

# **Baywind Energy Co-operative Ltd**

## **Annual Report, AGM Notification and Summary Financial Statements for the year ended 31<sup>st</sup> December 2014**

# **Baywind Energy Co-operative Ltd**

## **Annual Report, AGM Notification and Summary Financial Statements For the year ended 31<sup>st</sup> December 2014**

---

### Contents

	Page
Co-operative Information	2
Chairman's report	3
Directors' Report	5
Notice of Annual General Meeting	8
Nominations to the Board - Biographical Notes	9
Report of the Auditors	10
Summary Profit & Loss	11
Summary Balance Sheet	12

## Co-operative Information

Directors:	David Eastlick Derek Elsworth Alex Hassan Majid Siadat Richard Scott James Wood Michael Austin (Appointed 10 May 2014)
Chairman:	Richard Scott
Company Secretary:	Annette Heslop
Registered Office:	Unit 33, Trinity Enterprise Centre Furness Business Park Barrow-in-Furness Cumbria LA14 2PN
Registered Number:	28354R
Auditors:	Melville & Co 18 Trinity Enterprise Centre Furness Business Park Barrow-in-Furness Cumbria LA14 2PN
Bankers:	Co-operative Bank plc 1 Balloon Street Manchester M60 4EP
Solicitors:	Wrigleys 19 Cookridge Street Leeds LS2 3AG
Number of current members	1268

# Chairman's statement for year ending 31<sup>st</sup> December 2014

## Baywind past, present and future

### Baywind Board

This report covers production, governance and financial reports for 2014. Thanks to the Board for support and hard work during the year. Since the last AGM, the Baywind Board has met four times. David Eastlick was elected Chairman and I was confirmed as Vice-chairman at the first Board meeting, later co-opted as Chairman in early 2015, due to the commitment of David as the Founding Chairman of High Winds Community Energy Society. I cannot praise David highly enough for all the work he has put in during his stint as Baywind Chairman. He combines a high level of technical understanding and eye for detail with an ability to handle the financial side with great confidence. There have been other changes on the Board. Chuck Taylor left the Board at the last AGM and we welcomed Michael Austin, who has made a strong contribution from the start. However, we are to lose Derek Elsworth, who was on the Board from 2008 and has made a massive contribution to the Board and far longer with BWECT. In early 2015 we also had the resignation of Lorrie Marchington, experienced co-op campaigner and hydro-power co-op member. These were significant losses.

### Infinergy and the Furness Wind Farm

Huge amounts of negotiation have gone on over the last 5 years, most of which was to secure the planning permission for the Furness windfarm, to include Mean Moor site on the other side of the valley from Harlock Hill. These efforts were detailed in last year's statement. Congratulations to the people who have worked relentlessly to overcome the legal and financial barriers put in their way. What has emerged is a new co-op, High Winds, completely different and separate from Baywind. For legal reasons it was not feasible to roll over Baywind's accumulated funds into the new Society. High Winds is a completely different co-op – a benefit for the community society, designed to work in the more demanding political climate community renewable companies are facing. A higher community return is now expected. Members will remember we wrote to you in October 2014 with a questionnaire to ask your permission to loan up to £1.6 million to High Winds. From members who responded there was a clear majority to offer the loan to High Winds and a loan agreement was signed on 28 January this year. The High Winds share offer exceeded expectations and there was scaling back of the bigger investments, to arrive at a final total of £3.7 million. To date, High Winds has not drawn down any part of the loan however this is available during the construction timetable. We have included a separate update on re-powering Harlock Hill and construction progress.

### Future options

In 2015 Baywind Energy Co-operative Ltd will have been in operation for 18 years. We enjoy the keen support from our members for renewable energy, allied to community ownership and involvement. Baywind has led the way on community ownership in the UK and we are now into the final, exciting - to some people nerve-wracking - phase of repowering the Harlock Hill site along with the developer, Infinergy. Relatively few Baywind members (241) have invested in High Winds. This was slightly disappointing, but when the dust settles there may be options for Baywind to live on, but not at Harlock Hill. When the loan to High Winds is paid back, Baywind members will be asked to agree the process for returning their share capital. This may be partial, because Baywind has a 25% stake in the Haverigg II cluster. Haverigg II will continue producing until at least 2018. The name of Baywind Energy Co-operative Ltd will therefore live on at least for 3 years and it will be in the hands of our members to determine its future.

