

Drumlin Wind Energy Co-operative Ltd

Annual Report and Audited Accounts for the year ended 31st March 2015

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Contents

	Page
Chairman's report	2
Notice of Annual General Meeting	6
Nominations to the Board - Biographical Notes	7
AGM 2014 Minutes of meeting	8
Appendix Audited Accounts	

Chairman's Statement Year Ending 31st March 2015

This report covers the first full year of Drumlin's life as a green community owned electricity producer. As our AGM takes place at the mid-point of our financial year it is therefore the report of two Boards of Directors and two chairmen. So it is appropriate that I should pay my tribute to and record all our thanks to Nigel Brady who stepped down from both the Chair and the Board at last year's AGM. Nigel was our first chairman and was with his fellow directors responsible for doing the really difficult pioneering work of introducing to Northern Ireland the concept of energy co-operatives. This involved raising the money through the two share offers to fund the project, secure the loans on reasonable terms for a locally untested concept as well as iron out all the problems that arise in taking any major financial and engineering project from being an aspiration to being a reality. Nigel's day job as Chief Executive of Bryson Energy – which is a pioneering social enterprise – made him the ideal person to be our first chairman. I know that he remains totally committed professionally and personally to working with us all in seeing the expansion of community energy. I would also like to record our thanks to another Board member David Morrow who saw us through the early years.

The difficulties we faced would have been even more insurmountable but for the life-support we have with Energy4All and the two members of E4A who served on our first board Marna McMillin and Paul Phare. Their wise counsel and advice as well as their experience and practical skills in the early years were invaluable. It is normal for E4A's day to day involvement to reduce as young Co-ops mature but our relationship with E4A and the growing community energy movement in Great Britain remains very important to us and we did decide as a Board that we would prefer to have one of E4A's directors remain on the board for a further period and I would like to express our thanks to Paul for agreeing to be that person.

We do of course draw on the whole range of skills available to us in E4A and will continue to do so. Two of our Board members – Andrew McMurray and Anne Ford - attended the E4A AGM in September and we can only expect the relationship with "the mother ship" to continue to be important to us in the years to come.

And at this stage I would like to record my personal thanks to Andrew without whose genius, knowledge and perseverance none of us would be here today. Not the least of his contributions has been to tutor the newcomers to the Board elected at last year's AGM. I know that Anne, Tiziana, John and I have had particular cause to be grateful to Andrew for his patience and tact with newcomers to the Drumlin Board – with a rookie chairman being not the least of the burdens he's had to contend with this year.

The year did not fulfil all our initial hopes and expectations as the installation and commissioning of our turbines was slower in some cases than we had planned for. But that is water under the bridge and it is all recoverable. The better news is that in those aspects of our activities where we exceeded our expectations the improvements should run on into the future as permanent features of our co-operative's activities.

Drumlin 1 comprised four turbines which between them represented therefore 48 turbine months of generation potential. In the event we had only 33 turbine months in the 2014/15 year so our revenues in that year were less than we would have liked or than we expected. Moreover the ROC's which are the main component of our income fell in value in the year as did the market price of electricity generated. But our income from ROC's is guaranteed for 20 years so the lost months of revenue earned this year we may still expect to recoup later in the life of our co-op. But the best news from this period

is that in the 33 turbine months during which we were operating our turbines produced 1,349 MWh of electricity as against the 1,165 MWh forecast – a gain of over 15%. And there are no additional costs to putting more wind through our turbines so the unforecast output gain translates into both financial gain and more carbon dioxide emissions avoided. So it is all gain for our members, for the economy and for the environment.

There can of course be no guarantee that the wind will so consistently blow in our favour every year – and some of the variations in output from the same month in different years can be quite striking.

And in terms of combatting climate change every single £250 share subscription last year removed 54 kilogrammes of carbon dioxide from the environment. Overall Drumlin removed 580 tonnes. If we achieve our target of producing 2845 Mw/h per annum that would mean over the 25 year life of the project taking about 30,000 tonnes of carbon dioxide out of the environment.

