



Westmill Solar Co-operative Limited Minutes Annual General Meeting 2016

*DRAFT Minutes of Westmill Solar Co-operative's AGM held on Saturday 21st May
These minutes will be draft until they are approved at the next AGM.*

Attendance

*Present: Tom Parkinson (Chair), Martin Allman (Director), Mark Luntley (Director),
Bob Pedley (Director), Philip Wolfe (Director)*

Apologies: Richard Benwell (Director), Nicola McConville (Director)

Attendees: 66 members (in addition to the 5 members listed as present above)

Registered proxy votes: 21

The meeting comprised over 12 members and was therefore quorate.

Total number of members voting: 407 (315 in advance, 21 by proxy and 71 in person at the meeting). This represents 27% of the membership.

Welcome from Mark Luntley and Tom Parkinson

Mark opened the meeting, and thanked members for attending and expressed excitement at the two Westmill AGMs for Wind and Solar being held together.

Tom Parkinson then introduced the other board members present - Philip Wolfe, Bob Pedley, Martin Allman and gave apologies from Richard Benwell and Nicola McConville.

Motion 1: Approval of minutes of the 2015 AGM

It was noted that the initial draft had been corrected to make clear that the £1.62 million figure referred to represented the total amount of capital and interest payments for 2014.

Mark Luntley put forward the motion to approve the minutes, and it was seconded by Raoul Deniko.

At the meeting – all in favour, one abstained.

Votes in advance - 259 in favour, 1 against, 6 abstaining.

The minutes were therefore **approved**.

Motion 2: Election of directors

Philip Wolfe took the Chair for this motion and reminded members that the Cooperative rules state that one-third of the Board retire by rotation each year. This year Nicola McConville is retiring and not putting herself forward for re-election. Nicola was thanked for the sterling work she has done, in particular for negotiating the solar park acquisition and leading on legal matters for the co-op. (Applause)

Tom Parkinson had put himself forward for re-election. This means there are two vacancies on the board and only one candidate. Philip encouraged members to put themselves forward, particularly women as currently the gender balance is rather skewed in favour of men.

At the meeting - all in favour, none against, none abstaining
Votes in advance - 259 in favour, 1 against, 51 abstaining.

Tom Parkinson was therefore re-elected to the board.

Questions on election of Directors

(Q) Ruth Conchie: Can someone be appointed to the board before next AGM? (A) Yes, the board can co-opt. (Q) Ruth: Can you put yourself forward to stand now? (A) No, as we need to consult the members not present today, but if anyone is interested please speak to the board or Ethex.

The Performance of the Solar Park - Martin Allman

In general, output was consistently above expectations. 2015 generation was the equivalent usage of about 1600 households, and was up 14% on the forecast out-put for the year. 2015 generation was slightly lower than 2014, partly due to grid disconnections in March/April and in May due to maintenance issues that put the site out of action for a number of days. The levels of generation will depend on weather conditions – for instance it was a particularly gloomy November and December, but the actual generation figures exceeded the adjusted predictions in almost every month. Plant availability was consistently higher than forecast (apart from in January, April and October with April particularly affected by SSE disconnecting the plant for maintenance). Actual availability was 98.74% - just below the 99% target.

Operational issues - Abakus' German parent company filed for insolvency recently. However Abakus Solar Manchester have ensured continuity of service and ENcome are in the process of acquiring Abakus and taking over the parent company obligations – this is an ongoing issue. We also had to replace the security camera, and storm damage led to replacing some panels. There is strong support infrastructure to ensure continuing high performance levels.

Questions on the performance of the solar park

(Q) David Uren: The first slide shows the actual irradiation across two years was very close to predicted irradiation. Does this mean we can have high degree of certainty and confidence that our predictions going forward will be correct or is this anomalous? (A): We look at figures quarterly for anomalies, and scrutinise. It is striking that they are so similar. We believe they are correct and accurate and likely to vary more in future years.

