which for a time had resulted in slower receipt of information by the KWEC Board, albeit no delay to receipt of money. Recent data appeared to be being received on time, so Colin was hopeful that this issue had been resolved.

A further development in 2014 had been the introduction of new legislation governing co-operatives. Legislation covering community benefit organisations introduced in August 2014 had primarily focussed on consolidating legislation from the last 150 years. However, the Financial Conduct Authority (FCA) had issued draft guidance on the new legislation which may have an impact on the Co-op, should we ever wish or need to make significant changes to our rules that would require re-registration. The Board had responded to the initial draft proposals and was in the process of responding to the latest draft proposals, but the Board would need to continue to monitor the situation.

Ivan Irvine asked whether there was an option for Energy4All to co-ordinate the sale of electricity from the wind farm to Co-op members, thus potentially meeting the new FCA guidance that Co-ops should trade with their members. Colin responded that E4A were certainly looking at the impact of the changes, but believed that the current regulations governing the sale of electricity by generators would not allow this option.

Colin thanked the Board for their efforts through the year and noted that with only 5 Board members (of a maximum seven), there remained a significant amount of work to share. Colin referred members to the motion to share the annual fee (of £500 per director, unchanged since the co-op had started in 2008) between the current Board of five in recognition of the additional work load.

2. Presentation by Ewan Currie and Asbjørn Klomp (Falck Renewables Wind Ltd)

Ewan and Asbjørn gave a fascinating presentation outlining the performance of the wind farm, outlined how Falck continuously monitor every aspect of each turbine's performance and compared the actual wind speed and income data with the projected 'budget' figures produced at the start of operations. Considering that Kilbraur had been one of the first large onshore wind farms in the Highlands, Ewan felt that the original wind speed estimates made from the early site measurements had been pretty good. Ewan noted that the Power Purchase Agreement (PPA) with Electricité de France (EDF) would last until 2019 and whilst this came with a 12% fee, the significant risk reduction due to variation in the wholesale price of electricity was considered by Falck to be a worthwhile investment. Ewan also outlined the warranty agreement with the turbine manufacturer, Nordex, in which availability below 97% resulted in payment to Falck, another key element in their risk reduction strategy. As a result, the maintenance costs for the wind farm were very much in line with the European average of €11/MWh. Asbjørn provided further details on the monitoring that Falck undertake on each turbine.

There were a number of questions. Malcolm Moss asked Falck what else the KWEC Board should be doing to safeguard members' interests given Falck's experience of dealing with a number of other similar Co-ops. Ewan replied that he was not an expert on liaising with other co-ops, but felt that the KWEC Board was doing the right things. As an observation, Ewan noted that another co-op had put effort into expanding community involvement.

Graham Phillips asked what were the benefits and disadvantages of the PPA with EDF. Ewan replied that Falck had looked at other options of reducing risk due to the variation in wholesale

electricity prices, such as significantly increasing their resources so as to improve forecasting, thus reducing the % fee paid, but that this would have increased costs, with no clear net gain. Ewan added that he hoped the increased scale of Falck's operation by 2019 (compared to the start in 2008) and increased competition in the market would result in a good deal being possible for a future PPA. Eric Billet, whose daughter was completing an MSc in forecasting, agreed with Ewan that it was a very complex issue. John Whitfield asked what Ewan thought of the recent change to the end date for the current subsidy regime being proposed by the UK government. Ewan agreed that the proposals had triggered a frantic effort to get current projects completed before the new deadline next April. His personal view was that the changes would result in an increase in the 'boom and bust' cycle in the industry and that this would not be good for investment nor jobs. However, Ewan also thought that the proposed replacement regime, Contract for Difference (CFD), had promise and had been received by the markets in a more positive light than had initially been thought. Colin thanked Ewan and Asbjørn for their presentation and noted that we learned new interesting information every year.