But because total revenue was less than initially predicted the turnover as reported in the annual accounts is only £279,972 and the reported profit for the year was £62,275 which with a small surplus from the previous year enables us to pay interest of 2.7% to Drumlin 1 shareholders only. It was always understood that the first year's interest payment would be lower than the average we expect to achieve during the life of the co-op. This figure is slightly lower than what was predicted in the second share offer which was 3.4%. This payment also goes only to those who invested in the first phase of Drumlin as they invested earliest and have already waited more than three years for the first payment. The Drumlin 2 turbines did not during 2014/15 contribute to the Co-op's income.

But for those who invested in Drumlin 2 the good news is that both those turbines are now commissioned and generating. They will contribute around 15 of their current year's potential 24 turbine months to generating electricity in the current financial year. As the timescale for bringing Drumlin 2 from share offer to commissioning turbines – about 18 months – was shorter than Drumlin 1 investors in Drumlin 2 should not have so long to wait for their first interest payment. It is our intention to merge the two phases of Drumlin into a single financial entity and pay all our members the same percentage share interest next year.

In 2014/15 our output would have equated to the consumption of about 350 households from turbine generation. In the current year we anticipate achieving just under 90% of our potential maximum output. The following year – 2016/17 should see all six turbines generating normally for a full year bringing us to 100% of our full planned output.

But why do we bother going to all the difficulties of establishing and running an energy co-op? We'd get an electricity supply anyway. And frankly energy co-ops are not a cheap way of producing electricity. We are at present effectively prevented from selling our electricity to our members so we sell it into a high cost energy market. Our cost of capital is high in historic terms and while we offer a good return to modest households who are able to take advantage of tax relief we don't actually contribute much to the alleviation of fuel poverty. We are not in the "self-help" category of co-operative organisations in the way that credit unions are or agricultural co-operatives and mutual building societies were in the past. Yet!

But, while nobody has a good word to say about the major energy companies, politicians of all political persuasions like community energy companies. And they are right to do so.

Arising out of the extra-ordinary policy blunder which was the privatisation of energy markets with all the associated additional costs privatisation entitled and the enormous additional obstacles it placed

in the way of combatting climate changing and managing the transition to a low carbon economy there is only one bright spot and that is the emergence of community owned energy companies and co-operatives. There are many of them – more than 460 according to an article in the Guardian on 2nd September. But we would be deceiving ourselves if we imagined that they constitute a significant proportion of the energy sector. That same article made the point that collectively their output would provide electricity for a mere 60,000 of the UK's 22million households.

This is, perhaps, to overstate the case. There are many households – reputedly over two million in the UK - who have taken partial control of their energy supply and their energy costs by installing solar panels and there are many examples of businesses and farmers with wind turbines, PV panels or small hydro plants providing their own electricity.

As Drumlin moves from being a project to being a business we do face a choice. The choice is between simply being a small scale generator of electricity, and enjoying the income it produces for our investors, or seeing if the ownership of energy production by local communities is something we should be seeking to encourage.

We did set out to be different. In the process those of us who have become directors have learned a great deal about how we put together and then run a business in an increasingly complicated regulated operating environment. We have sought to raise not inconsiderable sums of money in small amounts from large numbers of people of mostly modest means. We have empowered ordinary citizens to do something in the battle to combat climate change. We have committed to putting more back into communities where we generate energy than do the major electricity producers. But can we be the catalyst that enables Northern Ireland to do energy differently?

The argument for letting big, externally owned plc's provide our energy needs is that the sheer scale of the problem and in particular the financing of it makes this the only option.

The weakness in this argument is that it ignores the fact that consumers pay the full cost of their energy. In aggregate energy production and supply may require an investment of hundreds of millions of pounds but it is not gratuitously donated by philanthropic societies. It is financed through the electricity bills we all pay.

So the problem is not really the money but the way in which the funding of the industry is organised.

The second problem with the existing structure is climate change. While at a planetary level all of humanity has an interest in climate change, in the board room or at the annual shareholders' meeting of a plc there is no duty on anyone to sacrifice the short term financial gain of the company and its shareholders to the longer term interests of society. Of course the big energy companies can and do invest billions in renewables – but only if they are provided with incentives and a market structure which will reward them for doing so. And even then they will not want to have to write off prematurely the investment they have made in fossil fuels and fossil fuel powered plants. So there is a tension within the existing industry paradigm.

