

Heartland Community Wind

Heartland Community Wind Limited

The Pump House
Shrewsbury
SY1 2DP

22 May 2019

Dear Member,

Re: Heartland Community Wind AGM: 6th June 2019 18:30

You have hopefully received the date notification for this year's Annual General Meeting, the fourth for the Society. Please find attached to this letter the papers for that meeting.

As members have in the past had difficulty attending meetings in Aberfeldy and Perth, we are making efforts to enable remote participation by phone conference in the hope of allowing more members to join in.

The physical meeting will be held at the offices of Sharenergy, The Pump House, Coton Hill, Shrewsbury SY1 2DP and members are welcome to attend in person if they are nearby.

If you wish to call in use these details:

Dial: 033 3443 3443

Room number: 55661950 #

PIN: 8356 #

Calls to our conference number are included in bundled minutes for UK callers (from landline and mobile phones), so if you have bundled minutes available it will be free. If you don't have any bundled minutes, or exceed your bundle allowance, you'll only be charged by your network operator at your standard geographic call rate – the same as for calls to 01 or 02 numbers

If you are unable to make it in person or to participate online, then please return your proxy voting form attached, by 5pm on Tuesday 4th June so these can be included in the voting. You can return the form by post or by email - see details on the form.

We hope to see you/hear you at the AGM.

Yours sincerely,



Jon Halle on Behalf of the Board

Encs:

AGM Notice

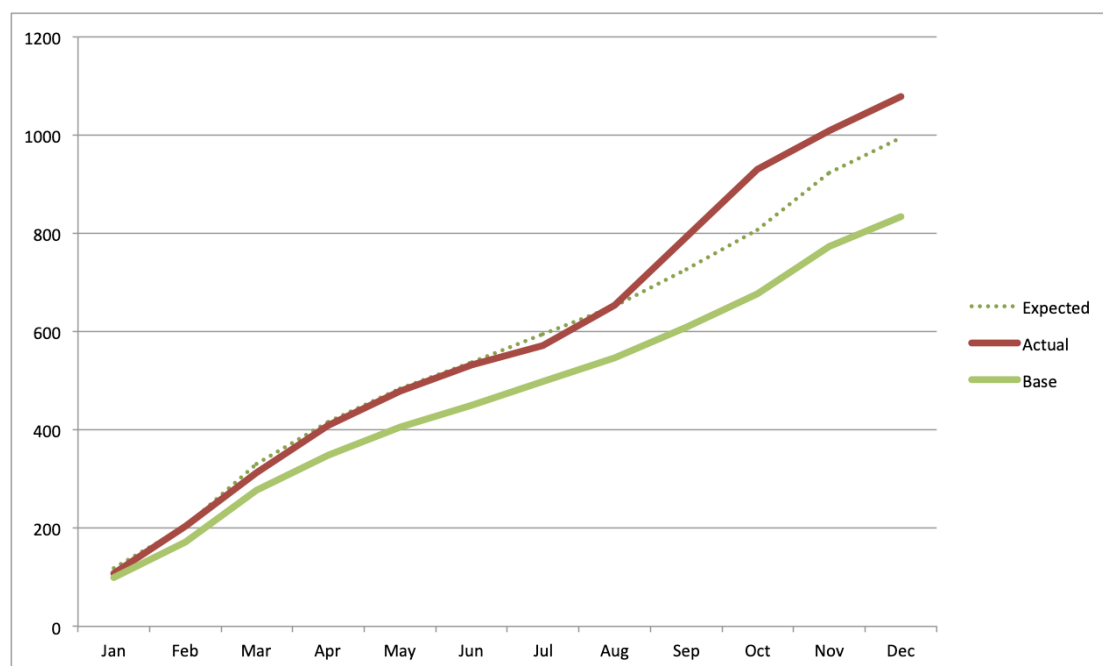
AGM Proxy Voting Form

Financial statements 2018

Directors' Report for 2019 AGM

We've had another good year overall. The Board is pleased to be say that we will again be making a member interest payment alongside our second community fund payment. We will also be making a repayment of member capital – more details below.

Production. The 2018 average wind speed across the UK was somewhat lower than in 2017 and around 5% lower than the 10-year average.



The dotted green and solid green lines show the output as projected in the share offer document.

Operations. Output was affected by a six-week period of downtime on Turbine 2 from 8 Nov to 20 December. The maintenance team found a problem with the main bearing during service and decided to switch off the turbine until the bearing could be repaired as a precautionary measure. Unfortunately repairing the main bearing required quite a long turnaround as a new shaft, bearing and gearbox assembly had to be made offsite so that the repair could be done in one day – cranes are very expensive! Luckily the team at WTN managed to get the repair done just as the snows came in.

