

The Low Carbon Hub IPS Ltd

Registration No: 31903R

GROUP FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2017**

The Low Carbon Hub IPS Ltd

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The Low Carbon Hub IPS Limited

Report of the Board For the Year End 31 March 2017

The Board presents its Report and the Group Financial Statements for the year ended 31 March 2017.

Full name: The Low Carbon Hub IPS Limited

Industrial Provident Society Number: 31903R

Wholly-owned subsidiaries

Low Carbon Hub Sandford Hydro Limited (Company Registration no: 9743887)

Principal Address

9 Park End Street,
Oxford OX1 1HH

Low Carbon Hub IPS Board Members

The Board members who served during the year were:

Sam Clarke – Chairman
Luke Marion – Treasurer
Barbara Hammond
Tim Sadler
Steve Drummond
Adriano Figueiredo
Tom Hoines

Company Secretary

Rachel Boyes-Watson

Bankers

Cooperative Bank
Southway
Skelmersdale WN8 6WT

Triodos Bank
Deanery Road
Bristol BS1 5AS

Charity Bank
Fosse House
182 High Street
Tonbridge TN9 1BE

Auditors

Critchleys Audit LLP
Beaver House
23-38 Hythe Bridge Street
Oxford OX1 2EP

Solicitors

Blake Morgan
Seacourt Tower
West Way
Oxford OX2 0FB

Bates Wells Braithwaite
10 Queen Street Place
London EC4R 1BE

Registrars

The Registry Trust
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 and Class B shareholder in the event of winding-up is £1.

¹ <http://www.lowcarbonhub.org/governance>

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). Low Carbon Hub Sandford Hydro Limited is a wholly-owned subsidiary of The Low Carbon Hub IPS Limited.

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 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.

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

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) including FRS 102. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- 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 keeping adequate accounting records that are sufficient to show and explain the Society's transactions and 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

Report of the Board

This year has been one of significant activity in terms of installing projects, raising equity to fund them and consolidating our management information systems. We also reached financial close on our major Sandford Hydro project, including completing the due diligence on £2.0m loan funding from Charity Bank. Low Carbon Hub IPS has now built or is in the process of building £7.5m of assets which will be generating community benefit for the next 40 years; our effort in the coming year will be on how we continue to grow the business in the new, more challenging policy climate.

New investment raised

2016 Solar:	£793,100 from 255 shareholdings
Sandford Hydro:	£619,761 from 257 shareholdings

At year end we had 647 shareholder members, 190 of whom have invested more than once in Low Carbon Hub IPS.

We continue to deploy the £2.3m Revolving Construction Facility from Oxford City Council and as of financial year end had £1,299,600 deployed to complete our solar PV pipeline and £323,610 deployed towards construction of Sandford Hydro.

We reached financial close on Sandford Hydro in September 2016 and have started drawing down from the £2m long term debt finance which we agreed with the Charity Bank. We have also re-opened the Sandford Hydro share offer and, by the year end, had hit our target of £380,000 additional equity capital for the project.

We are most of the way through building the Sandford project and expect to be able to repay the £800k of medium-term funding we hold from CLF, Big Society Capital and Esmée Fairbairn Foundation during the 2017/18 financial year. The board chose not to repay this finance during the 2016/17 financial year due to a higher than expected volume of solar PV projects coming to fruition and the time critical nature of many of these in relation to Feed in Tariff registration deadlines.

Installations

Our focus has been on two key areas of activity. First, to complete the installation of our pre-registered solar PV arrays within the solar 2016 portfolio, to ensure we were able to secure the more favourable Fed-in Tariff rates for these projects. In total we installed just under 1.6MW of solar capacity across six schools and two businesses, with the two business projects being the largest individual installations we have yet completed.

Project Performance

In 2016-2017 we generated 1536 MWh against a forecast generation of 1560 MWh. The shortfall of 1.6% (35,000 KWh) is primarily due to weather related under performance in June 2016 compounded by inverter failures at 3 sites. This did not have a material impact on revenue

generation due to a more favourable balance of exports versus on site usage in actual performance than had been assumed in our forecasts.

Our installed capacity increased substantially in 2016 – 2017. By the end of the financial year, our portfolio of solar PV arrays reached installations, with a combined installed capacity of 3.08MW (2016: 1.52MW) and an annual predicted generation of 2590 MWh (2016: 1564 MWh) including expected system degradation.

Community benefit donations

The IPS donated £48,496 (2016: £96,224) to the Low Carbon Hub CIC to support its community benefit work. Please see the accounts for the Low Carbon Hub CIC for a full breakdown of how it utilised these funds to assist further community driven carbon reduction projects.

As expected, community benefit donations reduced in the year in line with the funding model for our projects, which front loads community benefit payments in the first year of project operation.

Social impact

Our projects deliver a range of environmental and social benefits. In 2016-17 these included:

- Generating 1536 MWh - enough power to meet the typical electricity needs of 495 households
- Saving 535 tonnes of CO₂
- Saving host organisations £38,318 on their electricity bills through the supply of discounted green electricity.

