

The Low Carbon Hub IPS Ltd

Registration No: 31903R

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2015**

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The Low Carbon Hub IPS Ltd

**Report of the Board
For the Year End
31 March 2015**

The Board presents its Report and the Society's Financial Statements for the year ended 31 March 2015.

Full name: The Low Carbon Hub IPS Ltd

Industrial Provident Society Number: 31903R

Principal Address

23 Park End Street,
Oxford OX1 1HU

Low Carbon Hub IPS Board Members

The Board members who served during the year were:

Sam Clarke – Chairman
Wendy Twist – Secretary
David Calver – Treasurer (resigned 10th November 2014)
Luke Marion – (appointed 27th January 2015)
Barbara Hammond
Tim Sadler
Steve Drummond

Bankers

Cooperative Bank
Southway
Skelmersdale WN8 6WT

Triodos Bank
Deanery Road
Bristol BS1 5AS

Auditors

Critchleys
Greyfriars Court,
Paradise Square,
Oxford OX1 1BE

Solicitors

Blake Morgan
Seacourt Tower
West Way
Oxford OX2 0FB

Bates Wells Braithwaite
10 Queen Street Place
London EC4R 1BE

Registrars

Registry Trust Registrars
153-157 Cleveland Street
London W1T 6QW

Governing document

The society is operated in accordance with Rules of The Low Carbon Hub IPS Ltd¹.

It is a society limited by share capital. The liability of each Class A share holder in the event of winding-up is £1.

Overall management of the society is the responsibility of the directors. Day to day company activity is managed and carried out as a charged service by officers of the Low Carbon Hub CIC. These services are covered by an administrative service fee payable to the Low Carbon Hub CIC.

Aims and Objectives

The Low Carbon Hub IPS is a 'not-for-profit' Industrial and Provident Society for the Benefit of the Community (IPS Bencom). The Hub IPS develops renewable energy projects for partner organisations providing them with cheaper electricity, enabling them to meet carbon reduction commitments, and delivering positive corporate social responsibility and PR return. The Hub provides the capital so there is no investment cost to the installation host organisation. The Hub

¹ These can be found publicly at www.lowcarbonhub.org/wp-content/uploads/2014/02/LCH-IPS-Ltd-rules.pdf

owns the installations and receives income from the sale and export of the electricity, and retains the Feed in Tariff. Surpluses from the Hub IPS are passed to the Low Carbon Hub CIC to fund work on community energy projects.

Review of Activities

2014-15 has been a year of developing and installing a much bigger pipeline of projects following on from our first installation at Oxford Bus Company. By June we had put a pipeline of projects in place worth £1.3m and had agreed a Revolving Construction Facility with Oxford City Council that allowed us to build projects before raising equity against them. By September we were launching our second share offer with a target of £1.5m and by the end of November we had exceeded the target and raised £1.694m. All of this capital will have been deployed by July 2015 and we will be raising further funds for our next set of projects.

The first community benefit donation was made from the Hub IPS to the Hub CIC. This totalled £11,902, being the surplus arising from our first project at the Oxford Bus Company. It has been used to contribute to the *Barton External Wall Insulation project* where we have been working with 26 households in a very deprived area of Oxford to improve the thermal performance of their houses.

Projects Developed – Schools

We made contact with approximately 100 schools, about a third of the schools within the County. From this, we made 96 visits to 75 schools and are now developing our second pipeline of schools project for installation in 2015-16.

Nine school installations are now operational with 1,846 solar panels installed; with a total peak capacity of 461.5 kWp. They are generating sufficient electricity to meet the needs of 110 homes, and early generation performance is 10% ahead of plan given the sunny winter. Just over 100 tonnes of CO₂ was saved to the end of April.

Projects Developed – Businesses

Norbar Torque Tools Ltd and Owen Mumford were our key business successes, and several other businesses have continued to express a willingness to progress with an installation.

Norbar Torque Tools

Low Carbon Hub has been working with Norbar Torque Tools since February 2014. Having outgrown their previous site in Banbury, Norbar have over the last two years have been in the process of relocating to their new Wildmere Road site.

In February 2015 Norbar signed a lease with Low Carbon Hub for a 250kW solar PV installation for a Phase 1 installation on their Highbay and Goods inwards buildings. Representatives of local authorities, potential business partners and Norbar staff attended the launch.