### Staffing

Thanks to the staff of Energy4All, who go beyond the call of duty in providing the full range of services to Baywind. As ever, a big mention goes to our site manager, Jack Heslop, who deals with the daily needs of Harlock and Haverigg. Good luck to Tariq on his move to Coop Group, Manchester; his number-crunching talents will be useful there.

## **Performance indicators**

The detailed monthly production reports enable the directors to ask key questions about site management and other issues. Alex Hassan uses the reports to generate graphic presentations for the directors and he has set a standard for Key Performance Indicators (“KPIs”) analysis not attempted by other co-ops in the non-retail sector. Director attendance is recorded as one of the KPIs. Community Fund spending, percentage of members enrolled on email, member engagement and the factors behind electricity production were monitored and questioned. See the accompanying KPI’s in the Directors’ Report.

## **Harlock Hill decommissioning**

At some point, possibly in this year, 2015, works will begin on Harlock Hill and our 5 turbines will be dismantled. High Winds will pay for the decommissioning work, dismantling the turbines and re-instating the tracks. It may be possible to carry out some High Winds site groundwork while the turbines are still running, to eke out the last few months of production. Our 19 year old beauties of little positive value and are most likely to go for scrap, as they are a discontinued design. Service companies still dealing with our turbine model might be interested in the mechanical parts as spares for other sites. From the date the turbines stop, Harlock Hill will cease to be a source of income to Baywind.

## **Production and Site Management 2014**

### **(a) Harlock Hill**

Actual production was 4,693MWh, 88% of budget. The turbines suffered the usual small problems associated with ageing plant and T3 suffered a generator failure in early December. Baywind remains satisfied with the O and M service provided by SKM.

### **(b) Haverigg II**

Production was 5,296MWh, also 88% of budget. Baywind owns one turbine out of four at Haverigg II. Baywind takes 25% of the profits and contributes to 25% of the costs of operation, whilst Triodos Renewables has responsibility for the remaining three machines. Numerous technical problems contributed to the loss of availability, compensated for by some months with strong winds.

## **Financial**

The surplus funds for distribution are £197,130, which represents 12.5% gross return for EIS holders and 10% gross return for non-EIS holders. The majority of the Co-operative’s cash reserve has remained with the Furness Building Society. However, a significant portion of the funds remained with Handelsbanken since November 2013. Co-operative Bank continues to act as Baywind’s day-to-day bankers.

## **Communication with members**

The Co-operative has continued to seek the permission of individual members to receive their share interest using payment by BACS and to accept e-mail communications. For those members who do not wish to receive e-mail communications or payment by BACS, the existing methods will go on. During the year, the use of e-mail rose to 79% of members.

## **Local Community Affairs support and loans to fellow coops**

The Baywind Energy Conservation Trust (BWECT) has met twice as required and made further payments to the Dalton Community Association Hall and Swarthmoor Football Club. Several grants of £200 were made to Pennington Parish households through a local heating engineer. Once more the annual BAE Graduate apprentices’ Top of the Form schools quiz was sponsored by BWECT. Baywind was able to offer a loan to help Four Winds place their order for turbines against a tight deadline. This continues the long tradition of Baywind helping other coops with short term loans.

## **Conclusion**

Baywind continues to be financially robust. An 88%, budget performance has been achieved at Harlock Hill and Haverigg despite some significant outages at times. The good return to members continues.



Richard Scott, Chairman, Baywind Energy Co-operative Ltd  
April 2015

# Directors' Report

## Principal activities

The principal activity of the co-operative continued to be that of the generation of electricity from renewable sources.

## Board of Directors

David Eastlick	
Derek Elsworth	
Annette Heslop	(Resigned 12 November 2014)
Alex Hassan	
Lorrie Marchington	(Resigned 6 March 2015)
Majid Siadat	
Chuck Taylor	(Resigned 10 May 2014)
Richard Scott	
James Wood	
Michael Austin	(Appointed 10 May 2014)

The Rules allow for a maximum number of nine Board members of which one third must retire each year in rotation. At the AGM in May this year David Eastlick, Richard Scott and Majid Siadat will retire by rotation and are all seeking re-election. Annette Heslop resigned from the Baywind Board on 12<sup>th</sup> November 2014 and became a director of High Winds on 13<sup>th</sup> November 2014. Derek Elsworth will be resigning from the Board at the AGM and will not seek re-election.