Financial Performance

This was the third full year of trading and the first year for which consolidated accounts have been prepared, with the wholly owned subsidiary Sandford Hydro Limited undertaking construction. As anticipated in the previous accounts, income grew substantially, with turnover rising from £159,068 in 2015/16 to £263,484 in 2016/17.

Again, a number of large installations were completed mid way through the year meaning that in a going year turnover from solar PV arrays is now expected to be approximately £450,000. Turnover from hydro installations is anticipated to equate to £300,000 per annum in a going “average generation” year.

An operating loss of £148,811 was returned in the year, compared to £56,202 in the prior year. The financial structure of the society is such that operating losses are expected each year, due to the fact that the projects are treated as “wasting assets,” resulting in large depreciation charges, the large community benefit donations paid to the Low Carbon Hub CIC in the initial operating year of new projects, and because returns to shareholders are paid as interest. Operating cash flow in the year returned a surplus of £162,745. The result for the year was in line with the board’s expectations.

Key terms

CIC = Community Interest Company

kW = kilowatt

KWp = kilowatt peak

MW = megawatt

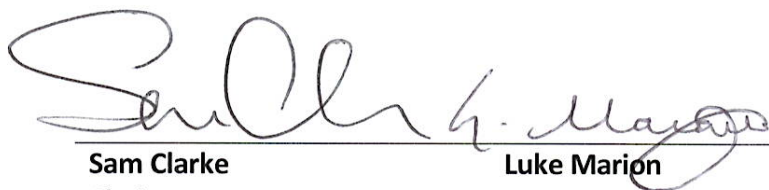
MWh = megawatt hour

SMEs = small and medium-sized enterprises

Auditor

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

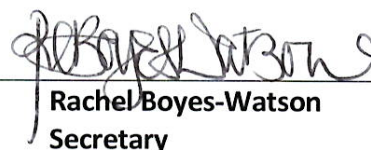
Signed on behalf of the Board on 27/09/2017



Sam Clarke
Chair



Luke Marion
Treasurer



Rachel Boyes-Watson
Secretary

Independent Auditor's Report To the Members of

The Low Carbon Hub IPS Limited

For the Year Ended 31st March 2017

We have audited the financial statements of The Low Carbon Hub IPS Ltd for the year ended 31 March 2017, which comprise the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes to the consolidated accounts, along with the Society's Statement of Financial Position, the Society's Income Statement, the Society's Statement of Changes in Equity and the related notes to the Society's accounts.

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 5, 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the group and society's affairs as at 31 March 2017 and of the group and society's 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 Audit LLP
Statutory Auditor
Oxford

Critchleys Audit LLP

3 October 2017

The Low Carbon Hub IPS Limited

Consolidated Statement of Financial Position As at 31 March 2017

	Notes	2017 £	2016 £
Tangible Fixed Assets	7.	<u>5,959,450</u>	<u>2,158,973</u>
Current Assets			
Debtors	8.	528,674	101,547
Cash at bank and in hand	9.	94,101	947,350
		<u>622,776</u>	<u>1,048,897</u>
Creditors: Amounts falling due within one year	10.	2,302,209	480,096
Net Current (Liabilities) / Assets		<u>(1,679,433)</u>	<u>568,801</u>
Total Assets Less Current Liabilities		<u>4,280,016</u>	<u>2,727,775</u>
Creditors: Amounts falling due after more than one year	11.	1,100,000	800,000
Total Net Assets		<u>3,180,016</u>	<u>1,927,775</u>
Capital and Reserves			
Share Equity	12.	3,459,462	2,046,603
Income and Expenditure Account		(267,639)	(118,828)
Hedging reserve		(11,807)	-
Members' Funds		<u>3,180,016</u>	<u>1,927,775</u>

Signed on behalf of the Board on 27/09/2017



Sam Clarke
Chair



Luke Marion
Treasurer



Rachel Boyes-Watson
Secretary

The Low Carbon Hub IPS Limited

Consolidated Income Statement As at 31 March 2017

	Notes	YEAR ENDED 31 MARCH 2017	YEAR ENDED 31 MARCH 2016
		£	£
Income			
Electricity Sales		98,997	60,756
FIT Income		162,242	95,542
Interest income		2,244	2,770
		263,484	159,068
Expenditure			
Community Benefit Donations	3.	48,497	96,224
Depreciation Expense	7.	151,693	79,950
Administration fees	4.	88,157	39,096
Interest Payable	5.	123,947	0
		412,294	215,270
Surplus/(Deficit) for the year		(148,811)	(56,202)
Taxation	6.	-	-
Surplus/(Deficit) transferred to retained reserve		(148,811)	(56,202)

The Low Carbon Hub IPS Limited

Consolidated Statement of Other Comprehensive Income As at 31 March 2017

	YEAR ENDED 31 MARCH 2017	YEAR ENDED 31 MARCH 2016
	£	£
Surplus/(Deficit) for the year	(148,811)	(56,202)
Other comprehensive income		
Unrealised gains / (losses) on foreign exchange hedges	(11,807)	-
Total other comprehensive income	(11,807)	-
Total comprehensive income for the year	(160,618)	(56,202)

