



AWESOME ENERGY (DALRIADA) LIMITED

# 2019 AGM

SATURDAY 4TH MAY, 2019



# CONTENTS

Page 3	Agenda
Page 4	Results and Outlook 2018
Page 8	Chair's Report
Page 7	Finance Report
Page 9	Operations Report
Page 10	Project Report
Page 11	About Us (The Directors)
Page 15	
Page 19	
Page 20	
Page 22	
Page 24	
Page 25	
Page 26	
Page 27	

# AGENDA

- 1) Welcome and apologies.
- 2) Approval of previous minutes.
- 3) Actions arising from previous minutes.
- 4) Reports for the year-ended 30/11/18.
  - a. Chair
  - b. Company Secretary
  - c. Finance
  - d. Operations
- 5) Adoption of restated accounts for year ended 30/11/17.
- 6) Adoption of accounts for year ended 30/11/18.
- 7) Resolution to pay shareholder Interest.
- 8) Resolution to communicate electronically with shareholders.
- 9) Resolution to retain Armstrong Watson Accountants for a further 2 years
- 10) Results of Directors' Ballot
- 11) Project Report
- 12) Report on second share offer

# Results & Outlook 2018

## Highlights: a successful first year

During the year:

- Construction work completed January 2018
- Generation started 30 January 2018
- A cold spring and dry summer reduced output (46 days of zero generation in the 10 months)
- Despite this generation over the 10 months exceeded forecast by 5%
- Sound operational and financial processes put in place, including Active Network Management (ANM)

## Community Benefit Company

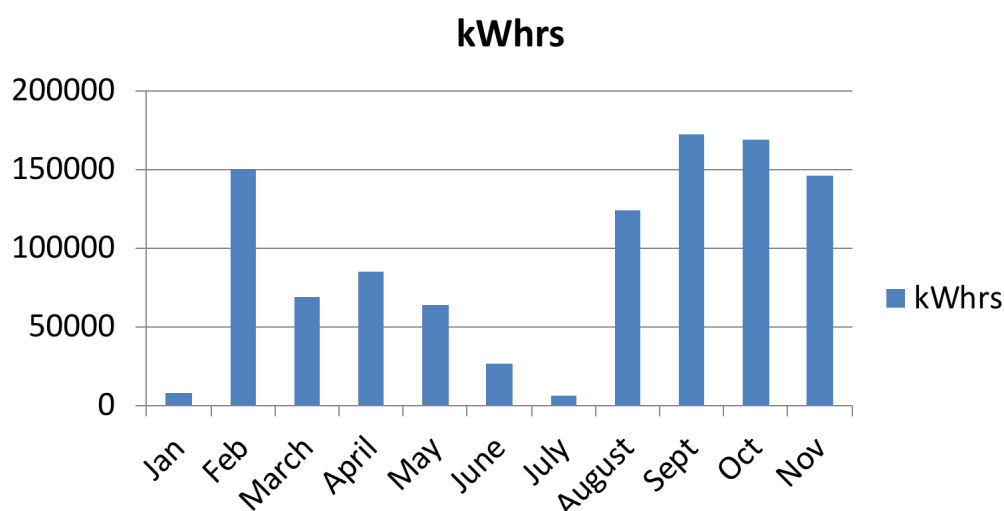
- AED is a Community Benefit Company
- We have raised money from loans and share capital
- Restated prior year accounts to accelerate payments of benefits to the community

*See Annual Report and Accounts for full details*

# Results & Outlook 2018

## Operations

Generation started on 30 January and monthly output reflects changes in river levels – the impact of the cold spring and dry summer are clear from the bar chart.



