

# **Kilbraur Wind Energy Co-operative Ltd**

## **Annual Report, AGM Notification and Summary Financial Statements for the year ended 31<sup>st</sup> December 2009**

# **Kilbraur Wind Energy Co-operative Ltd**

## **Annual Report, AGM Notification and Summary Financial Statements For the year ended 31<sup>st</sup> December 2009**

---

### Contents

	Page
Society Information	2
Chairman's report	3
Directors' Report	5
Notice of Annual General Meeting	7
Nominees to the Board	8
Report of the Auditors	9
Summary Profit & Loss	10
Summary Balance Sheet	11

## **SOCIETY INFORMATION**

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

## **CHAIRMAN'S STATEMENT – Year Ending 31 December 2009**

This report marks a significant transition for our co-op. Having been engaged in the frenetic and highly technical business of launching a share offer in year one we have now moved to the more routine business of monitoring the wind farm's performance, ensuring our members interests are safeguarded and considering how we manage our affairs as efficiently as possible.

I would like to thank my fellow directors for their commitment and support over the last year all of whom have contributed to our work in significant ways. I would particularly like to thank John who took time to visit Falck's HQ to get to grips with the complex issues of marrying the farms performance, the impact of the availability of turbines and the income the co-op receives. While these details were covered in the prospectus and the licence agreement with Falck some of the technical issues take a lot of thinking through to fully understand the income flows to the co-op.

### **Energy production**

While all investors will be fully aware that they were making a long term investment and that there would be good years as well as not so good years in relation to production it is a little disappointing that this, our first full year, has shown performance below the average predicted in our prospectus.

Having said that the income received still represents a potential return to our investors at a rate well above what could be achieved by many other investment vehicles in the current economic climate. Looking ahead we can anticipate higher levels of turbine availability and I remain confident that over the period of your investment we will match the performance indicated in our prospectus.

As noted in the accounts, Falck have made a claim to the turbine manufacturer relating to the unavailability of two of the turbines during the year. While we cannot assume the outcome of this claim, if it is successful it will result in additional income to the co-op.

Full details of the farms performance is available [www.kilbraur.coop](http://www.kilbraur.coop).

### **Financial performance**

Last year we agreed to defer payment of share interest to members as we had only been operating for two months. The £9,662 that was available for distribution was carried forward and will be added to this year's profit of £70,669. This results in £80,331 available for distribution to the members which represents a gross return on investment of 7.7%.

### **Board activity**

The Board has met on 4 occasions in the year including the General Meeting. Our main focus has been on the following:

- Understanding performance data - as mentioned above John led on this, visiting the Falck HQ and informing the board of his conclusions. This is a highly complicated area, covered by the licence with Falck, but of huge significance and an area the board will continue to oversee.

- Considering the request for a rules change to allow postal voting - This led to a General Meeting being called where a motion to allow postal voting on resolutions at future AGM's and General Meetings was carried.
- Considering the most efficient and appropriate method of administering the co-op - at the last AGM a point was raised regarding the selection of auditors. In addition the board wished to get a better understanding of the admin costs incurred. We had a meeting with E4A and these matters were explored in some depth and the board concluded the present arrangements were efficient and presented the best value achievable.
- Determining a formal process for managing board expenses - Directors were a little concerned that there was not a formal system in place to manage board expenses and were keen to ensure a fair, transparent and accountable system of making and approving expenditure was in place.
- Considering proposals for the dispersal of outreach funds - the co-op receives funds from Energy4All Ltd to enable outreach work in our area. The board spent a considerable time discussing this and concluded that they would delegate to John the responsibility to liaise with the 3 local primary schools on projects they could undertake on a theme consistent with renewable energy.

Our rules require one third of the board to stand down each year in rotation. This year Paul Phare and I will be standing down from the board and neither of us are seeking re-election.

### **Conclusion**

I would like to thank all of my fellow directors for their commitment and support over the last year. I am confident that the co-op is on a firm footing and, with the members remaining on the board is in a position to ensure sound governance in the coming year. I hope they will be joined by equally able and committed members at the AGM.

