

The Low Carbon Hub IPS Ltd

Registration No: 31903R

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2016**

The Low Carbon Hub IPS Ltd

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The Low Carbon Hub IPS Ltd

Report of the Board For the Year End 31 March 2016

The Board presents its Report and the Society's Financial Statements for the year ended 31 March 2016.

Full name: The Low Carbon Hub IPS Ltd

Industrial Provident Society Number: 31903R

Wholly-owned subsidiaries

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

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 (Resigned 31st October 2015)
Luke Marion – Treasurer
Barbara Hammond
Tim Sadler
Steve Drummond
Adriano Figueiredo (Appointed 24th November 2015)
Tom Hoines (Appointed 18th March 2016)

Company Secretary

Rachel Boyes-Watson (Appointed 18th March 2016)

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

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, Class B and Sandford Hydro shareholder in the event of winding-up is £1.

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

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.

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 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.

Low Carbon Hub Sandford Hydro Limited is a wholly-owned subsidiary of the The Low Carbon Hub IPS Limited. There was no financial activity in 2015-16.

Report of the Board

This year has been one of steady activity for the business itself set against a backdrop of volatile national policy changes. We have had to move swiftly to deal with the impact of changes both to the Feed-in Tariff and to the Enterprise Investment Scheme tax reliefs. We have successfully finished installing our pipeline of projects funded by our 2014 share raise and developed a new pipeline of projects for which new share offers will be issued during 2016-17. The details of this activity are set out below.

Investment raised

2014 Solar:	£1.85m from 349 investors
Sandford pre-placement:	£0.2026m from 39 investors

We continue to deploy the £2.3m Revolving Construction Facility from Oxford City Council and have used £317k this financial year. We have agreed £800k of construction funding for Sandford Hydro with Community Land & Finance and Finance South East; While this funding has a four year term, the Board envisages that this will be repaid once out of the early repayment penalty period, dependant on the equity raised in Summer 2016. We are in the process of finalising £2.0m of long-term debt funding for Sandford Hydro with the Charity Bank.

Installations

We finished installing the projects funded by our 2014 share offer in the summer with a total of £1.85m deployed on:

1.2MW of solar PV on 12 schools and 4 businesses
the pre-development costs for Sandford Hydro

We have developed our next pipeline of projects including:

316kWp already deployed on 6 schools using our Construction Facility funding
A further 1.77MWp to be deployed during the summer of 2016 on 10 schools and 2 businesses at a cost of £1.835m
Sandford Hydro 440kW project costing £3.2m and to be built during the summer and autumn of 2016

Project Performance

In 2014-2015 our forecast generation was 253 MWh, with actual generation of 258 MWh. Our installed capacity increased substantially in 2015 – 2016 with predicted generation growing to 781MWh and actual generation reaching 794.7 MWh.

Community benefit donations

Our pipeline of projects yielded £96,224 of community benefit donations to the Low Carbon Hub CIC (2015: £11,902) which were used to fund:

- £77,975 of community grants
- £14,796 of support for the Local Energy Programme that gives advice to communities and develops new approaches to community energy

- Management of the community benefit funds, including development of a full Community Benefit Strategy

Full details on the allocation of these donations is listed in the accounts for the Low Carbon Hub CIC.

Social impact

These projects are also delivering social benefits in terms of carbon savings, financial benefits to the building hosts and awareness raising amongst employees and students working in the buildings. In 2015-16 these social impacts were:

- Enough power generated for 240 homes
- Over 400 tonnes CO₂ saved
- 2930 employees are working in a building with a Hub solar installation
- 8767 students are studying in a school with a Hub solar installation

Furthermore since the projects started, £56,585 of discounts on energy bills has been given to local schools and businesses.

Financial Performance

This was the second year of full trading and, as anticipated in the previous accounts, income grew substantially, with turnover rising from £39,230 in 2014/15 to £159,068 in 2015/16. Again, a number of large installations were completed mid way through the year meaning that in a going year turnover from completed installations at the balance sheet date is now anticipated to exceed £245,000.