Our warranty means that the repair did not lead to extra expenditure, and we are able to claim back a proportion of the lost income, minimising the impact of the downtime.

Additional costs. We have incurred significant additional costs over the year in legal fees. These all pertain to third-party costs – other parties paying their lawyers and passing on the costs to us. Most of this cost is actually carried over from the construction period, relating to the costs of leasing the substation and the cable wayleave. Members may recall that we had some complications due to incorrect installation of the cable, leading to the lawyers' bills coming in later and larger than we originally envisaged. A small part of the cost relates to the renegotiation of our lease. We realised that the lease had a drafting error which could mean that our base rental threshold did not rise with

inflation. In order to prevent this becoming an ongoing risk for the Society we negotiated a change in the lease.

Income changes. During the year we were able to sign a new Power Purchase Agreement for our exported power at a rate some 10% higher than last year. We have also managed to reduce our expenditure on imported energy by 20% by changing the parameters of our supply.

Financial Performance. Broadly speaking the Society continues to do well, with a significant cash reserve, higher than projected income and well controlled expenses. The impact of the legal fees and downtime have somewhat reduced our overall profit and member interest payments will not be as high as projected. However, the Society is in the position to start repaying member capital a year early, and at a higher level than projected, which means that overall returns to members will be higher than projected at this stage. More details are given below.

Community Fund. The Society agreed to provide travel scholarships over a three-year period to local students at Perth College UHI. 5 scholarships of £1000 each were funded last year and we have received a report from the college as follows:

Student 1– Unfortunately dropped out of College in February. She received 2 payments of £250 so there is a balance of £500 remaining.

Student 2– HNC Professional Cookery. Is doing extremely well. She started at Perth College on supported learning and has worked extremely hard to progress to her current course. During her time here she has received a number of awards such as the Endeavour award and Gleneagles Patisserie award.

Student 3– professional cookery level 3. She is a very hard working student who has an excellent attendance record. She is doing really well.

Student 4– HNC Business –is a very dedicated and hard-working student. Last term she had a few health issues which caused her to have time off work but they now seem to be resolved.

Student 5–withdrew from the course as he found full-time employment. No funds were given to him and so a balance of £1000 is left.

The unused funds of £1500 will be added to this year's £5,000 fund. We are in discussions with the College as to how best to promote the scheme and in finding additional ways to support local students.

Rule change. The Society agreed at last AGM to adopt the new version of Co-operatives UK's Community Finance Rules. This has now been completed. The new Rules allow us to explicitly carry out Proxy voting so that members who cannot attend AGMs in person can vote on all matters.

HEARTLAND COMMUNITY WIND

Member payments. The Board proposes a 2.5% share interest payment this year, which is the maximum possible from our surplus in the year. The share offer document projected a 3.7% payment for year 3 of full operation so the payment is again lower than projected in the year. However, we believe that the project is still on track to reach the projected IRR of 7% over the 20-year period. One important aspect of the members' return is how soon capital is repaid, and we are pleased to say that we are able to make a capital repayment to all members a year ahead of schedule, and at a higher level than projected. Each member will receive 8% of their capital back. This will mean that total returns to members at the end of Yr3 of operation will be similar to those projected overall.

	Yr 1	Yr 2	Yr 3
<u>Projected return on £1000 invested</u>			
Interest	£29	£33	£37
Capital	£0	£0	£0
Cumulative cash returned	£29	£62	£99
<u>Actual return on £1000 invested</u>			
Interest	£0	£25	£25
Capital			£80
Cumulative cash returned	£0	£25	£130

The capital return will leave the Society with a comfortable buffer of over £40,000 in case of need.

Shareenergy have provided some FAQs on capital repayment below:

Why return share capital? The Society puts aside a large amount of money each year to build up a fund to repay member capital. Some of this sum is held in reserve in case of a need for major maintenance but the bulk of these funds are in bank accounts attracting very low rates of interest. It makes more sense for this capital to be returned to members who could use it to invest in other similar projects or for other purposes. The Society will buy back an equal proportion of its share capital from all its members, (which is the official terminology for what we are doing when paying members back some of their capital).

How much capital will I get back and how? You will receive 8% of your total shareholding, rounded down to the nearest whole £1 share. The number of shares you hold will reduce accordingly. Each share will still be worth exactly £1. As we are a one member, one vote democracy, you will still have the same voting power irrespective of how many shares you retain.