Owen Mumford

In March 2015 Owen Mumford signed Heads of Terms for solar PV installations on their sites in Woodstock and Chipping Norton. Subject to a successful grid applications this will see a minimum

375kW installed across both sites during the course of the next year, saving a further 160 tonnes of CO2 each year.

Other Projects

Feasibility studies are being carried out for a further 2.3MW of installed capacity on the rooftops of other businesses, community hospitals, technical colleges and farm buildings across Oxfordshire. As awareness grows of what the Hub is achieving we are finding that more and more businesses' and organisations are increasingly interested in the Hub value proposition.

Shared Community Ownership

Shared Community Ownership for renewable energy schemes is an emerging concept in community energy and supported by government. The Hub has been approached by a landowner, and supporter of the Hub, to co-develop a stand-alone ground mount solar PV project with a neighbour and their commercial developer. The overall size of the proposed scheme is 5MW with a likely 40% ownership by the Hub. This is one of the first schemes of its kind in the UK and will take up to two years to develop.

Project Monitoring & Impact

Just installing solar panels and forgetting about them represents not only a financial risk if they are not performing as expected but also reduces our impact in creating a viable alternative for our energy needs.

Monitoring our installations is a key part of our operation where we are checking their performance on a daily basis and can act promptly if things are not working as expected. We compare daily solar radiation data with actual outputs as well as monthly, quarterly and yearly predicted generation versus actual.

In 2013-14 our forecast generation was 27.2 MWh, with actual generation of 28.5 MWh. Our installed capacity increased substantially in 2014-15 with the predicted generation growing to 255.5 MWh and actual generation reaching 260.9 MWh. This represents 140 tCO2e saved. With a full year in operations these same installations are forecast to generate 753.3 MWh and save 405 tCO2e.

Financial Performance

In this first full year of trading, the society increased its income from £3,530 in 2013/14 to £39,230 in 2014/15. Many installations were only operational for a small portion of the year, and in a going year we would expect the installations in service at the year end to generate annual income of approximately £149,000.

An operating loss of £59,230 was returned in the year. The financial structure of the society is such that operating losses are expected due to depreciation, and the need to pay community benefit donations to the Low Carbon Hub CIC (these amounted to £11,902 in the current year), and in future years to pay returns to shareholders.

However, in the current year operating losses were higher than forecasted, due to £34,589 of pipeline abortive costs incurred in respect of a project to install solar PV arrays on several Church of England Primary schools within Oxfordshire.

The Board does not anticipate that these costs will have a material impact on the future business model of the Society. Alternative projects with an equivalent rate of return have been sourced to replace the aborted project. In addition, the Society has been successful in completing several projects in the year without spending the full contingency funds budgeted for those projects. The unspent contingency funds in respect of completed projects totalled £40,063.

Investment Raised

The IPS has raised £1.694 m equity from 345, mainly local shareholders. We have also worked with Oxford City Council to put in place a Revolving Construction Fund of £2.3m, which provides us with the finance build projects before subsequently raising equity in them.

Future Plans

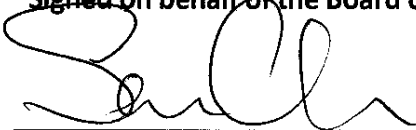
During 2015-16 the IPS has the following objectives:

- Secure Hub IPS pipeline of schools and businesses up to £5m in value
- Bring the Sandford Hydro project to construction readiness, up to £3.5m in value
- Grow the Construction Finance Facility to meet pipeline needs and support the installation of Community-led projects up to £5m in value
- Market all Hub IPS products for 2016 pipeline

Auditor

A resolution to appoint Critchleys as the Auditors for the ensuing year will be proposed at the forthcoming Annual General Meeting.

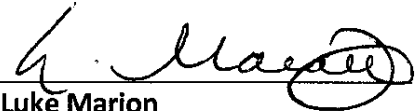
Signed on behalf of the Board on 30/6/2015 2015



Sam Clarke
Chair



Wendy Twist
Secretary



Luke Marion
Treasurer

**Independent Auditor's Report
To the Members of**

The Low Carbon Hub IPS Ltd

For the Year Ended 31st March 2015

We have audited the financial statements of The Low Carbon Hub IPS Ltd for the year ended 31 March 2015, which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Board's Responsibilities Statement set out on page 12, the Board is responsible for the preparation of financial statements, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The Society took advantage of audit exemption in the period ended 31st March 2014 and therefore the comparatives are unaudited.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2015 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Co-operative and Community Benefit Societies Act 2014

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the society in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been maintained by the society in accordance with the requirements of the legislation; or
- the income and expenditure account and the balance sheet are not in agreement with the books of account of the society; or
- we have not received all the information and the explanations necessary for the purposes of our audit.