An operating loss of £56,202 was returned in the year, compared to £59,230 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 in future years returns to shareholders are to be paid as interest. 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

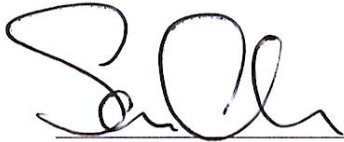
SMEs = small and medium-sized enterprises

tCO₂ = tonnes of carbon dioxide equivalent

Auditor

A resolution to re-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 ~~1st September~~ 2016



Sam Clarke
Chair



Luke Marion
Treasurer



Rachel Boyes-Watson
Secretary

Independent Auditor's Report To the Members of

The Low Carbon Hub IPS Ltd

For the Year Ended 31st March 2016

We have audited the financial statements of The Low Carbon Hub IPS Ltd for the year ended 31 March 2016 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 the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the society's members, as a body, 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 13, 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 state of the society's affairs as at 31 March 2016 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 LLP
Statutory Auditor
Oxford

Critchleys
5 September 2016

Low Carbon Hub IPS Ltd
Income and Expenditure Account
For The Year Ended
31 March 2016

	Notes	YEAR ENDED 31 MARCH 2016	YEAR ENDED 31 MARCH 2015
		£	£
Income			
Electricity Sales		60,756	13,352
FIT Income		95,542	22,638
Interest income		2,770	1,234
Other income		-	2,006
		159,068	39,230
Expenditure			
Community Benefit Donations	3.	96,224	11,902
Depreciation Expense	5.	79,950	28,634
Administration fees	4.	39,096	57,924
		215,270	98,460
Surplus/(Deficit) for the year		(56,202)	(59,230)
Surplus/(Deficit) transferred to retained reserve		(56,202)	(59,230)

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 2016

	Note	2016	2015
	s	£	£
Tangible Fixed Assets	5.	2,158,973	1,068,477
Fixed Asset Investments	6.	1	0
		2,158,974	1,068,477
Current Assets			
Debtors	7.	101,547	105,567
Cash at bank and in hand		947,350	812,706
		1,048,897	918,273
Creditors: Amounts falling due within one year	8.	480,096	205,374
Net Current Assets		568,801	712,899
Total Assets Less Current Liabilities		2,727,775	1,781,376
Creditors: Amounts falling due after more than one year	9.	800,000	-
Total Net Assets		1,927,775	1,781,376
Capital and Reserves			
Share Equity	10.	2,046,603	1,844,003
Income and Expenditure Account	11.	(118,828)	(62,626)
Shareholders' Funds		1,927,775	1,781,376

Signed on behalf of the Board on 1st September 2016



Sam Clarke
Chair



Luke Marion
Treasurer



Rachel Boyes-Watson
Secretary

The Low Carbon Hub IPS Limited

Notes to the Financial Statements

**For the Year Ended
31 March 2016**

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 the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities). 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 and Financial Reporting Standard for Smaller Entities (Effective January 2015) 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 £91,670 of financing costs were capitalised into Tangible Fixed Assets during the year (2015: £84,696).

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. 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, £96,224 in respect of 19 separate installations was transferred to The Low Carbon Hub CIC as such a donation (2015: £11,902).

4. Administration Costs

Administration costs are made up of the following:

	2016	2015
	£	£
Pipeline abortive costs	-	34,559
Amounts refunded from aborted projects	(1,904)	-
Legal and Professional Fees	725	8,620
Investor Administration Fees	1,391	1,542
Low Carbon Hub CIC (see related parties note)	29,926	11,599
Other Admin Fees	8,668	1,604
Other Operations & Maintenance Fees	290	-
	39,096	57,924

Pipeline abortive costs relate to a project to install several Solar PV arrays across a number of Church of England (CE) school sites, which was aborted in the prior year following the decision of the Diocese of Oxford to put the scheme on hold while they considered possible alternative options. Survey related costs totalling £34,559 were incurred up to the point at which the project was abandoned.

One of the schools involved in this project, The Malborough COE Primary School, chose to reimburse the company for the abortive costs incurred relating to their site, as they planned to take their PV array plans forward without further involvement from the Low Carbon Hub. As a result a credit of £1,904 (2015: £nil) is recognised in administration costs in the current year.

Legal and Professional fees includes a credit for £ 2,795 against legal expenses incurred in 2014/15. The audit fee for 2015/16 included in these accounts is £3,000.

5. Tangible Fixed Assets

	WIP	Solar PV arrays	Inverters	Total
	£	£	£	£
Cost				
At 31 March 2015	44,469	969,762	88,750	1,102,981
Additions	286,198	825,071	59,177	1,170,446
Disposals	-	-	-	-
Transfers between categories	(44,469)	44,469	-	-
At 31 March 2016	286,198	1,839,302	147,927	2,273,427
Depreciation				
At 31 March 2015	0	28,648	5,856	34,504
Provided during the year	-	68,634	11,316	79,950
Disposals	-	-	-	-
At 31 March 2016	0	97,282	17,172	114,454
Net book value				
At 31 March 2015	44,469	941,114	82,894	1,068,477
At 31 March 2016	286,198	1,742,020	130,755	2,158,973

A total of £91,670 of financing costs were capitalised into Tangible Fixed Asset cost during the year (2015: £84,696). Of these costs, £4,679 related to interest on loan finance (2015: £19,867); £26,792 related to loan arrangement fees and due diligence costs incurred in respect of new long term debt finance (2015: £nil); £39,634 related to costs incurred in relation to new 2016 share offerings (2015: £64,829); and £20,595 related to underwriting costs of the 2014 Solar PV share offer (2015: £nil). These costs did not become payable until March 2016 under the terms of the finance sourcing agreement with Resonance Impact Investment Limited, signed in September 2014, and therefore have been accounted for in the current year.