(Q) Sue Roberts: How does the performance guarantee with Abakus work? Does it guarantee that the Co-op will achieve certain levels of revenue and/or on what basis are the additional amounts due to Abakus calculated? (A) The arrangement does not guarantee revenue levels for the Co-op but if the plant over-performs the so-called 'guaranteed' levels a proportion of the additional revenue goes to Abakus and the balance is retained by Westmill.

(Q) Janet Warren: Security camera – was that accidental or criminal damage? (A) It wasn't criminal, but we aren't sure what caused the problem. It may have been a blown fuse, but when it was taken apart it wasn't possible to work out what happened. The insurance company were happy to settle the claim through.

Financial report - Bob Pedley

2015 was a strong year –turnover was a slightly over £2million compared to £2.14 million in 2014. It has gone down due firstly due to the withdrawal of LEC's by government, which is a regrettable part of the general governmental withdrawal of subsidies, and secondly due to being offline for 8 days in March and May which affected the park significantly – it would probably have been£ 2.1 and 2.2 million without this. In general, the plant continues to perform excellently.

Cost of sales hasn't changed and the cost of running is consistent and reliable – there are no trends to worry about.

Admin has gone up a bit for a number of reasons.

- Directors Remuneration - we previously started paying in the middle of 2014, so we only paid for half a years' worth.
- Southill Solar owes Westmill money - we wrote it off in 2014, but now it's looking like we may get it back.
- VAT write-off - 3 or 4 years ago when we acquired the from Blue Energy, things were done at great speed but some details not paid attention to, and part of the bill was VAT – at the time we believed we could recover the VAT from the tax man, but we couldn't, so it had to come out of the profit - this is a one off.

Shareholder returns - Westmill is generating more energy and money than expected. One of the aims in the prospectus is to help bring on environmental causes and community benefits. We are in line with what was originally planned/hoped for in the prospectus, but because we are generating more power, and therefore money, than originally expected, we can increase payments to members or the community fund. You have the right to waive share interest, and if so directors will add that to community benefit fund. We want opinions and advice; please join in the discussion about allocation and distribution.

Questions on the financial report

(Q) Jonathan Puttifoote: How are profits up, but the rate of return is only in line with what was expected? (A) Plant is performing well, it's efficient. We are generating more electricity than expected and therefore money. The rate of return to members to date is slightly ahead of the projections described in the prospectus, and the overall return to the co-op in 2015 is around £144,000 better off than expected.

(Q) Sue Roberts: Why, if the park continues to over-perform like in 2014, the return on investment for 2014 was 10% but only 6% in 2015? (A) Members passed a resolution at the last AGM to ask directors to look at additional community benefit fund payments, so some profits have currently been retained while the Co-op continues its discussions on what should happen with the retained profit. Depending on what is decided, a further payment may be made later in the year. Whatever happens, the payment for 2015 won't be 10% as the plant performed less well than in 2014.

(Q) Dave Harnett: asked if there is an option to assist other co-ops that will struggle to raise capital - can Westmill use the £144,000 surplus to help them? (A) The loan to Southill appeared in the profit and loss account because it was written off during 2015. If say £100,000 were put into another co-op, it wouldn't come out of the £144,000 surplus as it would be viewed as capital investment – there would still be the issue of what to do with the £144,000.

(Q) Kevin Poplett (observer): raised a point of clarification - £144,000 is surplus, from which the payment to WeSET has already been taken out? (A) Yes, we have already fulfilled that commitment.

(Q) Antony Woolhouse: raised that keeping money leads to higher corporation tax. (A) The board agreed that it would have been nice to pay out the retained profit during 2015 but it didn't have guidance from the members at that time. £20,000 tax will have to be paid out as a result of last year's surplus and tax charges will get bigger towards end of project. Over the lifetime of the project we will pay around £1.6m in tax and this is first instalment - as an ethical business Westmill will pay its tax dues.

(Q) Janet Warren: raised that the Fair Tax Mark is an accreditation in the co-op sphere which would be a very positive statement if the board were to take on. (A)

The board has looked at the Fair Trade Mark and on balance have decided that the cost of accreditation outweighed the benefit to the co-operative, members and public. It is something the board will continue to consider.