Critchleys

Critchleys LLP
Statutory Auditor
Oxford

3 July 2015

Low Carbon Hub IPS Ltd
Income and Expenditure Account
For The Year Ended
31 March 2015

	Notes	YEAR ENDED 31 MARCH 2015	17 MONTH PERIOD ENDED 31 MARCH 2014 <i>(Unaudited)</i>
		£	£
Income			
Electricity Sales		13,352	956
FIT Income		22,638	2,538
Interest income		1,234	36
Other income	5.	2,006	0
		39,230	3,530
Expenditure			
Community Benefit Donations	4.	11,902	-
Depreciation Expense	6.	28,634	5,871
Administration fees	5.	57,924	1,055
		98,460	6,926
Surplus/(Deficit) for the year		(59,230)	(3,396)
Surplus/(Deficit) transferred to retained reserve		(59,230)	(3,396)

There were no recognised gains or losses other than those included in the Income & Expenditure Account.

The Low Carbon Hub IPS Limited

Balance Sheet As at 31 March 2015

	Notes	2015	2014 (Unaudited)
		£	£
Tangible Fixed Assets	6.	1,068,477	140,903
Current Assets			
Debtors	7.	105,567	3,128
Cash at bank and in hand		812,706	33,575
		918,273	36,703
Creditors: Amounts falling due within one year	8.	205,374	31,000
Net Current Assets		712,899	5,703
Total Assets Less Current Liabilities		1,781,376	146,606
Total Net Assets		1,781,376	146,606
Capital and Reserves			
Share Equity	9.	1,844,003	150,003
Income and Expenditure Account	10.	(62,626)	(3,396)
Shareholders' Funds		1,781,376	146,606

Signed on behalf of the Board on 30/6/2015



Sam Clarke
Chair



Wendy Twist
Secretary



Luke Marion
Treasurer

The Low Carbon Hub IPS Limited

Notes to the Financial Statements

**For the Year Ended
31 March 2015**

1. The Board's Responsibilities

The Board are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Board are required to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the society and of its excess of income over expenditure for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The Board are responsible for maintaining satisfactory systems of internal control and keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

2. Accounting Policies

The Financial Statements have been prepared under the historical cost convention using the following accounting policies:

Income

The income shown in the Income and Expenditure Account represents amounts receivable during the year in respect of services provided by the Society.

Tangible Fixed Assets

Tangible Fixed Assets are stated at cost. Cost includes all costs incurred to bring assets into service, including legal fees, construction costs, development fees payable to The Low Carbon Hub CIC, and an allocation of financing costs.

A total of £84,696 of financing costs were capitalised into Tangible Fixed Assets during the period.

Depreciation is calculated to write off the cost of an asset on a straight line basis over the expected useful life of the asset. The useful life of solar PV arrays is estimated based on the duration of the FiT payments that are receivable in respect of that array, which are typically 20 years.

Inverters used on solar PV arrays are anticipated to have a shorter useful life than the arrays themselves. In recognition of this, these are separated out from the array they support and are depreciated over 10 years.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Financial Instruments

Financial Instruments are classified and accounted for, where appropriate, according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments.

3. Accounting Period

The company was incorporated on 21st November 2012 and therefore the comparative period to these accounts covers the period from 21st November 2012 to 31st March 2014.

Trading commenced in April 2013.

4. Community Benefit Donations

In accordance with the Company's aims and objectives, surpluses from projects that have been for at least one year are passed to The Low Carbon Hub CIC in the form of a Community Benefit Donation. The Low Carbon Hub CIC uses these funds to support its activities within Oxfordshire focussed on improving energy efficiency, and on increasing the amount of energy produced from community-owned renewable sources.

During the year £11,902, in respect of The Oxford Bus Company installation, was transferred to The Low Carbon Hub CIC as such a donation.