Thank you for your support.



Garry Coutts (Chairman) May 2010

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

### **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

Garry Coutts  
Bruce Field  
Colin Lawrence  
Paul Phare  
Tom Robinson  
Graham Strachan  
John Whitfield

At the AGM on 24<sup>th</sup> June 2009 Mark Jennison and Liam O'Neill stepped down and were replaced with new members Graham Strachan and John Whitfield.

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 June 2010, Garry Coutts and Paul Phare will retire by rotation and will not seek re-election.

This will leave two vacancies. The Co-op has received two applications to join the Board from Graham Phillips and George Potts. This means that an election is not required so the Board invites the members of Kilbraur Co-op to confirm the appointment of both applicants.

### **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. 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.

### **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 PLC. 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 do not fall below 6.5%. The purchase price is repayable in full at the end of the term so no amortisation is provided.

### **Minutes of General Meeting held 25 February 2010**

A General meeting was held in February to put forward a motion to allow postal voting. The Temporary Chair, Bruce Field, presented the motion explaining the need as previously outlined in the letter circulated to all members on 28<sup>th</sup> January 2010. The motion 'To allow postal voting on any or all votes at any or all subsequent general meetings of the Society, at the discretion of the Board of Directors. Any postal ballot shall be carried out in accordance with Rule 8.8.'

The vote was 20 FOR the Motion and 1 AGAINST. The Chairman acted as proxy on behalf of 16 members. Full minutes of this meeting were sent to all members on 15<sup>th</sup> April 2010.

### **Wind Farm Production**

<b>2009</b>	<b>P50 Budgeted Output MWh</b>	<b>Actual Output MWh</b>	<b>Cumulative % of P50 forecast</b>
January	14,400	13,821	95.98%
February	15,300	10,610	82.26%
March	14,900	14,836	88.04%
April	12,700	9,144	84.49%
May	10,900	11,767	88.24%
June	10,900	7,013	84.94%
July	8,400	7,040	84.83%
August	8,900	10,183	87.57%
September	10,100	11,343	89.91%
October	12,600	12,885	91.22%
November	13,200	10,348	89.94%
December	12,400	6,811	86.94%
<b>Totals</b>	<b>144,700</b>	<b>125,800</b>	

Production during 2009 is approximately 13% down on the budgeted forecast primarily due to teething problems in the first year of operation.

**Kilbraur Wind Energy Co-operative Limited**  
**Notice of Annual General Meeting to be held on**  
**Wednesday 23<sup>rd</sup> June 2010**

**NOTICE** is given that the Annual General Meeting of members will be held at 6:30pm on Wednesday 23<sup>rd</sup> June 2010 at the Royal Marine Hotel, Golf Road, Brora, Sutherland KW9 6QS for the following purposes:

**AGENDA**

1. Introductions and welcome.
2. **Motion 1:** To approve the minutes of the annual general meeting held on 24<sup>th</sup> June 2009 (circulated July 2009)
3. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the period ended 31<sup>st</sup> December 2009, 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 cheque payment
6. **Motion 5:** To confirm the appointment of Graham Phillips as a director of the co-op.
7. **Motion 6:** To confirm the appointment of George Potts as a director of the co-op.
8. **Motion 7:** To authorise the Board, at its discretion, to make a proposal to any future General Meeting of the Co-operative that (within the provisions of Rule 11) any vacancies on the Board should not be filled at that General Meeting, if the Board considers that it already has sufficient Directors to discharge its responsibilities effectively.
9. Any Other Business (No substantive motions can be considered under this heading).

**Close of Formal Business**

10. Guest speaker: Euan Fraser, Falck Renewables plc.

By order of the Board  
Annette Heslop,  
Company Secretary  
19<sup>th</sup> May 2010

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 instructions on voting.



## Nominations to the Board

The Rules allow for a maximum number of seven Board members. Both Paul Phare and Garry Coutts will retire by rotation and will not seek re-election. The Co-op received two nominations to join the Board from Graham Phillips and George Potts. This means the Board has not exceeded its maximum number of Board members therefore we invite the members of Kilbraur to confirm the appointment of Graham Phillips and George Potts.