Motion 3: To receive the audited accounts for 2015 incorporating an interest payment of 6p per share and a payment to WeSET of £19,870.

Proposer - Alison Smart

Seconder – Sue Roberts

At the meeting – all in favour, 1 abstain

Votes in advance – 278 in favour, 12 against, 20 abstaining

The motion was therefore **passed**.

Motion 4: To re-appoint Critchleys as auditors to the Co-operative

Proposer – Clive Goodman

Seconder – David Harnett

At the meeting – all in favour

Votes in advance – 271 in favour, 3 against, 34 abstaining

The motion was therefore **passed**.

Membership and External Relations

A video was played from Richard Benwell, Westmill Solar Director who has been leading on communications and policy for Westmill Solar. Richard was unable to attend due to a friend's wedding but sent his apologies and a video message:

Video from Richard Benwell: Westmill is about more than panels and revenues, it's about the Westmill story, and so this year, more than ever, we have been making sure we tell our story. Whilst it has been a difficult year for the sector, telling the stories of what can be achieved and how has helped to make a difference. Thanks to vigorous campaigning to demonstrate that co-ops need longer to set up, the FiTs pre-accreditation for community energy projects has been partially restored. Results of surveys show there is an appetite for clean energy at a local level.

Tom Parkinson updated members on Westmill's participation in the Piclo trial. Piclo are trying to establish a system to match generation with customers' demand. At this point it only involves commercial customers but in future this could lead to domestic customers (and Westmill members) being able to choose where their electricity comes from. The system not only enables suppliers and customers to link up but also allows the generators to give a discount to or obtain a premium from the energy

Westmill produces. The Eden Project has been the biggest buyer under the trial so far.

Member returns and community fund – Tom Parkinson

Tom Parkinson provided an overview of the work to date including that of the Members Working Group set up under Adam Twine to look at options for the Community Benefit Fund. Tom also explained that in line with the principles agreed at the 2015 AGM around £20,000 has been given to WeSET in respect of 2014 and a further £20,000 will be given in respect of 2015, that members will have the option to waive their individual entitlements to interest in favour of a Community Fund, that interest payments so far to members are ahead of the projections set out in the offer document, and that two other amounts have been approved by the Board for payment in 2016 - £1,000 to Smart Energy Grid CIC and £5,000 to Energy Local.

Adam Twine explained that he and the other 3 people in the group had decided to ask members' for their views via a survey a couple of months ago. There were 181 replies, around 12% of membership. The first question in the survey asked what should be done with any profits that exceed projections. 50% had responded it should all be given to members, 60% felt it should be split between members and the community fund and 16% thought the Co-op should give it all to community causes. There are diverse and strongly-held opinions, social initiative is paramount for some, others say it's my savings, I need it. In response to a second key question, 80% felt that any decision should be taken as a co-op although a significant minority felt that the decisions should be left to individual members.

Tom Parkinson – This is an important opportunity for members to engage - up to £13 million may be generated in profits over the next 20 years and it is for members to decide the overall split of this amount between members and the Community Fund. The financial projections set out in the original offer document envisaged a potential return to members in the range of 9 – 11%. We can't guarantee what returns will be but on current projections, a 9% return for members could leave as much as £4 million available to the Community Fund over the project's lifetime while an 11% return to members would reduce the amount available to the Community Fund to around £500,000.

Questions and discussion on member returns and community fund distributions:

Alison Smart: asked if there would be additional costs to allowing members to opt in and out. (A) Waiving interest is quite straightforward, and already in operation. Allowing individual members to opt out of a payment to a Community Fund is much more difficult - which is partly why the board believes that we need to agree what we're doing collectively.

A member: indicated they don't want the decision on this to be dragged out, as they didn't invest to have money returned to them, but to help other projects, and that

opportunities are being missed in the meantime. They appreciate that others may not be in that position and look to the board for progress. (A) The board are keen to make a decision on what to do with the 2015 retained profits by the end of 2016. There is a lot of work required to identify recipients for the community fund which hasn't yet been started but the preference is to make a decision sooner rather than later.