The Low Carbon Hub IPS Limited

Consolidated Statement of Changes in Equity As at 31 March 2017

	Share Capital	Income and Expenditure Account	Hedging reserve	Total Shareholders' Funds
	£	£	£	£
At 31 March 2015	1,844,003	(62,626)	-	1,781,376
Loss for the year	-	(56,202)	-	(56,202)
Issue of new equity shares (note 10)	202,600	-	-	202,600
At 31 March 2016	2,046,603	(118,828)	-	1,927,775
Loss for the year	-	(148,810)	-	(148,810)
Other comprehensive income	-	-	(11,807)	(11,807)
Issue of new equity shares (note 10)	1,412,861	-	-	1,412,861
Cancellation of founder shares (note 2)	(2)	-	-	(2)
At 31 March 2017	3,459,462	(267,639)	(11,807)	3,180,016

2 of the 3 founder shares were cancelled on 1st September 2016 by agreement with the board.

The Low Carbon Hub IPS Limited

Consolidated Cashflow Statement As at 31 March 2017

		YEAR ENDED 31 MARCH 2017		YEAR ENDED 31 MARCH 2016
	£	£	£	£
Opening cash		947,350		812,706
Surplus/(Deficit) for the year	(148,811)		(56,202)	
Depreciation	151,693		79,950	
Community benefit donations	48,497		96,224	
Interest expense	123,947		-	
Operating surplus		175,326		119,972
Working capital movements		(12,581)		(38,661)
Net cash flow from operating activities		162,745		81,311
Capital investment		(3,952,739)		(1,170,446)
Community benefit donations		(48,497)		(96,224)
Net cash flow from investing activities		(4,001,236)		(1,266,670)
New share equity raised		1,412,859		202,600
Oxford City Council construction fund		1,305,807		317,403
New long term debt finance		300,000		800,000
Interest on debt finance		(21,617)		-
Other comprehensive income		(11,807)		-
Net cash flow from financing activities		2,985,242		1,320,003
Cash as at the balance sheet date		94,101		947,350

The Low Carbon Hub IPS Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 March 2017

1. Authorisation of financial statements and statement of compliance with FRS 102

The Low Carbon Hub IPS is a 'not-for-profit' Industrial and Provident Society for the Benefit of the Community (IPS Bencom). The society is incorporated in England and Wales and has its registered office at 9 Park End Street, Oxford OX1 1HH.

The financial statements of The Low Carbon Hub IPS Limited (the "Society") for the year ended 31st March 2017 were authorised for issue by the board of directors on 27th September 2017 and the balance sheet was signed on the board's behalf by Sam Clarke, Luke Marion and Rachel Boyes-Watson.

These financial statements were prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards. There were no adjustments on transition to FRS 102.

The principal accounting policies adopted by the Society are set out in note 2.

2. Accounting Policies

Basis of preparation

In these financial statements, the Society has adopted FRS 102 for the first time. Adoption of these standards has had no material impact.

There are no figures for Sandford Hydro Limited in the comparative period year ended 31 March 2016 as the company was dormant. This is therefore the first year for which consolidated financial statements have been prepared.

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 £294,244 of financing costs were capitalised into Tangible Fixed Assets during the year (2016: £91,670).

Depreciation is calculated to write off the cost of an asset on a straight line basis over the expected useful life of the asset.

Capital grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. These grants are credited to asset cost and so are released to the income statement over the expected useful life of the asset.

Solar PV Arrays

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.

Hydro Plant and Machinery

The useful life of the Sandford Hydro plant is estimated to be 40 years based on the life span of the civil engineering works.

The plant machinery is anticipated to have a shorter useful life than the plant and is depreciated over 10 years.

There is no depreciation expense for Sandford Hydro in 2016-17 as it is still work-in-progress at year end. Completion is expected in summer 2017.

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.

Derivatives and 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.

As part of the Sandford Hydro project, the group entered into a binding contract with Andritz GmbH to supply certain elements of plant and machinery for the hydro power plant. The cost of this contract was €860,000 payable in several tranches. The Directors chose to hedge the foreign

currency risk resulting from this transaction by taking out a forward contract to purchase the Euros required at a fixed exchange rate.

Forward contract derivatives are accounted for using hedge accounting as permitted under FRS 102. The fair value of the contracts is re-measured at the balance sheet date and gains or losses resulting from changes in the fair value of the derivative are recognised in other comprehensive income.

Hedge accounting will be discontinued when the derivative expires and at this point any cumulative gain or loss on the hedging instrument will be included in the carrying value of the Sandford Hydro Plant asset and transferred to the income statement over the asset's expected useful life.

Interest on members' equity

Interest on members' equity is recorded as an expense once the interest payment has been agreed by the board. All interest payments are made at the discretion of the board and therefore no accrual is made for interest payments earned but not yet declared.

3. 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, £48,497 (2016: £96,224) in respect of 29 separate hosts was transferred to The Low Carbon Hub CIC as such a donation.

4. Administration Costs

Administration costs are made up of the following:

	2017	2016
		£
Amounts refunded from aborted projects	-	(1,904)
Legal and Professional Fees	-	725
Investor Administration Fees	2,594	1,391
Low Carbon Hub CIC (see related parties note)	56,092	29,926
Other Admin Fees	15,221	8,668
Other Operations & Maintenance Fees	14,250	290
	88,157	39,096

The audit fee for 2016/17 included in these accounts is £4,500 (2016: £3,000).