## Auditors

Melville & Co have agreed to offer themselves for re-appointment as auditors of the Co-operative.

## Remuneration of Directors

The Board considers it is not appropriate, given the size of the Co-operative, 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. The chairman is entitled to an additional £500. The total value of Director fees paid are provided in the Notes to the Summary Profit & Loss.

## Management

Energy4All Ltd, a company dedicated to developing community ownership of renewables, manage the day to day activities of the Co-op along with maintaining the members share register. Energy4All also monitor Harlock Hill and Haverigg II wind farms on a daily basis and produce detailed monthly production reports direct to the Board.

## Directors' responsibilities

The rules of the Co-operative require the directors to prepare financial statements for each financial year which 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 Co-operative & Community Benefit Societies Act 2014. 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.

## Board Attendance

Directors' attendance at Board Meetings during 2014	89%	Target: 89% (8 out of 9) *
---	-----	----------------------------

\* The target 8 out of 9 means that any one director is unable to attend a meeting of the full board made up of 9 directors.

The annualized KPI was 89% against a target 89%. By each quarter attendance was Q1 100%, Q2 89%, Q3 89% and Q4 78%.

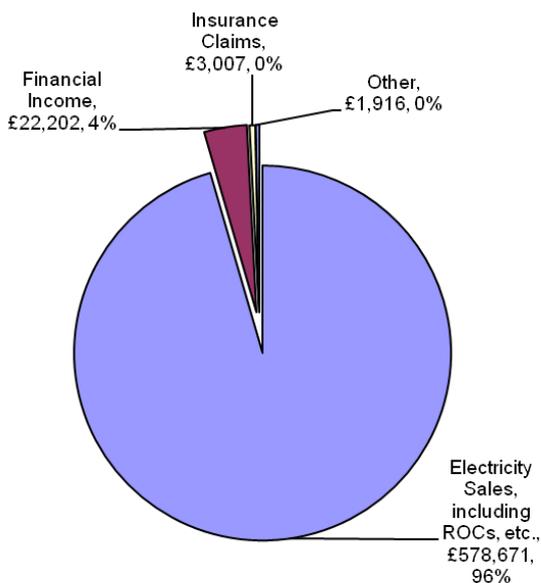
The directors track a number of Key Performance Indicators (KPIs) as a way for the Board to understand and manage important social, environmental, operational and financial aspects of the business. In 2014, Baywind saved an estimated 2,585 tonnes of CO<sub>2</sub> emissions (using RenewableUK's formula) and had no health & safety issues. The BWECT community trust spent 211% of contributions from Baywind's generation, utilizing the balance built up 2013.

## Income

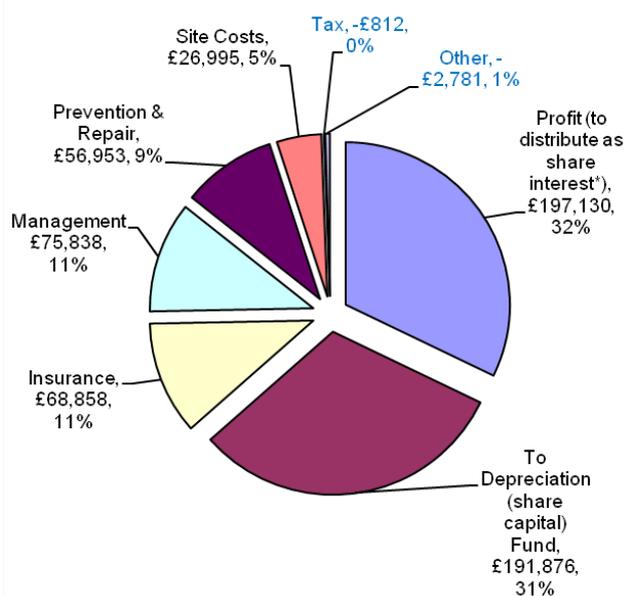
Income from both Harlock Hill and Haverigg II is derived from the sale of electricity and renewable attributes such as ROC's (Renewable Obligation Certificates) and LEC's (Levy Exemption Certificates).