## Turnover

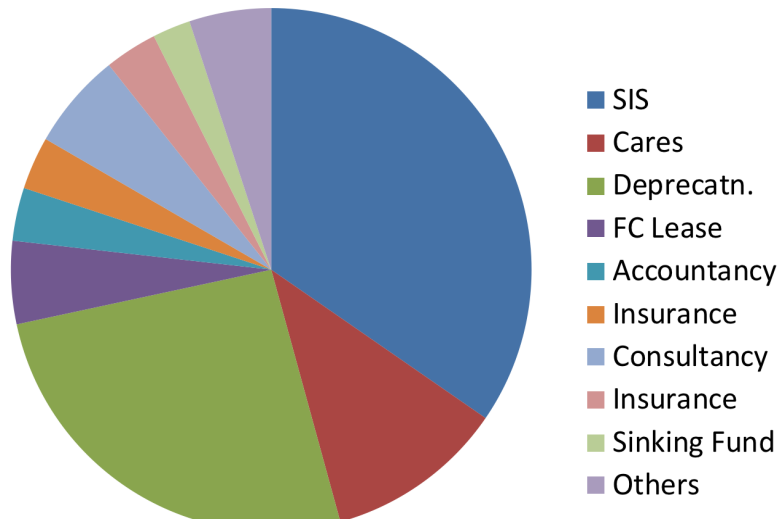
Income	£
Sales	198,637
Grants	2,721
Total	201,358

Costs and expenses	£
Active network management	19,325
Turbine servicing and other civil engineering costs	6,680
Other costs	354
Expenses	185,185

# Results & Outlook 2018

## Expenses

Our biggest expenses were interest payments to Social Investment Scotland (SIS) and CARES. 'Others' includes admin. costs, advertising, bank charges, etc.



## Future prospects

- Robust technical and financial systems in place to underpin business prospects
- Contracts in place to sell electricity to the grid and receive Feed in Tariff for 20 years
- Debt restructuring will reduce costs with opportunity to make additional capital repayments to SIS

# Results & Outlook 2018

## Business risks

- Grid capacity... an ongoing issue for electricity generation in Argyll
- ANM ... a cost that diverts future income away from the community
- Future energy prices ... unknown but could affect our income
- Accounting issues ... there will be taxes to pay in the future
- Rates relief ... we currently receive 100%

## The Board...

- thanks funders, investors, Innogy, and the community and all others who helped bring the project into operation in 2018
- recommends a payment to shareholders of 4% for 2018
- will continue to press for grid enhancement to reduce the need for ANM cost in future years
- *forecasts that Community Benefit payments will start in the next 2 – 4 years*



# Chair's Report

This has been an exciting year, that saw generation start in January 2019 with an awesome level of output in February followed by the "Big Freeze" and a long hot, dry spell in the summer. Despite all of this we have seen excellent generation levels, above Low Flow Data (LFD) P50 predictions and revenues that exceeded forecast



However, we now know that 150,120 kWhs whilst better than LFD P50 is less than 75% of what the turbine can do in a month. It is clear from the data we have that most of our generation occurs in October – March and our forecasts and budgets reflect this. We are confident that

This has been a year of discovery and stabilisation. The Operations team managed the routine servicing, dealt with leaf fall that blocked both the intake and the tailrace, worked hard to establish an operational process and created a stable and reliable set of procedures.

The two areas of the business that absorbed the most time and energy were the Active Network Management, which proved both costly and time consuming and the Financial Management and Accounting.

It has taken time for the Board to familiarise itself with the nuances of the various accounting protocols and what they meant to a Community Benefit Society. We have now settled on a protocol that is Financially robust, supports the over-riding aim of AED, which is to generate profit for the Community Benefit Fund, and will not create a heavy administrative load.

The Active Network management (ANM) system is now fully commissioned, is operating on the lowest cost base we can achieve but is none-the-less a significant element in our costs. ANM will cease to be required when the Grid Curtailment is lifted. The Board will continue to work with industry experts to reduce the impact of Grid Curtailment. We would like to thank Innogy for their ongoing support and assistance.

Sheila Clark



# Company Secretary's Report

It has been an interesting year. The hydro is performing well. Despite a warm summer and loss of generation for several days, we are exceeding the P50 generation figures by 5%. The 2nd Share Offer brought in significant cash allowing us to make intelligent decisions when refinancing. The Operations team were very busy in the autumn, and Peter will tell you more.



