



AGM #3 MEETING MINUTES

Date: 4th May 2019 @ 10.30am

Present: Sheila Clark (SC) – Chair
Samantha Marshall - Company Secretary
Peter Thomas (PT) – Elected Director
Carol Thomas (CT) – Elected Director & Hydro Project Manager
Chrissie Sugden – Minutes Secretary & Elected Director
Libby Foy – Elected Director
Adrian Shaw – Elected Director
Cath Auty – DIG Nominated Director
Agnes Fleming - DIG Nominated Director
33 Shareholders

Present by video link: Andrew Swann (AS) – Treasurer

Apologies:

Irene Mclounnan - DIG Nominated Director
Michael Odumosu – Elected Director
Clive Brown
Ian Caldwell
Helen Davies
Lucy Macrae
Rosemary Mitchell
Lee Paterson
Christopher Payne
Mark Potter-Irwin
Elaine Rennie
Ian Rennie
Martin Roger
Sheila Saxby
Pamela Stansbury
Elizabeth Stolton
Gillian Stolton
Alan Thomas
Kayleigh Thomas
Allan Thomson
Anne Thomson
David Wilkinson



Meeting Details: **AGM 2019 #003 @ Community Centre, Dalavich**

MINUTES

Item 1 – Welcome & apologies

Sheila Clark (SC) welcomed everyone to the meeting.

Item 2 – Approval of previous minutes

The minutes were proposed by Cath Auty, seconded by Brian Saxby.

3 – Actions arising from previous meeting

All covered by the agenda.

4 – Reports for the year ended 30/11/18

a) Chair's report

SC introduced the Board members to the members present and welcomed everybody. SC introduced Mr James Lockhart, Partner in Armstrong Watson (our accountants and tax advisors) and reminded everyone that this AGM deals with the financial year 1st December 2017 to 30th November 2018. She confirmed that we are fully compliant with GDPR (**General Data Protection Regulation 2016/679 and Data Protection Act 2018**) and are ICO-registered.

Review of the year:

The build of our hydro scheme was completed on 15th January 2018 and we started generating electricity on 30th January.

February's work was taken up with restoration of the site around the powerhouse and up to the intake. Throughout March, triggered in part by the "Beast of the East" we did experience low generation figures.

Between February and May we encountered but eventually managed to resolve meter connection challenges with BT and SSE, particularly relating to the Export meter readings. Carol attended the Operator Forum in Glasgow, an energy conference for companies like ourselves.

We also completed a Social Impact Statement for Social Investment Scotland (a condition of our loan from them).

In June AED was entered for the "Nature of Scotland Awards" and short-listed, though we weren't among the finalists. On 27th June the turbine was stopped due to low water. During the build phase, to ensure that Dalavich's water supply was not compromised, a special

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intake valve on the river side of the bar screen was installed to draw enough water to maintain our domestic supply. The valve is a specially jointed elbow valve that can be rotated through 90° to allow for it to be cleaned; this sits more or less on the river bed parallel to the bar screen and in front of the compensation slot, thus giving priority to the village water supply over the feed to the turbine. We were delighted that this prioritisation system worked perfectly! Because of the wonderful, warm, sunny and dry weather, we did not restart generation until 27th July, when water levels in the Avich had risen sufficiently to supply both the village water and the turbine.

We received our first FIT payment in July and extended our contract with New Stream Renewables, our export broker who negotiated the best Purchase Price Agreement for our energy, and also advise us on the Renewables market trends. (Our electricity is purchased by F&S.)

In September we launched our 2nd Share Offer through Crowdfunder. In October AED was nominated as a finalist for the Green Energy Awards for the Best Community Project. Gregor Cameron very generously sponsored Carol's attendance at the awards ceremony. Our 2nd Share Offer closed on 30th November.

Going forward, we will be continuing to work with our advisors, to ensure that we have AED structured to optimise our financial activities. This includes looking at our tax liabilities, loan repayment & servicing, monitoring our ANM position with SGS (Smarter Grid Solutions), and working with the DNO's (Distribution Network Operators, of which SSE is one), which will eventually reduce our costs – ANM costs £40k per annum under P&L (profit & loss), of which £18k is service costs, and the balance is depreciation – either through Grid Reinforcement or by finding a lower-cost alternative to ANM.

Finally, I would like to offer my thanks for the continuing support from which we have been fortunate enough to benefit from

Gregor Cameron

CMS' Dave Hollings and Gareth Nash

D A MacDonald (who will be carrying out the routine pigging operation)

Mike Russell MSP, who despite enormous and time-consuming responsibilities as Scotland's Minister for Brexit, has nevertheless made time to send letters of support and encouragement to this small Community Project in our tiny village.

Campbell of Doune

CINK turbines, based in the Czech Republic, deserve special thanks for going well over and above their remit in helping us to resolve serious and frustrating ANM challenges.