You will receive a statement of the share capital returned and your remaining number of shares. Capital will be returned by bank transfer or cheque, according to member preference in exactly the same way as share interest is paid.

Was this planned from the outset? Yes. The share offer document says:

The Society intends to repay members' share capital over a 20-year period, subject to financial performance and available funds.

HEARTLAND COMMUNITY WIND

and the financial projections reflected this. As project cash-flow is healthy, capital repayments can start a year early.

How will this affect my returns? As capital repayment was always planned in the model, this will not adversely affect the interest received by members in this and future years. The Board will continue to make share interest and capital repayments with the overall aim of meeting the returns stated in the Share Offer Document - a 7% IRR over the project lifetime.

Can members still apply to withdraw some or all of their remaining capital, if needs be?

Yes, the Board will still consider applications to withdraw. Any such withdrawals are made at the Board's sole discretion. Exceptionally, if large amounts are withdrawn this may reduce the amount of capital available to return to other members in a particular year and the Board will bear this in mind in authorising withdrawals, although priority will continue to be given to withdrawals requested in the case of the death of a member.

What is the impact on tax? As more than 3 years have elapsed since the start of trading or any issuance of shares this withdrawal will not have an impact on any applicable Seed Enterprise Investment Scheme tax relief (SEIS) or Enterprise Investment Scheme tax relief (EIS). Capital returns are not liable for Income Tax.

Financial projections

Members requested revised financial projections at the last AGM. The Board apologises for the substantial delay in producing these.

Projections for 2019, assuming production of 1145 MWh:

	2019
Income and Expenditure	
Income	£245,670
Operating Expenses	(£71,738)
Depreciation	(£95,850)
Community fund	(£5,000)
<hr/> Operating Surplus	£73,082
Loan Interest	(£15,616)
Interest on cash in bank	£162
<hr/> Net surplus before interest payment	£57,628
Cashflow	
Surplus plus depreciation	£153,478
Loan capital repayment	(£21,647)
Capital repaid to members	(£93,707)
Interest paid to members	(£57,628)
<hr/> Opening cash	£81,193
<hr/> Closing cash	£61,689
Member returns	
Capital returned as percentage of holding	6%
Interest as percentage of holding	4%

HEARTLAND COMMUNITY WIND

Assuming average production remains at the same level for remaining years, a possible future cash-flow which would yield just over 7% IRR to members is given below. This is based on the return of capital over time and on paying out the majority of annual surplus as interest to members.

Member cash-flow on £1000 invested at start of project

Year	0	1	2	3	4	5	6	7	8	9	10
interest		0	25	25	39	42	44	47	50	52	56
capital	-1000	0	0	80	55	52	49	46	50	47	50
Total	-1000	0	25	105	94	93	93	93	100	99	106
Year		11	12	13	14	15	16	17	18	19	20
interest		59	62	65	69	73	77	81	110	118	133
capital		46	48	48	52	53	59	59	74	76	63
Total		105	109	114	121	126	136	141	183	194	196

HEARTLAND COMMUNITY WIND

NOTICE OF ANNUAL GENERAL MEETING

TO BE HELD ON 6 JUNE 2019

NOTICE is given that the Annual General Meeting of members will be held at 18.30 on 6th June 2019 at the offices of Sharenergy Co-operative, The Pump House, Coton Hill, Shrewsbury SY1 2DP, and by remote means, for the following purposes:

AGENDA

Welcome and introductions

Motions:

1. To agree the minutes from the previous meeting.
2. In accordance with Section 84 of the Co-operative and Community Benefit Societies Act 2014, a resolution not to undertake a full professional audit of the Society for the year.
3. To receive and adopt the Report of the Directors and the Annual Accounts for the year ended 31st December 2018.
4. To pay a sum of £5,000 to Perth College of the University of the Highlands and Islands in line with the commitment made to create an annual scholarship fund of £5,000 for students travelling to Perth College UHI from the PH15 postcode (Aberfeldy and Kenmore).
5. To pay interest to shareholding members at the rate of 2.5% on share capital retained in respect of the financial year ending 31 December 2018.
6. An equal proportion of each member's shares to be bought back by the Society at a rate of £1 per share, reducing each shareholding by 8% (rounded down to the nearest whole share).
7. To re-elect Jerry Evans as a Director of the Society.
8. Any Other Business

By order of the Board

Jon Halle

Secretary

HEARTLAND COMMUNITY WIND

NOMINATIONS TO THE BOARD

The Rules allow for a maximum number of seven Board members of which one third of those who are elected into post must retire each year in rotation and may seek re-election. Jerry Evans will retire and will seek re-election. No new members stood for election to the Board on this occasion.