5. Administration Costs

Administration costs are made up of the following:

	2015	2014
	£	£
Pipeline abortive costs	34,559	0
Legal and Professional Fees	8,620	800
Investor Administration Fees	1,542	0
Low Carbon Hub CIC (see related parties note)	11,599	200
Other Admin Fees	1,604	55
	57,924	1,055

Pipeline abortive costs relate to a project to install several Solar PV arrays across a number of Church of England (CE) school sites. The Trustees of these schools, who are responsible for signing the Roof leases, have sought the view of the Diocese of Oxford, who need further time to consider our scheme alongside others, as well as consider whether the Diocese can put together their own programme. *Until this is clarified we will not be developing this project further. One school has offered to repay their survey costs, totalling £2,006, as they plan to use these to continue with installing solar PV independently.*

The Board does not anticipate that this event will have a material impact on the future business model of the Society. Alternative projects with an equivalent rate of return have been sourced to replace the aborted projects. In addition, the Society has been successful in completing several projects in the year without spending the full contingency funds budgeted for those projects. The unspent contingency funds in respect of completed projects totalled £40,063.

6. Tangible Fixed Assets

	WIP	Solar PV arrays	Inverters	Total
	£	£	£	£
Cost				
At 31 March 2014	0	127,057	19,718	146,775
Additions	44,469	842,706	69,032	956,207
Disposals	0	0	0	0
At 31 March 2015	44,469	969,762	88,750	1,102,981
1,103				
Depreciation				
At 31 March 2014	0	5,082	789	5,871
Provided during the year	0	23,566	5,067	28,634
Disposals	0	0	0	0
At 31 March 2015	0	28,648	5,856	34,505
Net book value				
At 31 March 2014	0	121,975	18,929	140,903
At 31 March 2015	44,469	941,114	82,894	1,068,477

A total of £84,696 of financing costs were capitalised into Tangible Fixed Asset cost during the year. Of these costs, £19,867 related to interest on loan finance; £82 related to payment card fees in relation to card payments received in respect of equity share subscriptions; and £64,747 related to expenses incurred in relation to the share issue carried out during the year.

£30,340 of these costs were held in work in progress at the balance sheet date, representing costs to be allocated to projects funded by the above financing activities but not completed at the balance sheet date.

The board is of the opinion that financing costs are wholly attributable to the society's principal activity, that of the construction of renewable energy projects for partner organisations and therefore no financing costs were recognised in the Income and Expenditure account in the year.

7. Debtors

	2015	2014
	£	£
Trade Debtors	4,235	590
Accrued Income Electricity Sales & FIT	11,460	2,538
Prepayments	1,032	-
VAT recoverable	88,841	-
	105,567	3,128

8. Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade Creditors	138,788	-
Amounts due to The Low Carbon Hub CIC (See Note 13)	46,901	30,200
Accruals and Deferred Income	19,686	800
	205,374	31,000

9. Share Equity

The equity held by shareholders at 31 March 2014 is as follows:

	2015 £	2014 £
Class A Shares	1,694,003	3
Class B Shares	150,000	150,000
	1,844,003	150,003

On 12th December 2014, 1,694,000 £1 class A shares were issued to 345 separate shareholders, realising equity funds of £1,694,000.

10. Reconciliation of shareholders funds and movement on reserves

	Share Capital	Income and Expenditure account	Total shareholders' funds
	£	£	£
At 31 March 2014	150,003	(3,396)	146,606
Loss for the year	-	(59,230)	(59,230)
Issue of Shares	1,694,000	-	1,694,000
At 31 March 2015	1,844,003	(62,626)	1,781,376

11. Board Members' Remuneration

No remuneration was paid to any Board members in their capacity as Board members.

12. Capital Commitments

The Society had no authorised capital commitments as at 31 March 2015. Capital in respect of work in progress projects is only committed when lease contracts with Landlords have been signed.

13. Related Party Transactions

During the year the company made the following transactions with The Low Carbon Hub CIC:

£72,727 was paid in respect of Project Development Fees; and £11,599 was paid in respect of Administration costs. In addition, £11,902 was paid as a Community Benefit Donation, as described in Note 4.

At the balance sheet date, the amount due to The Low Carbon Hub CIC was £46,901.

Directors' Family and The Low Carbon Hub CIC Staff Share Holdings

Directors and staff are not subject to a shareholding requirement.

	As at 31st March 2015
	No of shares held
Sam Clarke	10,000
Barbara Hammond	250
Alison Clarke	10,000
Georgina Matthews	250
Alexandra Parker	1,000
Karen Sadler	500
Anthony Simpson	5,000

14. Post Balance Sheet Events

There were no material post Balance Sheet events arising after 31 March 2015.