We currently have 124 shareholders, of which 5 are corporate. We thank you all for your ongoing support. Awesome Energy (Dalriada) Limited (also known as AED) is a Community Benefit Society and is registered and regulated by the Financial Conduct Authority (FCA). AED is also a member of the Co-Operative Society.

The board is comprised of 12 members: 9 are elected directors from Awesome Energy (Dalriada) Limited shareholders. 3 are appointed representatives from Dalavich Improvement Group (DIG). During this past year we have met monthly, using webinar technology to connect us all efficiently. All board members are voluntary, but it was decided that the level of work carried out by the project manager and the financial administrator was significant and therefore, they are paid for their time (although neither of them actually bill for the hours they put in). I would like to take this opportunity to thank the board for their input and efforts over this past year.

We rely heavily on industry experts to guide us through the obstacles and have been working with Armstrong Watson (AW), accountants, for the last year. We hope that you will approve our resolution to continue that relationship for a further 2 years as AW are a trusted partner and understand our specialist business.

One of my first jobs this year was to ensure that AED was GDPR compliant. This was an EU directive that had to be in place during May 2018 which ensures that we protect your private data and that you know what information we hold, why we hold it and what we are going to do with it. We are compliant and are formally registered with the Information Commissioners Office.

# Company Secretary's Report (cont'd)

We have a resolution coming up regarding how we communicate with you. We are asking for your permission to use electronic methods moving forward. Assuming this resolution is passed, you will soon receive a communication from us asking for certain data to be confirmed.

A further resolution is about paying you 4% interest. Assuming you agree to that we'll need to gather your preferred receipt medium. It would be more cost effective for us if we could pay direct to your bank account as cheques cost us three times as much to process.

The 2nd share offer, mentioned above, was an exercise in marketing for me. Feather banners, roller banners, table banners, Share offer document pack, postcards and many many social media posts were created and shared far and wide. We consider it to have been a successful campaign.

Autumn arrived and kept the Operations team busy. Peter will expand on this in his report. We had no freezing this year to slow down generation and for that we are grateful.

We finished the year ahead of our projections. We are pleased, but it will take another couple of years of data collection and interpretation before we will be confident to move away from our cautious P50 predictions.

I thank you, the shareholders, for your ongoing faith and trust in our expertise and ability to lead this society forward for the benefit of the communities of Kilmaha, Lochavich, Inverinan and Dalavich

Here's to a prosperous year to come for all.

Thank you.

# Finance Report

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 of these 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 to 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. The prior year adjustment to the 2016/17 accounts reduces the retained loss as at the 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.

During the year, the hydro plant became fully operational and, despite some very adverse weather conditions - including droughts and freezes - which meant that no generation was possible for a total of 46 days, the level of generation during the 10 months of operation matched the budget level resulting in income of over £201,000. Total costs for the year were some £208,000 leading to a £7,000 loss before any payment to shareholders but it should be noted that this included a number of one-off costs (consultancy costs, promotional costs for the share issue etc.) and also included higher interest costs from the CARES loan (10% p.a.) which has since been replaced by lower cost finance (a new SIS loan at 7% p.a. and the increase in share capital).

# Finance Report (cont'd)

Costs for the first eight months of operation also included ANM services costs at a level of £26,700 p.a. which has now been decreased to £17,700 p.a. Without these additional costs, operation of the plant would have produced a profit for the 10 month period.

As indicated above, steps were taken during the year to improve the financial structure of the company. In particular, £97,720 of new share capital was raised during the year largely through the second share offer. Since the year end, this money has been utilised towards the repayment of the smaller of the two CARES loans which had an interest cost of 10% p.a. but, as it only came in just before 30th November, it appears on the balance sheet and accounts in large part for the £194,645 of cash shown as at the year end. This cash also includes amounts put aside for the loan instalments then due to be paid to SIS in December 2018 and March 2019 (as required under the loan documentation) leaving free cash available to the company at a relatively modest but adequate level.

