

The Low Carbon Hub IPS Limited

Registration No: 31903R

GROUP FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2018**

The Low Carbon Hub IPS Limited

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The Low Carbon Hub IPS Limited

Report of the Board For the Year End 31 March 2018

The Board presents its Report and the Group Financial Statements for the year ended 31 March 2018.

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

Governing document

The society is operated in accordance with Rules of The Low Carbon Hub IPS Limited¹.

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 stand-alone renewable energy projects and also projects with 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 IPS provides the capital so there is no investment cost to the installation host organisation. The Hub IPS owns the installations and receives income from the sale and export of the electricity, and retains the Feed in Tariff (FiT). 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 is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Board is 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 is 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 is 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. It is also responsible for safeguarding the assets of the society and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Board is 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

Our major activity this year has been to complete the Sandford Hydro project, achieving full commissioning and FiT registration on 25th August 2017. The project was fully operational as of 19th February 2018. The period between commissioning and full operation was taken up in waiting until 8th December 2017 for enough water to complete the suite of operational tests required by the Environment Agency, and in installing and fully testing the communications system between the hydro plant and the Environment Agency lockkeepers.

Low Carbon Hub IPS has now built assets with a cost of £7.75m which will be generating community benefit for the next 40 years. We have added one installation to our solar portfolio during the year, Sonning Common School, and have been working to increase our pipeline of projects before the end of the Feed-in Tariff in March 2019. We have also agreed a transfer of engagements with Oxford North Community Renewables (ONCORE). This means that ONCORE will transfer ownership of its assets to the Low Carbon Hub IPS and also its shareholders. This transaction was agreed in November 2017 and will conclude on 31st May 2018. The assets to be transferred are two solar PV installations at The Cherwell School and one at St. Barnabas School.

New investment raised

Sandford Hydro:	£651,816 from 236 shareholders
Solar 2016:	£793,100 from 254 shareholders

At year end we had 808 shareholders, 236 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 £1,305,807 outstanding secured against our Solar 2016 portfolio. During the year we repaid £317,403 that had been deployed towards construction of Sandford Hydro.

We have drawn down the full £2m long-term debt finance on Sandford Hydro which we agreed with the Charity Bank and are now paying quarterly interest and capital repayments as per the agreed schedule over 18 years.

The Sandford project is now fully operational and we have repaid £600k of the £800k medium-term funding we held from CLF, Big Society Capital and Esmee Fairbairn Foundation. We are continuing to hold the remaining £200k during the 2018/19 financial year in order to ensure smooth cashflow during the first year of operation of Sandford Hydro.

Project Performance

In 2017-2018 we generated 2,525 MWh from the solar portfolio, which represents 97.3% of forecast generation of 2,594 MWh. The 2.7% difference is explained by a combination of less sunny months than normal in the months of May and July 2017, and March 2018 and some equipment faults that have now been resolved.

Our revenue however was very slightly ahead of forecast, mainly because our FiT income was higher than expected. This was because annual increase based on the Retail Price Index was higher than forecast in our financial model.

Installations

Our installed capacity continued to increase in 2017 – 2018, mainly because Sandford Hydro became operational at 440kW. Our total portfolio of solar PV arrays reached 35 installations on the roofs of 30 hosts.

We now have a combined installed capacity of 3.6MW including the 440kW at Sandford Hydro (2017: 3.1 MW), and an annual predicted generation of 4.2 GWh (2017: 2.6 GWh) including expected system degradation.

Community benefit donations

The Hub IPS donated £100,000 (Total cumulative to date £256,622) 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 used these funds to assist further community-driven carbon reduction projects.

Social impact

Our projects deliver a range of environmental and social benefits. In 2017-18 these included:

- Generating 4.2 GWh - enough power to meet the typical electricity needs of 3,097 households
- Saving 1,556 tonnes of CO₂
- Saving host organisations £44,545 on their electricity bills through the supply of discounted green electricity.

Financial Performance

This was the fourth full year of trading and the second year for which consolidated accounts have been prepared, with the wholly owned subsidiary Sandford Hydro Limited starting to trade. As anticipated in the previous accounts, income grew substantially, with turnover rising from £263,484 in 2016/17 to £494,500 in 2017/18.

In a normal year turnover from solar PV arrays is now expected to be approximately £450,000. A going year for the hydro installations is anticipated to equate to approximately £298,000 per annum in an “average generation” year.

Net cash flow from operating activities in the year returned a surplus of £353,586, which together with working capital movements and retained cash created an operating surplus of £424,638 for the year (£175,326 and £162,745 respectively in 2016-17). The result for the year was in line with the board’s expectations.

An accounting loss of £169,070 was returned in the year, compared to £148,811 last year. The financial structure of the society is such that accounting losses are expected each year, due to the fact that the projects are treated as “wasting assets” resulting in large depreciation charges, and

also because of the community benefit donations paid to the Low Carbon Hub CIC and returns to shareholders are paid as interest.