5. Interest Payable

	2017	2016
	£	£
Members Interest Payments	102,330	-
Loan Interest	21,617	-
	123,947	-

£92,200 has been accrued for interest payments to members who hold Class B – Solar PV 2013 and Class A- Solar PV 2014 shareholders at a rate of 5%.

Interest during construction is also earned by the 39 early investors in Sandford Hydro at a rate of 5%, as specified in the offer dated 18th February 2016. This is part of the capital value and had been taken into account in the costs of the project. £10,130 has been accrued for these payments for the 12 months of construction in the period 2016/17. This interest will be paid upon commissioning of the Sandford project.

During the development of the Solar PV array projects, interest on the loan from Oxford City Council formed part of the capital costs. Since commissioning of the 2016 pipeline, the continuing interest payments in relation to this loan and totalling £21,617 (2016: £0) have been expensed.

6. Taxation

A reconciliation of income tax applicable to accounting profit before tax at the statutory tax rates for the years ended 31 March 2017 and 31 March 2016 is as follows:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 31 March 2017 was 20% (2016: 20%).

	2017	2016
	£	£
Surplus / (deficit) for the year before tax	(148,811)	(56,202)
At United Kingdom Tax rate of 20%	(29,762)	(11,240)
Creation of tax losses	29,762	11,240
Total reported on the income statement	-	-

7. Tangible Fixed Assets

	WIP	Solar PV arrays	Inverters	Total
	£	£	£	£
Cost				
At 31 March 2016	286,198	1,839,302	147,927	2,273,427
Additions	2,260,272	1,604,665	96,261	3,961,198
Disposals	-	-	(9,028)	(9,028)
Transfers between categories	(58,739)	58,739	-	-
At 31 March 2017	2,487,731	3,502,707	235,160	6,226,165
Depreciation				
At 31 March 2016	-	97,282	17,172	114,454
Provided during the year	-	134,348	19,447	153,795
Disposals	-	-	(2,102)	(2,102)
At 31 March 2017	-	231,630	34,517	266,147
Net book value				
At 31 March 2016	286,198	1,742,020	130,755	2,158,973
At 31 March 2017	2,487,731	3,271,077	200,643	5,959,450

Sandford Hydro reached financial close in September 2016 and the main construction work has started. At the balance sheet date the Sandford Hydro Project work in progress is £2,487,731 (2016: £227,459). Of this £247,614 (2016: £27,459) relates to financing costs.

A total of £294,244 of financing costs were capitalised into Tangible Fixed Asset cost during the year (2016: £91,670). Of these costs, £89,980 related to interest on loan finance (2016: £4,679); £148,274 related to loan arrangement fees and due diligence costs incurred in respect of new long term debt finance (2016: £47,387); and £55,990 related to costs incurred in relation to new share offerings (2016: £39,634).

At the balance sheet, there were no financing costs for solar PV arrays being held in work in progress as all had been allocated and all projects completed and capitalised (2016: £58,739).

8. Debtors

	2017 £	2016 £
Trade Debtors	23,212	5,242
Accrued Income Electricity Sales & FIT	46,511	48,401
Prepayments	7,200	1,820
VAT recoverable	91,751	46,084
Environment Agency Impoundment Reserve	360,000	-
	528,674	101,547

9. Cash or cash equivalents

	2017 £	2016 £
Unrestricted cash	58,229	947,350
Restricted cash	35,872	-
	94,101	947,350

Management have set aside £35,872 amount as a fund to cover expected future inverter replacement requirements. This level of cash will be regularly reviewed against expected requirements.

10. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade Creditors	230,017	136,078
Amounts due to The Low Carbon Hub CIC (See Note 15)	38,490	-
Accruals and Deferred Income	410,492	26,615
Oxford City Council construction facility	1,623,210	317,403
	2,302,209	480,096

Sandford Hydro Limited received £106,000 as grant income towards the construction of the fish pass: £81,000 from the Low Carbon Hub CIC and £25,000 from Oxfordshire County Council. This income is recoverable if the fish pass is not completed and as the works were not yet completed at the balance sheet date, the income has been deferred.

The Oxford City Council construction loan facility has a term of 364 days, at an interest rate of 5%. The term for each drawdown starts on the date of funds being released. No repayments were made in 2016/17 and three additional drawdowns have been made as follows:

8th June 2016 - £144,948; 28th July 2016 - £493,212 and 28th October 2016 - £667,647.

It has been agreed with Oxford City Council that the start of capital repayments can be delayed until the completion of the Sandford Hydro project to support cash flow requirements during construction.

11. Creditors: Amounts falling due after more than one year

On 4th March 2016, loan finance totalling £600,000 was drawn down from Community Land & Finance Ltd. This finance has an interest rate of 7.5% and is due for repayment on 3rd March 2020.

On the same date, loan finance totalling £200,000 with identical terms was drawn down from Big Society (£120,000) and Esmee Fairbairn Foundation (£80,000).