The satisfactory performance of the hydro plant, the improvement of the financial structure and the current cash position mean that the company is in a position to honour the undertaking given to shareholders to pay interest at a level of 4% p.a. if circumstances so permit. Accordingly, provision has been made in these accounts for payment of such interest in the amount of £11,885. This is subject to approval at the AGM and, if so approved, will be made shortly thereafter. This leaves the company with total equity of some £256,000 after allowing for retained losses of £41,115. As noted above, once retained losses are reduced to zero, the company will then begin to be in a position to consider making payments to the Community Benefit Fund.

Andrew Swann – Treasurer

17th April 2019

# Operations Report

The local Operators were trained by CINK to manage the day-to-day maintenance of the Turbine. Over the year we have developed operator procedures that covered activities such as:

- Leaf Clearance at both intake and outfall

- Intake scouring

- Bar Screen management



The benefits of having local staff became evident during the final installation of ANM through February, March, and April as unexpected "hard stops" could quickly be reset by the duty operator. This meant that we only lost minutes or occasionally hours but never days.

ANM is viewed by operations as a "necessary evil" without which we cannot put our generation to the grid. Our failsafe (the level we must wind down to in the event of ANM comms failure) is 350kWh, so in reality we don't need but Grid security says it must be in place. It took until October '18 to finalise all the settings and we have now hard limited the turbine to 347kWh to prevent unnecessary shutdowns. An ANM triggered shutdown is a hard stop, which means that the machine is subjected to an emergency stop and can only be restarted by someone going to release the emergency stop. By curtailing the output to 347 we have avoided tripping the ANM and have seen no more ANM hard stops since we implemented it.

Leaf fall and related issues meant that operators were visiting site several times a week and on occasion twice a day to keep the screens clear.

The elbow valve fitted to protect the community water supply proved its worth through the dry spell in July and a plentiful supply of good, quality water was maintained throughout.

# Project Report

As predicted last year, the project was commissioned in late January and we secured our FiT accreditation effective 1st February.

Although the weather caused problems with final commissioning, our G59 was still completed on the 31st January, despite limited comms and difficult travel conditions.

The weather caused BT connections and meter connections to the outside world to be played until mid-February, which meant that getting automated readings were only secured in March 2018.



That delayed receipt of initial revenues until May 2018 and FiT payments were only finally received in July 2018. This gave rise to some challenging cashflow management but by end July when Export income was being received regularly via automated readings and the FiT payments had been received we were back on an even keel.

ANM commissioning caused the only unplanned overspend, £30,000 against a planned budget of £120,000 and continued to cause additional work and challenges until the end of the year.

As reported by operations, the elbow valve has proven to be a wise addition to the specification. The site was handed over to us in March 2018, an interim review was completed in September 18; the final snagging review was carried out in February 2019 and the project officially closed.

# ABOUT US



## Sheila Clark – Chair, Elected Director & Founder Member

Sheila's background is in Modern Languages, curation of prehistoric artefacts in the museum environment, and Heritage Management.

She is a field archaeologist working within the Heritage Management Team in Historic Environment Scotland (the Scots equivalent of English Heritage and Cadw) and has over 25 years' experience in the area of producing field reports on Scheduled Monuments of National Importance, field survey projects, guidance papers on managing land to protect the historic environment, and archaeological management plans for Forestry Commission Scotland.

She has worked extensively alongside FCS and private commercial forestry companies, as well as SEPA, SNH, RSPB, NTS and other organisations, has served on the Perth & Argyll Regional Forestry Forum, and has occasionally attended meetings of the Scottish Forestry Forum. She has lived in Dalavich since 1988 and was a founding member of the Dalavich Improvement Group.



## Chrissie Sugden – Elected Director & Minutes Secretary

Chrissie brings 21 years of experience of working in community groups, and was Chair of Dalavich Improvement Group for 3 years.