Biographical Notes for Retiring Director Standing for Re-election:

Jerry Evans



I'm Jerry Evans and I've been a director of Heartland Community Wind for 2 years. In that time we have worked through a large number of issues that resulted from the initial installation before my involvement.

I believe all the teething problems are now ironed out and we can look forward to some easier and more profitable years ahead.

I live in Bushey in Hertfordshire and spend my time: Investing in small renewable schemes, renovating Georgian Buildings, working for Haverhub a community project in West Wales, I've recently been elected as a borough councillor and have a local radio show playing the music of the 70s. I'm also involved in a Silent Disco company and a Vegetarian Fast Food chain.

I enjoy monitoring the output of our 2 turbines on line and I get involved with making sure we get good value for money on our purchases.

HEARTLAND COMMUNITY WIND

MINUTES OF ANNUAL GENERAL MEETING

HELD AT THE SHACKLETON ROOM, ROYAL SCOTTISH GEOGRAPHICAL SOCIETY, LORD JOHN MURRAY HOUSE, 15 – 19 NORTH PORT, PERTH PH1 5LU AT 1.30 PM ON SATURDAY 21ST APRIL 2018

Members Attending: Jon Hallé, Jerry Evans, Alan Thompson, Martin Parkes, Crispin Wingfield-Hayes

Attendance in person was 5. Postal or electronic Proxy votes were received from 36 Members. The quorum is 12 and the meeting was therefore quorate.

Apologies were received from 61 Members: Andreas Heinemeyer, Morag Butt, Kathleen Byron, Martin Roger, Jonathan Lincoln, Virginia Margolis, Helen Porter, Maurice Prendergast, Janet Roberts, Michael Isaacs, Alan Pittam, Shamsheer Dharsani, Gordon Buchanan, Debby Hamilton, Phil Newby, Martin Roger, Colin Vose, Eileen Vose, Peter Fairweather Rule, Rachael Hamilton, Ann Ashley, Stephen Pittam, Sue Paskins, Steven Levers, Jeremy Thorp, David Ripley, Ian Caldwell, Diego Pedraza Lahoz, Alex Matheson, Anna Buchanan, John Stott, Sally Ford, Jan Maskell, Donald Corbett, Dawn Corbett, Graeme Begg, Andrew Meikle, Richard Wildash, Mark Crutchley, Philip Parkyn, Brian Penny, Ervin Boothroyd, Harold Immanuel, Herbert Eppel, Alan Dickson, Jock Ramsay, David Crippin, Patricia Crippin, Robert Hall, Gervais Hardy, Sheila Royle, John Stewart Pritchard, Jane Pritchard, Roger Pemberton, Robert McCarthy, Konstantinos Tranganidas, Graeme Campbell, Mick Patrick, Caroline McManus, Samantha Tharme and Alexandra Steedman.

Motion	Proposer	Seconder	Motion passed? Y/N
To agree the minutes from the previous meeting.	Crispin Wingfield-Hayes	Jerry Evans	Y
In accordance with Section 84 of the Co-operative and Community Benefit Societies Act 2014, a resolution not to undertake a full professional audit of the Society for the year.	Martin Parkes	Alan Thompson	Y
To receive and adopt the Report of the Directors and the Annual Accounts for the year ended 31st December 2017.	Jerry Evans	Alan Thompson	Y
To update the Rules of the Society to the latest version of Co-operatives UK's Community Benefit Society Rules.	Jon Halle	Crispin Wingfield-Hayes	Y
To pay a sum of £5,000 to Perth College of the University of the Highlands and Islands in line with the commitment made to create an annual scholarship fund of £5,000 for students travelling to Perth College UHI from the PH15 postcode (Aberfeldy and Kenmore).	Jerry Evans	Martin Parkes	Y

HEARTLAND COMMUNITY WIND

To pay interest to shareholding members at the rate of 2.5% on share capital retained in respect of the financial year ending 31 December 2017.	Alan Thompson	Jerry Evans	Y
To re-elect Jon Halle as a Director.	Jerry Evans	Martin Parkes	Y

AOB:

- A request was made for an updated financial model (such as appears on p.8 of the share offer document) to be circulated to members by 21 July. This will be actioned by the Board.
- The Board made members aware of a potential problem where thresholds specified in the Lease had not been indexed to RPI. The Board will continue to work towards a solution of this issue and will report to members.
- Crispin Wingfield-Hayes and Alan Thompson would like to explore the possibility of co-option onto the Board as non-voting Directors.

There was no other business brought forward by members.

By order of the Board,



Jon Halle

Secretary, 21st April 2018