These loans are secured by a debenture over 13 separate Solar PV arrays with a combined Net Book Value of £1,146,922 as at the year end (2016: £1,214,973).

The board chose not to repay this finance during the 2016/17 financial year due to a higher than expected volume of solar PV projects coming to fruition and the time critical nature of many of these in relation to Feed in Tariff registration deadlines.

On 23 September 2016, a £2,000,000 loan facility was signed between Low Carbon Hub Sandford Hydro Limited and The Charity Bank as long term finance for the construction of the Sandford Hydro project. This finance has an interest rate of 3.25% over Bank of England Base Rate and is due for repayment in September 2034. This loan is secured against the Sandford Hydro asset.

By the balance sheet date £300,000 of this facility had been drawn down.

12. Share Equity

The equity held by shareholders at 31 March 2017 is as follows:

	2017 £	2016 £
Class A £1 Shares Solar PV 2014	1,694,001	1,694,003
Class A £1 Shares Solar PV 2016	793,100	-
Class B £1 Shares Solar PV 2013	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	822,361	202,600
	3,459,462	2,046,603

On 1st September 2016 793,100 £1 class A shares were issued for the Solar PV 2016 portfolio to 242 individual shareholders. In addition, on the 7th September 2016 619,761 £1 class A shares were issued in Sandford Hydro to 225 separate shareholders realising equity funds of £1,412,861.

On 1st September 2016 two founder shares were cancelled by repayment of the £1 nominal value to the shareholders.

Number of shares issued, allotted and fully paid

Share Class	Issued	Allotted	Fully Paid
Class A £1 Shares Solar PV 2014	1,694,001	1,694,001	1,694,001
Class A £1 Shares Solar PV 2016	793,100	793,100	793,100
Class B £1 Shares Solar PV 2013	150,000	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	822,361	822,361	822,361

Number of individual shareholders by share class at 31st March 2017:

Share Class	2017	2016
Class B - Solar PV 2013	10	10
Class A - Solar PV 2014	347	347
Class A - Solar PV 2016	242	0
Class A - Sandford Hydro 2016	252	39

Members Interest Payments

For the portfolios under the 2013 and 2014 share offers, the Directors have declared an interest payment of 5% on outstanding capital. £92,200 has been accrued at the balance sheet date and it is expected that this will be paid out prior to the 2017 AGM.

£10,130 has also been accrued for the 39 pre-placement shareholders who are receiving interest at a rate of 5% during the construction of Sandford Hydro. This will be paid out on commissioning of the project.

Rights, preferences and restrictions attaching to share classes

Class A shares are non-transferable. They can be withdrawn by agreement between the Directors and the member holding a class A share.

Class B shares can be transferred between family members, or to any trust established for the benefit of family members at any time. They can only be transferred outside of a family member by giving formal notice to the Directors of their wish to do so, and by following a prescribed process set out in section 9 of the Society's rules, which can be found online at <http://www.lowcarbonhub.org/pdf/LCH-IPS-Ltd-rules.pdf>.

Terms under which capital can be repaid to members for each share class are set out in section 7 of the Society's rules, which can be found online at <http://www.lowcarbonhub.org/pdf/LCH-IPS-Ltd-rules.pdf>.

All members have one vote at General Meetings of the Society, regardless of how many shares they hold.

13. Board Members' Remuneration

No expenses were paid to any Board members in their capacity as Board members.

14. Capital Commitments

The Society had authorised capital commitments totalling £2,873,000 at 31 March 2017 with respect to civil works and plant at Sandford Hydro. At the balance sheet date £1,750,072 had been paid and £1,122,928 was outstanding.

15. Related Party Transactions

During the year the company made the following transactions with:

The Low Carbon Hub CIC:

£113,234 was paid in respect of Project Development Fees (2016: £141,957); £56,092 was paid in respect of Administration and Operations & Maintenance costs (2016: £29,926); and £48,497 was paid as a Community Benefit Donation, as described in Note 3 (2016: £96,224).

Finally, £22,050 was paid to the Low Carbon Hub CIC to reimburse it for costs incurred in preparation for new share offers during the year (2016: £39,634).

At the balance sheet date, £38,490 was owed to The Low Carbon Hub CIC.

16. Post Balance Sheet Events

On 20th April 2017 and 28th June 2017 The Low Carbon Hub IPS Limited received an additional £651,566 in equity for the development of Sandford Hydro, with the share offer finally closing on 31st May 2017. This represented 171% of the funds the board had targeted raising in this offer.

Between the balance sheet date and the date of signing these accounts, Sandford Hydro has drawn down an additional £800,000 of the agreed £2,000,000 debt finance from The Charity Bank.

Sandford Hydro was commissioned on 25th August 2017.