£58,739 of these costs were held in work in progress for ongoing solar projects at the balance sheet date (2015: £30,340), reflecting 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.

The remaining £227,459 balance held within WIP at the year end relates to costs associated with the Sandford Hydro project (2015: £nil). £200,000 of this relates to predevelopment costs and the remaining £27,459 relates to financing costs.

6. Fixed Asset Investments

The Low Carbon Hub IPS Limited has a £1 share in Low Carbon Hub Sandford Hydro Limited, a wholly owned subsidiary incorporated on 21st August 2015. This is a special purpose vehicle established to hold the Sandford Hydro assets and was dormant at the year end.

7. Debtors

	2016 £	2015 £
Trade Debtors	5,242	4,235
Accrued Income Electricity Sales & FIT	48,401	11,460
Prepayments and accrued income	1,820	1,032
VAT recoverable	46,084	88,841
	101,547	105,567

8. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade Creditors	136,078	138,788
Amounts due to The Low Carbon Hub CIC (See Note 14)	-	46,901
Accruals and Deferred Income	26,615	19,686
Oxford City Council construction facility	317,403	-
	480,096	205,374

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.

£138,296 was drawn down on 6th November 2015 and £179,107 was drawn down on 10th February 2016.

9. 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. There is an early redemption penalty of 1% of principal repaid, if the loan is repaid before the end of the first year.

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

These loans are secured by a debenture over 13 separate Solar PV arrays with a combined Net Book Value of £1,214,973 as at the year end. Loan arrangement fees and due diligence costs of £15,592 were incurred in respect of these agreements.

The board expect this loan finance to be fully repaid during financial year 2016/17; however this is dependent upon the results of the share offer, which opened in April 2016, and successful conclusion of discussions with the Charity Bank to secure an expected £2.0m of long term debt finance in support of the Sandford Hydro project.

10. Share Equity

The equity held by shareholders at 31 March 2016 is as follows:

	2016 £	2015 £
Class A Shares	1,694,003	1,694,003
Class B Shares	150,000	150,000
Sandford Hydro Shares	202,600	-
	2,046,603	1,844,003

On 18th March 2016, 202,600 £1 pre-placement Sandford Hydro shares were issued to 39 separate shareholders, realising equity funds of £202,600.

11. Reconciliation of shareholders funds and movement on reserves

	Share Capital	Income and Expenditure Account	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 Shares	202,600	-	202,600
At 31 March 2016	2,046,603	(118,828)	1,927,775

12. Board Members' Remuneration

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

13. Capital Commitments

The Society had no authorised capital commitments as at 31 March 2016. Capital in respect of work in progress projects is only committed when lease contracts with Landlords have been signed.

14. Related Party Transactions

During the year the company made the following transactions with:

The Low Carbon Hub CIC:

£141,957 was paid in respect of Project Development Fees (2015: £72,727); £29,926 was paid in respect of Administration and Operations & Maintenance costs (2015: £11,599); and £96,224 was paid as a Community Benefit Donation, as described in Note 3 (2015: £11,902).

In addition, £200,000 was paid towards Sandford Hydro predevelopment costs, already met by The Low Carbon Hub CIC in bringing the project to investment readiness (2015: £nil). Finally, £39,634 was paid to the Low Carbon Hub CIC to reimburse it for costs incurred in preparation for new share offers during the year (2015: £nil).

At the balance sheet date, nothing was owed to The Low Carbon Hub CIC.

The City of Oxford Motor Services Ltd (trading as the Oxford Bus Company)

£3,844 has been received in respect of sales of Electricity to the Oxford Bus Company, of whom Luke Marion is also a Director. At the balance sheet date, nothing was outstanding.

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 2016	31st March 2015
	No of shares held	No of shares held
Sam Clarke	10,000	10,000
Barbara Hammond	250	250
Alison Clarke	10,000	10,000
Alexandra Parker	1,000	1,000
Karen Sadler	500	500
Anthony Simpson	6,500	5,000

15. Post Balance Sheet Events

There were no material post Balance Sheet events arising after 31 March 2016.