Much of Northern Ireland's wealth leaks out of our region every year as we purchase fossil fuels and contribute to the income of externally owned energy companies. A full transition to a low carbon economy will not change this or of itself end this constant haemorrhage of resources out of Northern Ireland.

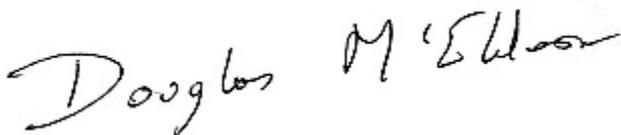
We are disproportionately well endowed by nature with potential sources of energy but they will only help us to be a competitive economy and combat fuel poverty if we can tilt the balance in favour of increasing local ownership.

So is Drumlin an end or a beginning? The year under review did see the birth of Northern Ireland's second energy co-op – this time in the form of a community benefit society – sharing much of its membership with Drumlin and indeed Drumlin made a small investment in Northern Ireland Community Energy. And for those unfamiliar with the story NICE in less than one year from conception raised £150,000 in shares and installed photovoltaic panels on the roofs of 15 charity or community owned buildings throughout Northern Ireland. Over the lifetime of our turbines we are committed to putting at least a quarter of a million pounds back into the six communities which host our turbines as well as boosting the incomes of the host farms. Our recent community energy open day which we hosted jointly with Northern Ireland Community Energy was well supported. We would like to see community based energy solutions becoming a feature of life in Northern Ireland.

Next year – or even sooner – there will be elections and politicians of all parties are sympathetic to the concept of community energy solutions. The new councils have wide ranging powers to involve themselves in a range of activities from which they were in the past effectively excluded and they now have the examples from Great Britain of councils establishing energy co-ops jointly with their citizens and facilitating the growth of local energy solutions.

I hope that we in Drumlin will be able to provide the opportunity to any of our members who want to be more actively involved in combatting climate change and citizens taking great ownership and control of energy to do so. If you have a desire to become more involved do let us know.

So in conclusion I would like to thank you all for investing in Drumlin in the first place and your patience in waiting for your first Share Interest payment. On behalf of the Board I hope that you are re-assured that you made a good decision for yourself and for the planet when you decided to become a Drumlin energy pioneer. And that between now and our meeting next year we will have made more progress in promoting community owned energy in Northern Ireland.

A handwritten signature in black ink that reads "Douglas McIlldoon". The signature is written in a cursive, slightly slanted style.

Douglas McIlldoon
Chairman Drumlin Wind Energy Co-op

September 2015

Notice of Annual General Meeting to be held on Tuesday 6th October 2015

NOTICE is given that the Annual General Meeting of members will be held at 7.00pm on Tuesday 6th October 2015 at The Agape Centre, 238 Lisburn Road, Belfast, BT9 6GF, for the following purposes:

AGENDA

1. Introductions and welcome.
2. **Motion 1:** To approve the minutes of the Annual General meeting held on 17th September 2014.
3. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the year ended 31st March 2015, together with the Report of the auditors thereon.
4. **Motion 3:** To re-appoint the firm of Lamont Pridmore, 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 surplus funds for the year to Drumlin 1 Shareholders.
6. **Motion 5:** To re-appoint Rodney Arbuckle (Retiring Director seeking re-election)
7. **Motion 6:** To appoint Paddy O’Kane as a Director

Close of formal business

By order of the Board

Annette Heslop,
Company Secretary
Drumlin Wind Energy Co-op
16th September 2015

Registered Office
54 Elmwood Avenue
Belfast
BT9 6AZ

Administration Office:
Unit 26, Trinity Enterprise Centre
Furness Business Park
Barrow-in-Furness
Cumbria
LA14 2PN

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

Nominations to the Board

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 October this year Marna McMillin and Rodney Arbuckle will retire by rotation and Rodney has indicated he would like to stand for re-election. The Co-op received one nomination to join the Board from Paddy O’Kane. Members will be asked to re-appoint Rodney and appoint Paddy through a motion.