The Board of Directors, all of whom have worked hard contributing to the success of AED during this reporting period. Thank you also to Adrian for producing graphics.



b) Company secretary

Shareholders as at 30/11/18 = **122**

Shareholders as at today = **123** (but not all voting as there are some children in there)

5 are Organisations

119 individual shareholders

£300K in shareholding

Board members throughout the period to 30/11/18

9 Elected Directors

3 DIG appointed Directors

I thank Board for its work throughout the year. The board meets monthly, using zoom technology but most of the work for the society is done via email throughout the month. All of the board members are volunteers. 2 activities within the board, that of Project Manager and Financial administration have been agreed as paid activities due to the significant extra workload those two activities carry.

Membership

AED is a Member of the Co-operative Society

AED is a Community Benefit Society is registered with the Financial Conduct Authority

AED is registered with the Information Commissioners's Office for GDPR purposes.

Returns & Legal Obligations

All necessary filings and returns were completed in accordance with the appropriate regulations:

Tax returns (for year ending Nov 18 is due for tax Nov 19).

HMRC VAT,

AR30 & AR308 required by FCA

SIS Quarterly returns and Annual social statements.

SEPA returns

Overview

It has been a challenging and busy year for the society as a whole.

My first job as Company Secretary was to ensure GDPR compliance. Fortunately, I'd been working on this within my own company for about 18 months, so I had a good understanding, but I still took the opportunity to take a training course in Oban with 50 other concerned businesses. The long and the short of that training was that a Privacy

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Policy was created, along with a cookie policy and we posted them on the website for all to see.

We make an undertaking that your details will not be sold on to 3rd parties and we'll only use the data that we need to keep our legal responsibilities to the relevant governing bodies, and to keep you up to speed with what's happening.

Shortly after this AGM, you will all receive a mailing with regard to paying you interest to your bank account (assuming the later resolution is passed) and shares held for children. We will update our records with relevant dates of birth for said children so that when they reach 16, we can ensure that they are properly informed, just as you are now.

June saw us preparing for the 2nd Share Offer which was to launch in September and close in November 2018. After a lot of discussion and review of the previous share offer, it was agreed that we would market in-house, rather than pay money to a group who would market for us.

It was a steep learning curve for me creating the right message for the market and ensuring that the marketing materials we commissioned would serve their purpose. There was a great team effort within the board choosing the right words, the right colours, the right and consistent message but we got there.

We'd created a Share Offer document in hard copy, in soft copy, in e-magazine format. We'd created postcards for hand delivery around the neighbourhood and these cards were also shared far and wide on social media.

Carol & I travelled to Glasgow for our regular network meetings and stunned the assembled throngs as we told them about the Hydro and our ambitions for Shares – they were much more used to me telling them how great social media is!

Adrian was moving and shaking in all the right directions over in Edinburgh with some very high-profile ears being bent.

The rest of the board were working away in the background talking to people, extolling the virtues of the society, regaling tales of how the project had come together and ensuring that everyone knew how the project was to benefit the community.

It was a fantastic team effort and together we raised £125K of new share money.

As Company Secretary, I am often challenged by what is laid at my door. I am fortunate to be surrounded by a team who have knowledge and expertise and if we don't know, we roll up our sleeves and find out how to do it!!

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We are still consulting with people like Ricardo, Gregor Cameron, CMS (co-operative & mutual societies) and Campbell of Doune.

I am looking forward to a steady 2019/20, where we can learn from the lessons that we are presented, where we can build on our experiences to date and where we can start to maximise our revenue. Clearly that 6 letter word is hanging over us "Brexit". Will it be 31st October? Will it be sooner? Will it happen at all?

I have no crystal ball so I can't answer that. What I do know is that as a team we have looked into what Brexit may mean for us – we trade with European companies already. Those contracts will not cease, but we may have to jump through several more hoops to get what we need.

The Ops team were way ahead of the curve and have sourced maintenance goods from the UK to minimise any impact.

I thank you, the shareholders, for your ongoing faith in our expertise and ability to lead this society forward to the benefit of the local community.

Thank you!"

c) Finance

Andrew Swann (AS) apologised for not being present in person, then gave the financial report. He reminded shareholders that AED is not a limited company, but a Community Benefit Society. It exists not only to generate electricity but to also benefit the community.

As detailed in Note 14 to the Unaudited Financial Statements for the year ended 30th November 2018, the 2017 Profit & Loss Account and Balance Sheet have been restated. This restatement results from two prior year adjustments to the balance sheet.

- The first reclassifies an amount of £26,700, previously included within 'Tangible Assets' to 'Debtors: Amounts falling due within one year.' This represents a service support agreement which had been previously capitalised.
- The second adjustment has been made to reclassify profit and loss expenditure, totalling £134,275, previously included in Consultancy, Finance costs and Legal & professional to Tangible Assets and Prepayments to more accurately reflect the nature of the expenditure.

The previous treatment of the £134,275 had the benefit of bringing our tax accounts and our statutory accounts more in line but it also had the effect of creating an apparent large retained loss which would take many years to work off before the company would be in a position to make payments to the Community Benefit Fund, which can only be made out of retained earnings.

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The prior year adjustment to the 2016/17 accounts reduces the retained loss as at 30th November 2017 from £156,472 to £22,197 and, although future years will show an increased depreciation charge as this adjustment unwinds, reducing the statutory loss to zero will be likely to happen several years sooner than if the accounts had not been restated.