Key terms

CIC = Community Interest Company

kW = kilowatt

KWp = kilowatt peak

MW = megawatt

MWh = megawatt hour

GWh = gigawatt hour

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 2018

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 2018

Opinion

We have audited the financial statements of The Low Carbon Hub IPS Limited (the "society") for the year ended 31 March 2018, 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and society's affairs as at 31 March 2018 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;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the society has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation;
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the society's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement [set out on page 5], the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee of management either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities
This description forms part of our auditor's report.

Use of our report

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.

Critchleys Audit LLP
Statutory Auditor
Oxford

Date.....

The Low Carbon Hub IPS Limited

Consolidated Statement of Financial Position As at 31 March 2018

	Notes	2018 £	2017 £
Tangible Fixed Assets	7.	<u>7,185,859</u>	<u>5,959,450</u>
Current Assets			
Debtors	8.	179,471	528,674
Cash at bank and in hand	9.	313,896	94,101
		<u>493,367</u>	<u>622,776</u>
Creditors: Amounts falling due within one year	10.	1,687,071	2,302,209
Net Current (Liabilities) / Assets		<u>(1,193,704)</u>	<u>(1,679,433)</u>
Total Assets Less Current Liabilities		<u>5,992,155</u>	<u>4,280,016</u>
Creditors: Amounts falling due after more than one year	11.	<u>2,323,586</u>	<u>1,100,000</u>
Total Net Assets		<u>3,668,569</u>	<u>3,180,016</u>
Capital and Reserves			
Share Equity	12.	4,105,278	3,459,462
Income and Expenditure Account		(436,709)	(267,639)
Hedging reserve		-	(11,807)
Members' Funds		<u>3,668,569</u>	<u>3,180,016</u>

Signed on behalf of the Board and authorised for issue on2018

Sam Clarke
Chair

Luke Marion
Treasurer

Rachel Boyes-Watson
Secretary

The Low Carbon Hub IPS Limited

Consolidated Income Statement As at 31 March 2018

	Notes	YEAR ENDED 31 MARCH 2018	YEAR ENDED 31 MARCH 2017
		£	£
Income			
Electricity Sales		183,625	98,997
FIT Income		307,380	162,242
Interest income		262	2,244
Grant income		3,233	-
		494,500	263,484
Expenditure			
Community Benefit Donations	3.	100,000	48,497
Depreciation Expense	7.	224,229	151,693
Administration fees	4.	140,914	88,157
Interest Payable	5.	198,427	123,947
		663,570	412,294
Surplus/(Deficit) for the year		(169,070)	(148,811)
Taxation	6.	-	-
Surplus/(Deficit) transferred to retained reserve		(169,070)	(148,811)

The Low Carbon Hub IPS Limited

Consolidated Statement of Other Comprehensive Income As at 31 March 2018

	YEAR ENDED 31 MARCH 2018	YEAR ENDED 31 MARCH 2017
	£	£
Surplus/(Deficit) for the year	(169,070)	(148,811)
Other comprehensive income		
Unrealised gains / (losses) on foreign exchange hedges	11,807	(11,807)
Total other comprehensive income	11,807	(11,807)
Total comprehensive income for the year	(157,263)	(160,618)

The Low Carbon Hub IPS Limited

Consolidated Statement of Changes in Equity As at 31 March 2018

	Share Capital	Income and Expenditure Account	Hedging reserve	Total Shareholders' Funds
	£	£	£	£
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 12)	1,412,861	-	-	1,412,861
Cancellation of founder shares	(2)	-	-	(2)
At 31 March 2017	3,459,462	(267,639)	(11,807)	3,180,016
Loss for the year	-	(169,070)	-	(169,070)
Other comprehensive income	-	-	11,807	11,807
Issue of new equity shares (note 12)	651,816	-	-	651,816
Repayment of shares	(6,000)	-	-	(6,000)
At 31 March 2018	4,105,278	(436,709)	-	3,668,569

The Low Carbon Hub IPS Limited

Consolidated Cashflow Statement As at 31 March 2018

		YEAR ENDED 31 MARCH 2018		YEAR ENDED 31 MARCH 2017
	£	£	£	£
Opening cash		94,101		947,350
Surplus/(Deficit) for the year	(169,070)		(148,811)	
Depreciation	224,229		151,693	
Community benefit donations	100,000		48,497	
Interest expense	198,427		123,947	
Operating surplus		353,586		175,326
Working capital movements		71,952		(12,581)
Net cash flow from operating activities		425,538		162,745
Capital investment		(1,451,206)		(3,952,739)
Community benefit donations		(100,000)		(48,497)
Net cash flow from investing activities		(1,551,206)		(4,001,236)
New share equity raised		651,816		1,412,859
Oxford City Council construction fund		(317,403)		1,305,807
Repayment of loans		(600,000)		-
New long term debt finance		1,679,497		300,000
Interest on debt finance		(73,354)		(21,617)
Other comprehensive income		11,807		(11,807)
Repayment of shares		(6,000)		-
Net cash flow from financing activities		1,346,363		2,985,242
Cash as at the balance sheet date		313,896		94,101

The Low Carbon Hub IPS Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 March 2018

1. Entity information 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.

These financial statements were prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards.