## Biographical Notes

### New Candidates

#### **GRAHAM PHILLIPS – Littleferry, Sutherland**

Graham Phillips is married to Scilla and lives in Sutherland at Littleferry. He is a Director of local consultancy Phillips Aitchison Ltd and has an unusual combination of experience which he would like to make available to the community, ranging from international big business to locally based community projects.

On the corporate side Graham has spent nearly 30 years consulting at Main Board level on a wide variety of topics. This means he can offer a very broadly based professional background to the Kilbraur Co-op. Work has included corporate strategy, mergers and acquisitions, turning round a multinational manufacturing group, auditing an international bank, commercial tendering, and setting up systems for governance, risk management and compliance.

Experience with community projects includes the recent feasibility study for a new Community Centre in Dornoch, a current feasibility study for the NW Sutherland Geopark, training for voluntary organisations, chairing a Chamber of Commerce initiative to set up a CCTV scheme in an area suffering from street crime, and setting up the first community run housing for local needs scheme in the UK.

Before going independent in 1992, Graham worked for Ernst & Whinney, PWC and PA Consulting Group. He is a member of the Institute of Directors.

#### **GEORGE POTTS – Thundridge, Hertfordshire**

I am an active member of my community, bringing together 100 local children from Moss Side in Manchester for a charity event day which was the culmination of months of planning in conjunction with the charity ReachOut!, with whom I have a valued relationship. I have also been awarded the 'Leadership in Action' award for my work in a local Barnardo's charity store and look to consistently support my local community.

I am a keen supporter of renewable energy, taking part in the 2009 NewNet CleanTech Summit, personally visiting our wind-farm (or turbine!), am a member of both the Great-Glen and Energy Prospects Co-operatives whilst also actively supporting the development of tidal energy technology across the UK.

I believe my academic experience would be of use to the Co-op, being accepted to study for a Masters of Science at Manchester Business School, whilst also having a 2;1 (Hons) Business degree from the University of Manchester.

Alongside this I have had practical experience in the fields of law at Freshfields, property financing at WP Carey in Shanghai, as well as managerial experience through starting my own Limited Investment company at 17 and winning Most Innovative Business Idea in the regional finals for a business I set up at 15 to sell eco-friendly garden products. I earned my Private Pilot's Licence in 2008 and enjoy golf, sailing and football.

I would commit my time, energy and effort to the Co-op; bring a fresh new input into its running and look to enhance the community value it creates, as well valuing very highly the opportunity such a position would give me for my own learning and experience for my career in the field of renewable energy.

**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 2009 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 2009 and have been prepared in accordance with relevant guidance and regulations.

**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 2009

	Notes	2009 £	2008 £
<b>Share of net operational income of wind farm</b>		105,139	17,017
Cost of sales		(31,447)	(5,052)
<b>Gross profit</b>		73,692	11,965
Administrative expenses	1	(25,794)	(3,734)
Other operating income	2	20,200	1,710
<b>Operating profit</b>		68,098	9,941
Other interest receivable	3	2	2,290
<b>Profit on ordinary activities before taxation</b>		68,100	12,231
Tax on profit on ordinary activities		2,569	(2,569)
<b>Profit for the period</b>	4	70,669	9,662
<b>Members Return on Investment</b>			
Gross Return		7.7%	-

### Notes

#### **1 Administrative expenses**

Includes directors remuneration (£3,007), directors expenses, management & admin charges & charitable donations.

#### **2 Other operating income**

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

#### **3 Other interest receivable**

Interest receivable from funds in Co-operative Bank accounts.