She has been intimately involved in developing the hydro project for the past 3 years, and has seen it through many highs and lows. She co-wrote the Awesome Energy Business Plan and original Share Offer

Document. Chrissie is proud that the hydro will be producing clean energy long after she has gone. Working towards a better future for her grandchildren is a great anti-dote to despair about the state of the world. As a director, resident and shareholder Chrissie will be keen to ensure that Awesome Energy delivers benefits to both shareholders and the community without compromising the ongoing success of the business.



## Carol Thomas – Elected Director & Hydro Project Manager

Carol moved to Dalavich in 2012 after a long career in Supply Chain Management, Business Development, and Business Consultancy.

She is an experienced Project and Business Manager having managed, amongst other things, a multi-national cross-functional team implementing complex software in conjunction with building a

second manufacturing plant in the highly regulated Nuclear Pharmaceutical Industry. She has led several process improvement projects; delivered change management; coached and trained people in all aspects of Supply Chain and Project Management in blue chip companies in Food & Beverage, Pharmaceutical, Heavy Industrial, and Research companies. In addition to her work-based expertise, she is also a local business owner, served for 28 years as a volunteer Leader with the Scout Association, and has a keen interest in wildlife, ecology, and sustainability. She joined the Hydro Project Team in 2014 and has worked tirelessly since then to make the scheme a reality. Carol says: "I want my descendants to know I did my best to make a difference, I see the Hydro as an opportunity to make a positive contribution both locally and globally and besides I enjoy making things happen and I have a warped sense of fun!"

# ABOUT US (Cont'd)



## Andrew Swann – Treasurer & Elected Director

Born in Scotland in 1952, I completed my education in England and took a degree in Natural Sciences at Cambridge. I then worked for 33 years in the banking industry rising to board level. My final position was as a director of Alliance & Leicester Commercial Bank where I created their Corporate Banking Division establishing a series of project finance and

asset finance operations including a Renewable Energy Finance team.

Retiring in 2007, I am active as the treasurer and trustee of a number of local charities, including Age UK Buckinghamshire, and a small national charity – The Autism Research Trust. I am also active in the Scout Association and I am a keen hill walker. Although continuing to live in Buckinghamshire, I visit Scotland several times each year. I have been pleased to be able to put my financial expertise to good use in the establishment of Awesome Energy (Dalriada) Limited and I will be happy to continue this.



## Peter Thomas – Elected Director & Founder Member

Peter has been resident in Dalavich since 2012. In 2016, he retired from his job as a Process Engineer for Thames Water, where he worked on the sewage side of the business and now lives full-time in Dalavich. At Thames Water he was heavily involved in a professional capacity

improving the generation of electricity from waste materials and was actively involved in the commissioning of several Combined Heat & Power plants.

He brings a wealth of technical expertise and capability and has been a valuable member of the Design Team and more recently in Operations where he leads the team in standard and non-routine maintenance. A Polymer Rheologist by background, he is a keen mountain and climbing enthusiast, a qualified Mountain Leader, and has a strong interest in sustainability and ecology. Peter is keen to see the Hydro continuing to generate energy and wealth for both the community and the investors.



## Michael Odumosu – Elected Director

As a seasoned management professional with 20+ years in project management, I offer a consistent and impressive track record of successfully completing projects on time and under budget. I also have a history of helping companies streamline processes on an ongoing basis to continually

improve efficiency and effectiveness. I am confident that the skills and experience I bring to the table are a perfect match for the position at AED's Board membership.

I have spent the majority of my career in the information technology field with extensive experience in staff training and development. I have managed well over 250 + staff throughout my career. I possess a vast amount of knowledge about the most effective ways of guiding teams to meet ambitious project milestones and targets on time and within budget. I am process-driven and meticulous in my approach to leading teams and meeting targets.



# ABOUT US (Cont'd)



## Libby Foy-Lowrey – Elected Director

Libby has lived and worked in Dalavich since 1996. She owns and operates the Dalavich Village Shop & Wild Rowan Cafe' and is the Post Manager of Dalavich's sub post office. She holds an Associate's Degree (AAS) in Applied Science & Liberal Arts and a Bachelors of Arts (BA) in Education and Psychology from the Universities of New York at

Binghampton and New Paltz.