Looking at Page 3 of the unaudited accounts: we started generating 31/01/18. We managed to meet our budgeted projected annual income in 10mths.

Cost of Sales: this is mostly ANM, maintenance and service costs. Admin expenses (£182,073) is due to £91,000 interest payments and finance costs paid to FCS and 90,000 depreciation. So, most of those are items which we can't control going forwards. However, we used the funds raised from the second share offer to reduce our interest costs substantially and have reduced ANM costs from £26,000 to £17,000.

Page 4 and 5 show the situation at 30/11/18: 'Tangible assets', refers to the value of the hydro. 'Cash at bank' includes the proceeds of the share offer, subsequently used to pay down our most expensive loan (at 10% per annum). Other cash is money we have to put aside to meet our next loan repayment to SIS.

During the year we had a loss of £7,000 but we are also going to recommend paying interest to shareholders of £12,000. We've had a successful year despite some exceptional costs. We believe we will do better in the future.

d) Operations

Peter Thomas (PT) reported: "It's been a good and interesting year. The turbine has run well and generated just over 1 million kWh over the year. By having a locally based team we minimise down time, as we have a very quick response, whereas if we out-sourced this function people would have to come quite a distance. This approach was proven in Autumn when oak leaves kept clogging the screen, and had to be cleared several times a week. The cost of ops was £1148, including staff, materials and equipment. This is equivalent to <30hrs generation so easily pays for itself.

The new sump has improved the village water quality as well. Costs include statutory reporting to SEPA and servicing the ANM in Braevallich. Thanks to Bill, Tam, Roger and Jane. CINK are coming to do an annual service soon and will retrain the existing operators and train new people to strengthen the team.

We also intend to carry out 'pigging'. DA MacDonald will put the pig down and check that the pipeline is all OK.

5 – Adoption of the restated accounts year ended 30/11/17

Proposed Tony Harvey, seconded Cath Auty.

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6 - Adoption of the restated accounts year ended 30/11/18

Proposed Tony Harvey, seconded Cath Auty.

7 – Resolution to pay shareholder interest

Proposed Samantha Marshall, seconded Brian Saxby. Unanimous show of hands.

A letter will be sent to all shareholders to check names/addresses/bank details so it can be paid electronically.

8 – Resolution to offer shareholders the option to communicate electronically.

Proposed Sam Marshall, seconded Brian Saxby. Unanimous show of hands.

9 – Resolution to retain Armstrong Watson accounts for another 2 years

Proposed Sheila Clark, seconded Brian Saxby.

10 – Results of the directors ballot

43 responses – all voted yes to all 3 nominees, so Andrew, Peter and Michael are returned to the Board.

11 – Project report

Carol Thomas (CT): We commissioned 30/01/18, 24 days before our FIT pre-accreditation ran out.

DA MacDonald didn't stop building for a single day, despite poor weather etc. There were two planned overspends:

- installation of kickboards at the bottom of the railings around the intake for safety
- elbow valve to prevent the village water supply running out.

The cost of the physical parts for the Elbow Valve has been borne by the Design Team the actual labour is an overspend. We have, via the water operator, applied for an additional grant from A&B Council.

The biggest overspend was on Active Network Management (ANM). The budget was £120,000 but it cost £150,000, as installation costs rose from £6,000 to £36,000.

This also meant we were still project managing until the end of May. Although SSE agreed to give us a 350kW generation limit, we have limited it to 348kW to avoid shutdowns triggered by ANM. We were a pilot scheme for ANM with SSE. They have now found a cheaper way to do it, but we can't use it as we have installed ANM. However, SSE are working with us to help reduce our costs.

We have a good relationship with Innogy so now have full time professional hydro operators standing at our sides. Adrian Shaw (Ash) suggested that CT explained why we have ANM, which she did, advising those present that it allows us to Share licenced

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capacity with the Braevallich Scheme on the other side of Loch Awe, thus enabling us to distribute everything we generate.

12 - Report of second share offer

5 organisations hold shares. We need to check how many shareholders are children, as those details weren't passed on by Shareenergy. The biggest shareholding is £12,500. 2 people hold that amount and they are married so we need to hold £25,000 as a cash reserve to repay on death if need be.

After share offer 1 we had £113,500. Currently we have just under £300,000 and 123 shareholders.

Any other questions?

Tony Harvey asked: When do you expect to start Community Benefit payments?

CT answered 2-4 years, but it will come to the AGM. We have to balance it with our fiscal duties.

PT: £6,300 was repaid to DIG for money invested in the early days of the project.

James Lockhart (JL): There is a difference between accounting profit and cash. The Board has worked hard to make earlier payments possible.

Tony asked for generation graphs to be sent out again

CT confirmed they would be.

SC showed members the HIE Renewable Energy Award which AED was recently awarded. "Best Community Energy Project 2019". Awarded primarily because we used local people to design, build and run it.

Meeting Closed:

SC closed the meeting at 11.25a.m.