The Low Carbon Hub IPS Limited

The Society's Statement of Financial Position As at 31 March 2017

	Notes	2017 £	2016 £
Tangible Fixed Assets	8.	3,471,151	2,158,973
Fixed Asset Investments	9.	2,300,440	1
		<u>5,771,591</u>	<u>2,158,974</u>
Current Assets			
Debtors	10.	82,276	101,547
Cash at bank and in hand	11.	78,155	947,350
		<u>160,431</u>	<u>1,048,897</u>
Creditors: Amounts falling due within one year	12.	1,904,254	480,096
Net Current Assets / (liabilities)		<u>(1,743,823)</u>	<u>568,801</u>
Total Assets Less Current Liabilities		<u>4,027,768</u>	<u>2,727,775</u>
Creditors: Amounts falling due after more than one year	13.	800,000	800,000
Total Net Assets		<u>3,227,768</u>	<u>1,927,775</u>
Capital and Reserves			
Share Equity	14.	3,459,462	2,046,603
Income and Expenditure Account		(229,690)	(118,828)
Hedging Reserve		(2,004)	-
Shareholders' Funds		<u>3,227,768</u>	<u>1,927,775</u>

Signed on behalf of the Board on 27/09/2017

Sam Clarke
Chair

Luke Marion
Treasurer

Rachel Boyes-Watson
Secretary

The Low Carbon Hub IPS Limited

The Society's Income Statement As at 31 March 2017

	Notes	YEAR ENDED 31 MARCH 2017	YEAR ENDED 31 MARCH 2016
		£	£
Income			
Electricity Sales		98,997	60,756
FIT Income		162,242	95,542
Interest Receivable	3.	96,611	2,770
Other income		-	-
		357,850	159,068
Expenditure			
Community Benefit Donations	4.	48,497	96,224
Administration fees	5.	85,262	39,096
Interest Payable	7.	182,691	0
Depreciation Expense	8.	152,262	79,950
		468,711	215,270
Surplus/(Deficit) for the year		(110,861)	(56,202)
Taxation	6.	-	-
Surplus/(Deficit) transferred to retained reserve		(110,861)	(56,202)

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

The Low Carbon Hub IPS Limited

The Society's Statement of Changes in Equity As at 31 March 2017

	Share Capital	Income and Expenditure Account	Hedging reserve	Total Shareholders' Funds
	£	£	£	£
At 31 March 2015	1,844,003	(62,626)	-	1,781,376
Loss for the year	-	(56,202)	-	(56,202)
Issue of new equity shares (note 10)	202,600	-	-	202,600
At 31 March 2016	2,046,603	(118,828)	-	1,927,775
Loss for the year	-	(110,861)	-	(110,861)
Other comprehensive income	-	-	(2,004)	(2,004)
Issue of new equity shares (note 10)	1,412,861	-	-	1,412,861
Cancellation of founder shares (note 2)	(2)	-	-	(2)
At 31 March 2017	3,459,462	(229,690)	(2,004)	3,227,768

The Low Carbon Hub IPS Limited

Notes to the Society's Financial Statements For the Year Ended 31 March 2017

1. Authorisation of financial statements and statement of compliance with FRS 102

The Low Carbon Hub IPS is a 'not-for-profit' Industrial and Provident Society for the Benefit of the Community (IPS Bencom). The society is incorporated in England and Wales and has its registered office at 9 Park End Street, Oxford OX1 1HH.

The financial statements of The Low Carbon Hub IPS Limited (the "Society") for the year ended 31st March 2017 were authorised for issue by the board of directors on 27th September 2017 and the balance sheet was signed on the board's behalf by Sam Clarke, Luke Marion and Rachel Boyes-Watson.

These financial statements were prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards. There were no adjustments on transition to FRS 102. The principal accounting policies adopted by the Society are set out in note 2.

2. Accounting Policies

Basis of preparation

In these financial statements, the Society has adopted FRS 102 for the first time. Adoption of these standards has had no material impact.

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 £74,089 of financing costs were capitalised into Tangible Fixed Assets during the year (2016: £91,670).

Depreciation is calculated to write off the cost of an asset on a straight line basis over the expected useful life of the asset.

Solar PV Arrays

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.

Derivatives and 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.

As part of the Sandford Hydro project, the group entered into a binding contract with Andritz GmbH to supply certain elements of plant and machinery for the hydro power plant. The cost of this contract was €860,000 payable in several tranches. The Directors chose to hedge the foreign currency risk resulting from this transaction by taking out a forward contract to purchase the Euros required at a fixed exchange rate.

Forward contract derivatives are accounted for using hedge accounting as permitted under FRS 102. The fair value of the contracts is re-measured at the balance sheet date and gains or losses resulting from changes in the fair value of the derivative are recognised in other comprehensive income.

Hedge accounting will be discontinued when the derivative expires and at this point any cumulative gain or loss on the hedging instrument will be included in the carrying value of the Sandford Hydro Plant asset and transferred to the income statement over the asset's expected useful life.

3. Interest Receivable

	2017	2016
	£	£
Sandford Hydro Equity Loan Interest	35,628	-
Sandford Hydro Working capital funding interest	58,744	
Bank Interest	2,239	2,770
	96,611	2,770

Three loans have been made to Low Carbon Hub Sandford Hydro as detailed in note 16, Related Party Transactions. Interest has been charged at a rate of 5% for 2016/17.

£10,000 has been accrued as interest on the £200,000 working capital loan advanced to Sandford Hydro in 2015-2016 to help fund pre-development works prior to financial close. £10,134 was accrued as interest on the £202,600 Sandford Hydro preplacement equity loan and finally £15,494 has been accrued for 6 months of the £619,761 equity loan.