3. Presentation by John Macdonald on the History of the Kilbraur Area

John provided another wonderful overview of the history of the area in which the wind farm was located. At last year's AGM John had covered the more recent past and this year John delved into the more distant past, starting with the hill fort and associated hut circles that had dominated the area 4,000 years ago. Swiftly marching through the centuries, John described the changes to the area as successive waves of Picts, Irish Christian monks and Viking raiders settled the area. The origins of local names resulting from these different waves provided a fascinating reminder of the rich and varied past which was nowadays largely hidden from view. The origin of the name 'Kilbraur' was probably 'Cell of the Brothers' from a monastery in the area now occupied by windswept moorland studded with turbines. The basis of prosperity during many centuries had been the cow, which had provided for individual families and had over time enriched and transformed the vegetation into productive pastures. The subsequent 'improvements' of the 18th and 19th centuries, in which the crofters were cleared from the land to be replaced by industrial-scale sheep 'ranches' had eventually resulted in the impoverishment of the land and the barren moorland that could be seen today.

4. Motion 1: To approve the minutes of the Annual General Meeting held on 25 June 2014 (circulated July 2014).

The motion was proposed by Eric Billet, seconded by Malcolm Moss and was carried unanimously by the 16 members who had not voted before the meeting. Postal/proxy votes cast were 51 For; 0 Against; 2 Abstentions.

5. Motion 2: To receive and adopt the Report of the Directors and the Annual Accounts for the period ended 31 December 2014 together with the Report of the Auditors thereon.

The motion was proposed by James Holm, seconded by Scilla Aitchison and was carried unanimously by the 16 members who had not voted before the meeting. Postal/proxy votes cast were 53 For; 0 Against; 0 Abstentions.

6. Motion 3: To re-appoint the firm of Melville & Co, Chartered Accountants, as auditor until the conclusion of the next Annual General Meeting.

The Chairman, Colin Lawrence, reminded the meeting that the Board had investigated the possibility of appointing a local firm and had concluded that, as the annual audit is funded by E4A at no cost to the Co-op and Melville & Co is appropriately qualified and has considerable experience in auditing the accounts of co-operatives, it was neither practical or financially viable to appoint a local firm.

The motion was proposed by Anne Robinson, seconded by John MacDonald and was carried unanimously by the 16 members who had not voted before the meeting. Postal/proxy votes cast were 49 For; 2 Against; 2 Abstentions.

7. 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.

The motion was proposed by Ian Whyte, seconded by Graham Phillips and was carried unanimously by the 16 members who had not voted before the meeting. Postal/proxy votes cast were 51 For; 0 Against; 2 Abstentions.

8. Motion 5: On occasions when there are fewer than six directors in post, to authorise the Board to distribute the fees that would have been paid in respect of any unfilled director posts, below the number of six, among the remaining directors to reflect their increased workload.

The five Directors, plus Scilla Aitchison, a potential beneficiary by marriage, abstained from voting. The Chairman's 16 proxy votes were also not used.

The motion was proposed by James Holm, seconded by John Whyte, and was carried unanimously by the 10 eligible members who had not voted before the meeting. Postal/proxy votes cast were 29 For; 4 Against; 4 Abstentions.

9. Motion 6: To re-elect John MacDonald as a Director of the Co-op.

The motion was proposed by Scilla Aitchison, seconded by Graham Phillips, and was carried unanimously by the 16 members who had not voted before the meeting. Postal/proxy votes cast were 50 For; 0 Against; 3 Abstentions.

10. Motion 7: To re-elect Malcolm Moss as a Director of the Co-op.

The motion was proposed by Tom Robinson, seconded by Graham Phillips, and was carried unanimously by the 16 members who had not voted before the meeting. Postal/proxy votes cast were 51 For; 0 Against; 2 Abstentions.

11. Any Other Business

Scilla Aitchison suggested that the Board resurrect the outreach work with local schools, in part to act as a future insurance policy should the regulation of co-operatives become more onerous with respect to community engagement. Colin confirmed that the Board had engaged with the local primary schools in the early days of the Co-op and that the Board would take this suggestion forward at the next meeting. With no further questions, Colin thanked everyone for attending the AGM and closed the meeting at 8:30 pm.

Signed as a true record of the meeting:



Colin Lawrence
Chairman