In 2014, 96% (2013: 85%) of Baywind's income was earned from electricity sales, with 4% (2013: 15%) from other sources, principally bank interest. 37% (2013: 41%) of total income was used to pay costs & tax, 31% (2013: 28%) was added to reserves for repayment of share capital and 32% (2013: 28%) was booked as profit for distribution to members.

**How We Earned Our Income**  
Total = £605,796



**How We Spent Our Income**  
Total = £605,796

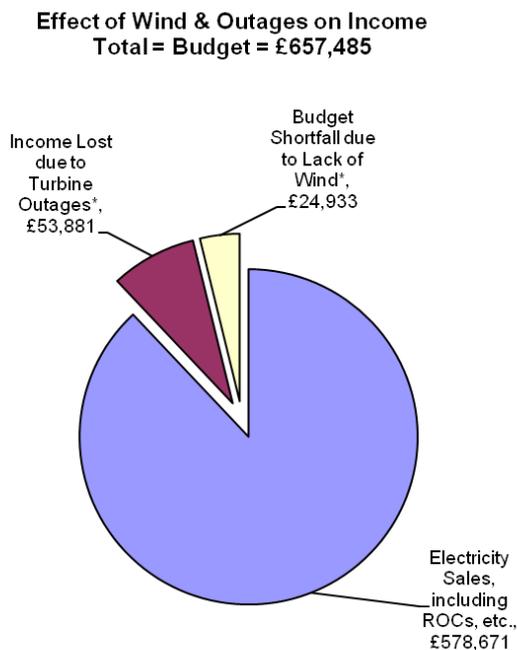


\* Subject to AGM

**Production**

2014	Harlock Hill Production			Haverigg II Production		
	Actual output kWh	Budget output kWh	Variance	Actual output kWh	Budget output kWh	Variance
January	536,675	597,830	89.77%	497,843	658,774	86%
February	721,169	501,104	143.92%	850,893	403,073	240%
March	530,776	478,920	110.83%	466,818	510,523	107%
April	382,812	392,853	97.44%	391,473	388,471	87%
May	323,710	416,451	77.73%	289,873	522,759	47%
June	110,513	349,230	31.64%	190,883	362,959	55%
July	214,229	316,794	67.62%	290,816	458,165	73%
August	438,432	314,920	139.22%	611,160	472,646	129%
September	121,393	374,881	32.38%	167,133	602,182	25%
October	469,313	518,692	90.48%	578,325	587,964	94%
November	288,901	540,205	53.48%	305,414	606,237	49%
December	554,797	523,574	104.82%	655,320	470,103	134%
<b>TOTAL</b>	<b>4,692,720</b>	<b>5,325,454</b>	<b>88%</b>	<b>5,295,951</b>	<b>6,043,856</b>	<b>88%</b>

The financial impact of outages was estimated at £53,881 (2013: £69,657), currently under review with insurers for possible loss of income claim.



\* All losses are estimates, calculated from site logs

## **Notice of Annual General Meeting to be held on Saturday 9<sup>th</sup> May 2015**

**NOTICE** is given that the Annual General Meeting of members will be held at 1.00pm on Saturday 9<sup>th</sup> May 2015 at The United Reformed Church, Kents Bank Road, Grange over Sands LA11 7EY. Refreshments will be available from 12.00pm, for the following purposes:

### **AGENDA**

1. Introductions and welcome.
2. **Motion 1:** To approve the minutes of the Annual General meeting held on 10<sup>th</sup> May 2014 (previously circulated 5<sup>th</sup> June 2014).
3. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the year ended 31<sup>st</sup> December 2014, 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/BACS payment.
6. Election of Directors:  
**Motion 5:** To re-appoint David Eastlick (Retiring Director seeking re-election)  
**Motion 6:** To re-appoint Richard Scott (Retiring Director seeking re-election)  
**Motion 7:** To re-appoint Majid Siadat (Retiring Director seeking re-election)
7. Presentation and update on Re-powering Harlock Hill.
8. AOB: Members questions.