A further £58,744 was earned in interest on short term working capital finance provided to Sandford Hydro.

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, £48,497 (2016: £96,224) in respect of 29 separate hosts was transferred to The Low Carbon Hub CIC as such a donation.

5. Administration Costs

Administration costs are made up of the following:

	2017	2016
	£	£
Amounts refunded from aborted projects	-	(1,904)
Legal and Professional Fees	-	725
Investor Administration Fees	2,594	1,391
Low Carbon Hub CIC (see related parties note)	56,092	29,926
Other Admin Fees	12,326	8,668
Other Operations & Maintenance Fees	14,250	290
	85,262	39,096

The audit fee for 2016/17 included in these accounts is £3,325 (2016: £3,000).

6. Taxation

A reconciliation of income tax applicable to accounting profit before tax at the statutory tax rates for the years ended 31 March 2017 and 31 March 2016 is as follows:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 31 March 2017 was 20% (2016: 20%).

	2017	2016
	£	£
Surplus / (deficit) for the year before tax	(110,861)	(56,202)
At United Kingdom Tax rate of 20%	(22,172)	(11,240)
Creation of tax losses	22,172	11,240
Total reported on the income statement	-	-

7. Interest Payable

	2017	2016
	£	£
Members Interest Payments	102,330	-
Loan Interest	80,361	-
	182,691	-

£92,200 has been accrued for interest payments to members who hold Class B – Solar PV 2013 and Class A- Solar PV 2014 shareholders at a rate of 5%.

Interest during construction is also earned by the 39 early investors in Sandford Hydro at a rate of 5%, as specified in the offer dated 18th February 2016. This is part of the capital value and had been taken into account in the costs of the project. £10,130 has been accrued for these payments for the 12 months of construction in the period 2016/17. This interest will be paid upon commissioning of the Sandford project.

During the development of the Solar PV array projects, interest on the loan from Oxford City Council formed part of the capital costs. Since commissioning of the 2016 pipeline, the continuing interest payments in relation to this loan and totalling £80,361 (2016: £0) have been expensed. £58,744 of this was recouped from Sandford Hydro Limited in respect of short term working capital finance provided to the project during its construction.

8. Tangible Fixed Assets

	WIP	Solar PV arrays	Inverters	Total
	£	£	£	£
Cost				
At 31 March 2016	286,198	1,839,302	147,927	2,273,427
Additions	-	1,604,665	96,261	3,961,766
Disposals	-	-	(9,028)	(9,028)
Transfers to other group companies	(227,459)	-	-	(227,459)
Transfers between categories	(58,739)	58,739	-	-
At 31 March 2017	-	3,502,707	235,160	3,737,867
Depreciation				
At 31 March 2016	-	97,282	17,172	114,454
Provided during the year	-	134,917	19,447	154,364
Disposals	-	-	(2,102)	(2,102)
At 31 March 2017	-	232,199	34,517	266,716
Net book value				
At 31 March 2016	286,198	1,742,020	130,755	2,158,973
At 31 March 2017	-	3,270,508	200,643	3,471,151

A total of £74,089 of financing costs were capitalised into Tangible Fixed Asset cost during the year (2016: £91,670). Of these costs, £30,893 related to interest on loan finance (2016: £4,679); and £43,196 related to costs incurred in relation to new share offerings (2016: £39,634).

There were no loan arrangement fees incurred in respect of long term debt finance (2016: £47,387). All costs were capitalised by the balance sheet date.

At the balance sheet, there were no financing costs for solar PV arrays being held in work in progress as all had been allocated and all projects completed and capitalised (2016: £58,739).

9. Fixed Asset Investments

	2017 £	2016 £
Investment in subsidiaries	1	1
Loans to subsidiaries (note 16)	2,300,439	-
	2,300,440	1

The Society owns 100% of the share capital of Sandford Hydro Limited, a company incorporated in England and Wales and having its registered office at 9 Park End Street, Oxford OX1 1HH.

10. Debtors

	2017 £	2016 £
Trade Debtors	19,992	5,242
Other debtors	3,219	-
Accrued Income Electricity Sales & FIT	46,511	48,401
Prepayments and accrued income	7,200	1,820
VAT recoverable	5,352	46,084
	82,276	101,547

11. Cash or cash equivalents

	2017 £	2016 £
Unrestricted cash	42,283	947,350
Restricted cash	35,872	-
	78,155	947,350

Management have set aside £35,872 amount as a fund to cover expected future inverter replacement requirements. This level of cash will be regularly reviewed.

12. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade Creditors	6,753	136,078
Amounts due to The Low Carbon Hub CIC (See Note 17)	12,494	-
Accruals and Deferred Income	261,796	26,615
Oxford City Council construction facility	1,623,210	317,403
	1,904,254	480,096

The Oxford City Council construction loan facility has a term of 364 days, at an interest rate of 5%. The term for each drawdown starts on the date of funds being released. No repayments were made in 2016/17 and three additional drawdowns have been made as follows:

8th June 2016 - £144,948.00; 28th July 2016 - £493,212.00 and 28th October 2016 - £667,646.69

It has been agreed with Oxford City Council that the start of capital repayments can be delayed until the completion of the Sandford Hydro project to support cash flow requirements during construction.