She worked for Forest Holidays from 1996-2009. For the majority of this time she was Site Manager at Loch Awe Cabin Site. She has been and continues to be involved in many other aspects of the community. She was a member of Dalavich Social Club management committee from 2001-2012 and is a founding member of Dalavich Improvement Group and currently an elected DIG board member. She has been an elected AED board member since 2017.



## Adrian Shaw – Elected Director

Adrian Shaw is the Climate Change Officer for the Church of Scotland. Current work interests include climate justice, the transition to a low carbon economy and fossil fuel divestment. He was company secretary of Eco-Congregation Scotland, and a founder director of the

Dalavich Improvement Group; he is currently a member of the World Council of Churches Climate Change Working Group and Conference of European Churches thematic group on economy and ecology. He previously worked for Argyll and Bute Council and has degrees in geography from the Universities of Cambridge and Toronto.



## Sam Marshall – Company Secretary & Elected Director

Sam is a local businesswoman based in Lochgilphead. She was elected to the Board in 2018 having followed the progress of the River Avich Hydro scheme through social media before moving to Argyll in 2017.

Her background is managerial and educational. She runs her own training and networking consultancy business predominantly teaching social media to the terrified and she is an avid networker! She brings Commitment and Experience in these fields to Support the board in moving the programme forward.

Sam is in awe of the wonderful nature all around her and delighted to be contributing to a community based renewable scheme.

# ABOUT US (Cont'd)



## Agnes Fleming - Chair Dalavich Improvement Group (DIG)

Agnes has lived in Dalavich for 10 years and currently works for Argyll and Bute council managing the systems development group. She is a certified project and programme manager with over 20 years' experience successfully delivering large scale change programmes for the IT industry and local government.

Agnes has been at the forefront of the River Avich Hydro Project from its inception. Around 8 years ago she made the first enquiries into the feasibility of developing a hydro scheme for the local community, She lives and works in Argyll so being involved in something that directly benefits the community is a driving force for her.

Agnes said "The decision to invest in the project was easy for me to make, I had seen all the desktop scenarios and am confident that I will get a good consistent return on my investment. I am really pleased I have invested in a green energy project and know that the resulting community benefit fund will help make Dalavich sustainable for the future."



## Cath Auty - DIG board member

Cath is a research scientist with a chemistry degree working for a global company. She is married with 2 children and live in Cheshire.

She is a Brownie leader and used to be a voluntary volunteer manager with responsibility for approx 600 registered volunteers across the NW, over 25 branches of a national parent support charity but stepped down from that

about 9 months ago to do more Guiding! She has always seemed to end up in the treasurer role before so it's nice that this time she hasn't because this is dealing with larger sums (which she didn't want to do)

Investing in Awesome Energy was a no-brainer for Cath. She looked at the numbers and was happy with them but more than that she wanted to put money into a green energy project and to have such a project in an area which will benefit a community that she has ties to (and that her children view as a second home) is fantastic.



## Irene McClounnan - DIG Board Member

Let us introduce Irene McClounnan. She has lived in Dalavich for 56 years now, so has just become a local! She has raised a family here and is proud to say that her great grandchildren are now being raised here. Over the years she has played a pivotal part in the development of the Dalavich Social Club and Dalavich Improvement Group.

She is a DIG representative on the AED board and is proud to have been a part of this wonderful project since its inception. She currently manages 27 holiday homes on the Dalavich Cabin Site and thoroughly enjoys welcoming people from all over the world to this thriving community.

# PROJECT SUPPORTERS

Awesome Energy gratefully acknowledges the support and funding given to them by the following people and organisations

Local Energy Scotland, with special thanks to Iona Hodge

Argyll & Bute Council

Dalavich Improvement Group

Michael Russell MSP

Brendan O'Hara MP

Community Shares Scotland

Co-Operative & Mutual Solutions

Gregor Cameron Consultants

Forestry Commission Scotland

Ricardo Energy

DA MacDonald

Campbell of Doune