John Twidell: members wanting all interest to be paid to them are not selfish, as they may want to give to own things, such as the worldwide community; they could give to refugees, or overseas projects etc.

Anne Gow: the fund needs to make renewables accessible to children and young people so that they treat renewables as something normal, not abnormal.

Janet Warren: pointed out that when the original investment was made, members risked losing all their money. As not all investments are successful, members should not be made to feel guilty about maximising their returns from projects that succeed. (A) Acknowledged - it is ultimately up to members to decide the levels of return they expect from this particular project.

David Amrey: asked that whatever the decision is, can it be paid in arrears? (A) This year's decision will relate to the profits retained in the 2015 accounts. Figures regarding members' return are all stated on an average basis over the lifetime of the project and annual interest payments are anticipated to increase over time.

Ruth Conchie: as this project is for 21 years, an opt-out is needed for people whose circumstances change, as what is appropriate now may not be appropriate in the future.

Mike Landy: Commended working group, and wanted to mention that as head of policy at STA (Solar Trade Association), he is aware that business rates could go up very significantly from next year, which would have a significant impact on finances from April 2017 onwards, impacting returns. The situation is still unclear as it is under negotiation but it is something that really needs to be taken into account. (A) Thanks for this information, which will be followed up to try and minimise the impact. Part of the reason for revising the financial model was to ensure that this kind of change can be taken into account in the forecasts for future years.

David Leighton: asked is there a way of introducing a smoothing mechanism such as in unit/investment trusts, where if there is a low return of profit it can be made up from previous year that has been put aside? (A) The current proposals anticipate a certain minimum level of member interest being paid each year before any additional Community Fund payments are made. Retaining £144,000 of 2015 profits pending a decision by members on its allocation also provides some element of protection if 2016 results were below expectations.

Alice Lander: asked about the administrative aspect and is keen to avoid too much bureaucracy. How will the board plan to decide to whom (and how) it distributes the Community Fund? (A) The board are also keen to avoid too much bureaucracy in identifying and monitoring payments made. We need members to get involved with this and those who are keen to make the Fund a success are particularly encouraged to do so.

Bob Pedley: mentioned that things need to be done in the right order, firstly how much the split will be, and then to whom are the Community Fund payments allocated. The first decision needs to be made as soon as possible.

Saksia Huggins: Urged members to think of the community fund as something everyone gains from, and while members may 'lose' interest, they are richer for the social and environmental benefits.

Nan Pratt: Thanked Westmill for the donation to WeSET which makes a real difference, especially for future generations.

Gordon Gorrock: pointed out that CEE haven't got a fund and that and thought that the distribution of profits via the Community Fund could really help other co-operatives.

Philip Wolfe: We need to balance the aspirations for the Community Fund against member returns. In many instances, money that goes back to members may be re-invested in further schemes. Even if members receive an overall return of 9%, this is a very good return.

Adam Twine: explained that he set up as Westmill Solar to be broad and inclusive and aspirational, to engage the wider community. The idea was to be an exemplar and to demonstrate how to make a difference collectively and locally. If there is an opportunity to have a wider impact as an organisation, we should be pursuing this.

Tom Parkinson asked members present to show - on a purely indicative, non-binding basis in light of discussions so far - what level of return they are looking to receive from the range set out in the offer document.

9% - ~ 21

10% - >21

11% - 6

(Q) Clive Goodman: How do we come to a final decision? (A) Further work needs to be undertaken by the Board and the members' working group in the light of today's discussion and subsequent member feedback with the aim of creating a formal proposal which will be put to members before the end of 2016.

Closing comments

On behalf of members, Tom Parkinson thanked the directors and the members' working group, also Abakus, Ethex and other advisors, Mark Luntley for coordinating

the day, WeSET and members present. Repeated that if members would like to get involved, whether with WeSET or the Members' Working Group or the Board, please contact Tom or Sarah Flood at Ethex.