#### **Close of formal business**

By order of the Board  
Annette Heslop,  
Director and Company Secretary  
Baywind Energy Co-operative Ltd  
16<sup>th</sup> April 2015

Registered Office  
Unit 33, Trinity Enterprise Centre  
Furness Business Park  
Barrow-in-Furness  
Cumbria  
LA14 2PN

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

## Nominations to the Board

The Rules allow for a maximum number of nine Board members of which one third must retire each year in rotation. After resignations from Annette & Lorrie, the Board is currently made up of seven members. David Eastlick, Richard Scott and Majid Siadat will all retire by rotation and are all seeking re-election. The Co-op received no new nominations to join the Board therefore Members will be asked to vote for all candidates through a motion.

### Biographical Notes

#### Retiring Director's Seeking Re-election

##### **David Eastlick - Grange-over-Sands, Cumbria**

I am retired and aged 70. I have been a director since 2007, chairman of Baywind since 2008 and I offer myself for re-election.

During my time as a director of Baywind, the Board has successfully managed the ageing windfarm to generate budget or near budget amounts of electricity and supported other new renewable co-operatives during the setting up of the new ventures. In the last year, I became a director and chairman of High Winds, the new BenCom that will occupy the Harlock Hill site when Baywind's turbines are decommissioned. I recently stood down as chairman of Baywind because I found it difficult to balance my responsibilities as chairman to the two companies. As I a director of both companies, I am able to ensure that there is a shared understanding of the needs of winding down Baywind and successfully starting up the successor to Baywind.

My wife and I live in Grange over Sands, less than 20 miles from Harlock Hill. We have lived in the area for 45 years and I have held shares in Baywind since its start up. We are interested in environmental matters and help other local environmental groups in practical projects.

##### **Richard Scott - Pennington, Cumbria**

Former plant ecologist at Merlewood Research Station, Grange, doing botanical field surveys and also research into biofuels for the Department of Energy. Experience in tropical forest research in Indonesian Borneo. Previously an Ulverston town councillor and primary school governor. Shareholder of a 5 hectare woodland managed for biodiversity, wood fuel and education near Lindale, Cumbria. Current day job: health walks co-ordinator at Cumbria CVS.

Baywind Board member since 1996. Through Baywind, a Board member of Co-operatives and of the Co-operative College, Manchester. Member of Co-ops UK Co-operative Performance Committee and Co-operative Business Development Panel. Baywind is highly regarded in the co-operative movement and I will continue to spread the word about Baywind and Energy4All, and to learn from other co-operatives about their methods and achievements.

I hope my experience as a founder member of Baywind will be of value to the Board in the transitional period with the proposed re-powering. I have acted as Chair of the Baywind Energy Conservation Trust since it was set up. It will be important to engage more with local people as shareholders and to raise the level of benefits to the wider community.

##### **Majid Siadat – Newcastle upon Tyne**

A member of Baywind since inception I have been interested in promoting renewable energy for many years.

A graduate in electronic engineering, most of my professional carrier has been as a manager and director in small to medium sized enterprises. I hope to continue to bring this experience to help Baywind during its remaining years.

I am currently based in Newcastle upon Tyne, working as a director of an engineering company.

**INDEPENDENT AUDITORS' STATEMENT  
TO THE SHAREHOLDERS OF BAYWIND ENERGY CO-OPERATIVE LIMITED**

We have examined the summary financial statements for the year ended 31 December 2014 set out on pages 11 and 12.

**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 Director' 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 audit 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 Baywind Energy Co-operative Limited for the year ended 31 December 2014 and have been prepared in accordance with relevant guidance and regulations.