#### **4 Profit for the period**

Profit for distribution to members = £9,662 (2008) and £70,669 (2009). Total £80,331

# KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED

## SUMMARY BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009		2008	
		£	£	£	£
<b>Fixed Assets</b>					
Intangible assets	1	1,043,900		1,043,900	
Investments	2		1		1
		<u>1,043,901</u>		<u>1,043,901</u>	
<b>Current assets</b>					
Debtors	3	46,645		82,728	
Cash at bank		55,822		2,271	
		<u>102,467</u>		<u>84,999</u>	
<b>Creditors: amounts falling due within one year</b>	4	<u>(102,468)</u>		<u>(75,338)</u>	
<b>Net current assets</b>			(1)		9,661
<b>Total assets less current liabilities</b>		<u>1,043,900</u>		<u>1,053,562</u>	
<b>Capital and reserves</b>					
Called up share capital	5	1,043,900		1,043,900	
Profit and loss account			-		9,662
<b>Shareholders' funds</b>		<u>1,043,900</u>		<u>1,053,562</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.

#### 3 Debtors

	2009	2008
Trade debtors	11,615	10,782
Prepayments and accrued income	32,028	7,932
Corporation Tax recoverable	2,569	-
VAT	433	64,014
	<u>46,645</u>	<u>82,728</u>

#### 4 Creditors

	2009	2008
Trade creditors	13,974	64,514
Accruals	8,163	8,255
Share Interest	80,331	
Corporation Tax	-	2,569
	<u>102,468</u>	<u>75,338</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.

**KILBRAUR WIND ENERGY CO-OPERATIVE LTD AGM 2010**  
**MEMBER FORM OF PROXY – MOTIONS BEFORE THE MEETING**

Dear Member,

You may attend the meeting in person, in which case you do not have to return the Form of Proxy. If you are unable to attend please complete this Form of Proxy and return to Kilbraur Wind Energy Co-operative Limited, Unit 33 Trinity Enterprise Centre, Furness Business Park, Barrow in Furness, Cumbria, LA14 2PN to arrive no later than **2 p.m. on Monday 21st June 2010**.

*Please do not forget to use a postage stamp.*

**Complete this section only if you wish to appoint a proxy or the Chairman to vote on your behalf at the meeting.**

I hereby appoint:

The Chairman \_\_\_\_\_ (Note 1) as my proxy to vote for me on my behalf, as indicated below, at the Annual General Meeting to be held at Royal Marine Hotel, Golf Road, Brora, Sutherland, KW9 6QS on Wednesday 23rd June 2010.

Please indicate with an X in the spaces below how you wish to cast your vote on the following motions. (Note 3).

<b>ORDINARY BUSINESS</b>	<b>Mark with X</b>		
	For	Against	Abstain
Motion 1: To approve the minutes of AGM held on the 24th June 2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motion 2: To approve the annual accounts up to 31 December 2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motion 3: To re-appoint the Auditors Melville & Co	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motion 4: To approve the distribution of the surplus funds for the year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motion 5: To appoint Graham Phillips as a director of the Co-op	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motion 6: To appoint George Potts as a director of the Co-op	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motion 7: To authorise the Board, at its discretion, to make a proposal to any future General Meeting of the Co-operative that (within the provisions of Rule 11) any vacancies on the Board should not be filled at that General Meeting, if the Board considers that it already has sufficient Directors to discharge its responsibilities effectively.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature (Please sign in the box above)

*If you are voting or appointing a proxy by post, you must sign this form in order for your votes to be valid.*

**Notes:**

1. A member may appoint a proxy of his own choice who need not be a member of the Co-operative. If such an appointment is made, delete the words "Chairman" and insert the name of the person appointed proxy in the space provided. A proxy is entitled to attend and vote instead of the shareholder.
2. If this proxy is granted by a corporation it must be executed under its seal or under the hand of some officer, attorney or other person authorised to sign the same in that behalf.
3. If this proxy form is returned without any indication as to how the person appointed proxy shall vote, the proxy shall vote or abstain from voting as he/she thinks fit.
4. To be valid, form(s) of proxy must be lodged at the registered office of the Co-operative at not less than 48 hours before the time appointed for the meeting or adjourned meeting and must be accompanied by any power of attorney or other authority under which it is signed or by a notarially certified copy of such power or authority.