Biographical Notes

New Candidates

Paddy O’Kane - Magherafelt

Paddy started his career with Du Pont as a Control & Instrument technician. He went on to graduate from Queen’s University Belfast with a 1st class honours degree and PhD in electrical engineering. His research analysed and quantified the system benefits of utilising sources of embedded generation (e.g. wind turbines) in a small to medium sized power system such as Ireland. Paddy subsequently held a number of senior engineering and consultancy posts. From 2003 to 2010 he worked for Airtricity (now SSE Renewables) where he was Head of Engineering and Wind Resource Assessment. During his tenure he oversaw the technical design and specification of almost £3Bn of wind farm projects. A passionate activist for wind power he represented Irish wind energy developers on the NIE and EirGrid Grid Code Review Panels at distribution and transmission system level. From 2010 he has worked for Aquamarine Power, one of the world’s leading wave energy technology development companies, where is now CEO.

Paddy is a Chartered Engineer and a member of the Institution of Engineers of Ireland. He is currently a board member of Brussels-based trade body Ocean Energy Europe.

Retiring Director’s Seeking Re-election

Rodney Arbuckle - Ballymena

Rodney Arbuckle is a farmer from Connor, Ballymena. Married to Karen they have three young sons and live on the family farm "Breezemount" where they keep dairy and beef cattle.

Rodney was the first landowner to lease a site to Drumlin and he has been actively involved over the last five years in the promotion, establishment and development of Drumlin Co-Op.

More recently Rodney and his family hosted Drumlin's first community renewable energy afternoon 'beneath the turbine' at Breezemount for friends, family, neighbours and co-op members. This was a hugely successful event and one he would be keen to support in the future for schools and other interested groups.

Drumlin Wind Energy Co-operative Limited (Registration No IP000398)
Minutes of Annual General Meeting
The Templeton Hotel, 882 Antrim Road, Templepatrick, Ballyclare,
County Antrim, BT39 0AH
17th September 2014 at 6.00pm

Present: 4 Directors, 28 members, 3 guests, and 1 representative on behalf of Energy4All Ltd.

142 responses were received via post and online for the motions.

8 Apologies

1 Welcome & Introductions

Nigel Brady, Drumlin chairman, welcomed members to the second Drumlin AGM and introduced the Board to the members.

2. Chairman's Review

Nigel presented his review to members and outlined the current status of each site to date and the expected build programme. Nigel confirmed he would retire at this AGM along with David Morrow and both are not seeking re-election. Nigel thanked David for his contribution and hard work since the inception of the co-op.

3. Presentation by PJ O'Gorman from WEP

PJ provided a presentation on the background of WEP and an update on the present Drumlin build programme.

The members thanked PJ for a most interesting talk.

4. Motion 1: To approve the minutes of the Annual General Meeting held on 30th October 2013.

The vote was put to the membership and the majority of members present voted in favour of the motion. Postal votes totalled 98 for, 11 abstentions and the chair held 33 votes in favour.

5. Motion 2: To approve the annual Accounts for the period ended 31st March 2014, together with the Report of the auditors thereon.

The vote was put to the membership and the majority of members present voted in favour of the motion. Postal votes totalled 107 for, 2 abstentions and the chair held 33 votes in favour.

6. Motion 3 – To re-appoint the firm of Lamont Pridmore, Chartered Accountants, as auditor until the conclusion of the next Annual General Meeting.

The vote was put to the membership and the majority of members present voted in favour of the motion. Postal votes totalled 100 for, 6 abstentions, 3 against and the chair held 33 votes in favour.

7. Election of Directors

Eleven applications were received to join the Drumlin Board to meet four vacancies. A ballot was put to the membership resulting in the following members elected to the Board:

Anne Ford, Tiziana O'Hara, Douglas McIlldoon and John McMullan.

Annette Heslop thanked all applicants for applying to join the Board.

The Board and members gave a huge vote of thank to Nigel for his contribution and chairing skills to the co-op since it was formed. Nigel was presented with a small gift from the Board.

Close of formal business

Nigel Brady, Chairman

Presentations

Tiziana O'Hara and Karen Arbuckle: RESCoop visit to Germany

In July 2014 Paul Phare took representatives and members of the Drumlin Co-op on a visit to Freiberg in Germany. This was an opportunity to meet members of other co-ops. They also attended a presentation given by a local Professor who had a very keen interest in renewable energy.

Tiziana and Karen provided a presentation of the visit Freiberg. The members thanked Tiziana and Karen for a most informative and interesting presentation.