13. Creditors: Amounts falling due after more than one year

On 4th March 2016, loan finance totalling £600,000 was drawn down from Community Land % Finance Ltd. This finance has an interest rate of 7.5% and is due for repayment on 3rd March 2020.

On the same date, loan finance totalling £200,000 with identical terms was drawn down from Big Society (£120,000) and Esmee Fairbairn Foundation (£80,000).

These loans are secured by a debenture over 13 separate Solar PV arrays with a combined Net Book Value of £1,146,922 as at the year end (2016: £1,214,973).

The board chose not to repay this finance during the 2016/17 financial year due to a higher than expected volume of solar PV projects coming to fruition and the time critical nature of many of these in relation to Feed in Tariff registration deadlines.

14. Share Equity

The equity held by shareholders at 31 March 2017 is as follows:

	2017 £	2016 £
Class A £1 Shares Solar PV 2014	1,694,001	1,694,003
Class A £1 Shares Solar PV 2016	793,100	-
Class B £1 Shares Solar PV 2013	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	822,361	202,600
	3,459,462	2,046,603

On 1st September 2016 793,100 £1 class A shares were issued for the Solar PV 2016 portfolio to 242 individual shareholders. In addition, on the 7th September 2016 619,761 £1 class A shares were issued in Sandford Hydro to 225 separate shareholders realising equity funds of £1,412,861.

On 1st September 2016 two founder shares were cancelled by repayment of the £1 nominal value to the shareholders.

Number of shares issued, allotted and fully paid

Share Class	Issued	Allotted	Fully Paid
Class A £1 Shares Solar PV 2014	1,694,001	1,694,001	1,694,001
Class A £1 Shares Solar PV 2016	793,100	793,100	793,100
Class B £1 Shares Solar PV 2013	150,000	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	822,361	822,361	822,361

Number of individual shareholders by share class at 31st March 2017:

Share Class	2017	2016
Class B - Solar PV 2013	10	10
Class A - Solar PV 2014	347	347
Class A - Solar PV 2016	242	0
Class A - Sandford Hydro 2016	252	39

Members Interest Payments

For the portfolios under the 2013 and 2014 share offers, the Directors have declared an interest payment of 5% on outstanding capital. £92,200 has been accrued at the balance sheet date and it is expected that this will be paid out prior to the 2017 AGM.

£10,130 has also been accrued for the 39 pre-placement shareholders who are receiving interest at a rate of 5% during the construction of Sandford Hydro. This will be paid out on commissioning of the project.

Rights, preferences and restrictions attaching to share classes

Class A shares are non-transferable. They can be withdrawn by agreement between the Directors and the member holding a class A share.

Class B shares can be transferred between family members, or to any trust established for the benefit of family members at any time. They can only be transferred outside of a family member by giving formal notice to the Directors of their wish to do so, and by following a prescribed process set out in section 9 of the Society's rules, which can be found online at <http://www.lowcarbonhub.org/pdf/LCH-IPS-Ltd-rules.pdf>.

Terms under which capital can be repaid to members for each share class are set out in section 7 of the Society's rules, which can be found online at <http://www.lowcarbonhub.org/pdf/LCH-IPS-Ltd-rules.pdf>.

All members have one vote at General Meetings of the Society, regardless of how many shares they hold.

15. Board Members' Remuneration

No expenses were paid to any Board members in their capacity as Board members.

16. Capital Commitments

The Society had no authorised capital commitments as at 31 March 2017. Capital in respect of work in progress projects is only committed when lease contracts with Landlords have been signed.

17. Related Party Transactions

During the year the company made the following transactions with:

The Low Carbon Hub CIC:

£113,234 was paid in respect of Project Development Fees (2016: £141,957); £56,092 was paid in respect of Administration and Operations & Maintenance costs (2016: £29,926); and £48,497 was paid as a Community Benefit Donation, as described in Note 4 (2016: £96,224).

Finally, £22,000 was paid to the Low Carbon Hub CIC to reimburse it for costs incurred in preparation for new share offers during the year (2016: £39,634).

At the balance sheet date, £12,494 was owed to The Low Carbon Hub CIC.

Sandford Hydro Limited

Three loans totalling £2,300,439 have been made to Sandford Hydro Limited:

£800,000 at a rate of 7.5% which is the same terms that the IPS has secured the loan from CLF, Esmee Fairbairn Foundation and Big Society.

£323,610 at a rate of 5%. This is part of the construction loan funding secured from Oxford City Council and is being lent across on the same terms.

£1,022,361 loan from the equity raised, £200,000 working capital from the 2014 equity raise and £822,361 from the 2016 share offers. This is at a rate of 5% to cover the investor returns.

At the balance sheet date £94,372 in interest owed has been accrued. This is has already been accounted for in the financial model for the project and the associated returns.

At the balance sheet date the intercompany clearing account had a balance owing of £118,840.

18. Post Balance Sheet Events

There were no material post Balance Sheet events arising after 31 March 2017.