**Melville & Co.**  
Chartered Accountants  
**Statutory Auditor**

13<sup>th</sup> April 2015

.....  
18 Trinity Enterprise Centre  
Barrow-in-Furness  
Cumbria  
LA14 2PN

# BAYWIND ENERGY CO-OPERATIVE LIMITED

## SUMMARY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Electricity sales	1	581,678	673,400
<b>Direct Costs</b>			
Turbine operating costs	2	(142,469)	(182,617)
Turbine depreciation		<u>(191,876)</u>	<u>(191,875)</u>
		(334,345)	(374,492)
<b>Gross profit</b>		247,333	298,908
%	42.52%		44.39%
Administrative expenses	3	(75,133)	(82,164)
Sundry Income		<u>1,916</u>	<u>1,917</u>
<b>Operating profit</b>		<b>174,116</b>	<b>218,661</b>
Investment income		858	177
Bank & other interest receivable	4	21,344	21,604
Amounts written off investments			(24,144)
Interest payable		<u>-</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		<b>196,318</b>	<b>216,298</b>
Taxation	5	<u>812</u>	<u>(24,478)</u>
<b>Profit for the year</b>	6	<b><u>197,130</u></b>	<b><u>191,820</u></b>
<b>Return on Investment</b>			
<b>Gross Return EIS Investor</b>		<b>12.51%</b>	<b>12.17%</b>
<b>Gross Return Non EIS Investor</b>		<b>10.01%</b>	<b>9.74%</b>

### Notes

- 1 Electricity sales are derived from five wind turbines at Harlock Hill and one at Haverigg II
- 2 Turbine operating costs including rates, turbine service & maintenance, insurance, lease rental and imported power.
- 3 Administrative expenses - including general admin; AGM costs; directors travelling costs and remuneration; insurance, energy conservation fund and audit fees.  
Director remuneration fees amounted to £4,150 (2013 £3,300).  
Auditors' remuneration amounted to £2,566 (2013 £2,660).
- 4 Bank interest received from funds on deposit.
- 5 Taxation charge comprising: UK Corporation Tax £36,626 less Deferred Tax (£37,438)
- 6 The Co-op seeks to pay out in full its after tax profits as members share interest.

# BAYWIND ENERGY CO-OPERATIVE LIMITED

## SUMMARY BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	2014		2013	
		£	£	£	£
<b>Fixed assets</b>					
Wind turbines			456,738		649,855
Investments	1		25,054		25,054
			<u>481,792</u>		<u>674,909</u>
<b>Current assets</b>					
Debtors	2	190,782		221,797	
Cash at bank		<u>1,684,585</u>		<u>1,519,100</u>	
		1,875,367		1,740,897	
<b>Creditors: amounts falling due within one year</b>	3	<u>(300,258)</u>		<u>(319,594)</u>	
<b>Net current assets</b>			<u>1,575,109</u>		<u>1,421,303</u>
<b>Total assets less current liabilities</b>			2,056,901		2,096,212
<b>Provision for liabilities</b>	4		<u>(83,451)</u>		<u>(120,889)</u>
			<u><b>1,973,450</b></u>		<u><b>1,975,323</b></u>
<b>Capital and reserves</b>					
Called up share capital			1,969,693		1,969,693
Negative Goodwill			<u>3,757</u>		<u>5,630</u>
<b>Total shareholders' funds</b>			<u><b>1,973,450</b></u>		<u><b>1,975,323</b></u>
<b>Notes</b>					
			<b>2014</b>		<b>2013</b>
			£		£
<b>1 Fixed asset investments</b>					
Black Rock shares (formerly Merrill Lynch New Energy Technology plc)			500		500
Bro Dyfi Community Renewables Ltd			1,000		1,000
The Phone Co-op			50		50
Energy4All Ltd			3		3
Fenland Green Power Co-operative Ltd			5,000		5,000
Great Glen Energy Co-operative Ltd			1,000		1,000
Energy Prospects Co-operative Ltd			7,500		7,500
Drumlin Wind Energy Co-operative Ltd			10,000		10,000
Findhorn Wind Park Ltd written down amount			1		1
			<u>25,054</u>		<u>25,054</u>
<b>2 Debtors</b>					
Trade debtors			27,211		30,892
Other prepayments & accrued income			<u>163,571</u>		<u>190,905</u>
			<u>190,782</u>		<u>221,797</u>
<b>3 Creditors: amounts falling due within one year</b>					
Trade creditors			6,800		2,999
Share interest (members)			205,921		198,569
VAT and Corporation tax			61,637		50,893
Accruals & sundry creditors			<u>25,900</u>		<u>67,133</u>
			<u>300,258</u>		<u>319,594</u>
<b>4 Provision for liabilities and charges</b>					
Deferred tax liability relating to accelerated capital allowance			83,451		120,889