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

2. Accounting Policies

Basis of preparation

The consolidated financial statements include the result of the subsidiary company, Sandford Hydro Limited

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 group. All income is stated net of any applicable Value Added Tax.

Grants to fund the acquisition of tangible fixed assets (both government grants and grants from other entities) are credited to deferred income upon receipt. They are then released to income (to match against the related depreciation charge) over the useful life of the asset funded by the grant.

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.

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 deferred income 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.

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.

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 operational 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, £100,000 (2017: £48,497) was transferred to The Low Carbon Hub CIC as such a donation. Please see the website for further information www.lowcarbonhub.org/understanding-community-benefit-societies

4. Administration Costs

Administration costs are made up of the following:

	2018	2017
	£	£
Investor Administration Fees	2,418	2,594
Low Carbon Hub CIC (see related parties note)	86,098	56,092
Other Admin Fees	41,480	15,221
Other Operations & Maintenance Fees	10,918	14,250
	140,914	88,157

The audit fee for 2017/18 included in these accounts is £4,500 (2017: £4,500).

5. Interest Payable

	2018	2017
	£	£
Members Interest Payments	104,097	102,330
Loan Interest	94,330	21,617
	198,427	123,947

£99,576 (2017: £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 5.4%.

Interest during construction is also earned by the early investors in Sandford Hydro at a rate of 5%. This is part of the capital value and had been taken into account in the costs of the project. £4,221 (2017: £10,130) has been accrued for these payments for the construction in the period 2017/18.

During the development of the Solar PV array projects, interest on the loan from Oxford City Council formed part of the capital costs. In 2017/18 one new site was commissioned and £162 was capitalised. The balance of the continuing interest payments in relation to this loan and totalling £73,354 (2017: £21,617) have been expensed.

During the construction of Sandford Hydro, interest on the loan from the charity bank formed part of the capital costs. In 2017/18 £44,775 (2017 £nil) was capitalised. The balance of the continuing interest payments in relation to this loan and totalling £19,726 (2017: nil) 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 2018 and 31 March 2017 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 2018 was 19% (2017: 20%).

	2018	2017
	£	£
Surplus / (deficit) for the year before tax	(169,070)	(148,811)
At United Kingdom Tax rate of 19%/20%	(32,123)	(29,762)
Creation of tax losses	32,123	29,762
Total corporation tax reported on the income statement	-	-

7. Tangible Fixed Assets

	Sandford Hydro	Solar PV arrays	Inverters	Office Equipment	Total
	£	£	£	£	£
Cost					
At 31 March 2017	2,487,731	3,502,707	235,160	-	6,225,598
Additions	1,377,120	48,154	1,531	24,401	1,451,206
Disposals					
At March 2018	3,864,851	3,550,861	236,691	24,401	7,676,804
Depreciation					
At 31 March 2017	-	231,630	34,517	-	266,147
Provided during the year	18,030	181,258	25,480	30	224,798
Disposals					
At 31 March 2018	18,030	412,888	59,997	30	490,945
Net book value					
At 31 March 2017	2,487,731	3,271,077	200,643	-	5,959,450
At 31 March 2018	3,846,821	3,137,973	176,694	24,371	7,185,859

Sandford Hydro plant was completed during the year. At the balance sheet date the Sandford Hydro Project work in progress is £nil (2017: £2,487,731). Of the costs capitalised to date on Sandford Hydro Limited, £496,645 (2017: £247,614) relates to financing costs.

A total of £147,130 of financing costs were capitalised into Tangible Fixed Asset cost during the year (2017: £294,244). Of these costs, £98,794 related to interest on loan finance (2017: £89,890); £48,336 related to loan arrangement fees and due diligence costs incurred in respect of new long term debt finance (2017: £47,387); and £nil related to costs incurred in relation to new share offerings (2017: £55,990).

8. Debtors

	2018	2017
	£	£
Trade Debtors	18,047	23,212
Accrued Income Electricity Sales & FIT	110,040	46,511
Prepayments and accrued income	50,216	7,200
VAT recoverable	1,168	91,751
Environment Agency Impoundment Reserve	-	360,000
	179,471	528,674

9. Cash or cash equivalents

	2018	2017
	£	£
Unrestricted cash	251,767	58,229
Restricted cash	62,129	35,872
	313,896	94,101

Management have set aside £62,129 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

	2018	2017
	£	£
Charity bank loan (See Note 11)	82,000	-
Trade Creditors	60,773	230,017
Amounts due to The Low Carbon Hub CIC (See Note 15)	99,576	38,490
Accruals and Deferred Income	138,915	410,492
Oxford City Council construction facility	1,305,807	1,623,210
	1,687,071	2,302,209

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. One repayment was made during the year of £317,403.

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

	2018	2017
	£	£
Community Land Finance loan	200,000	600,000
Esmee Fairbairn Foundation loan	-	80,000
Big Society loan	-	120,000
Oxford City Council fish pass loan	100,000	-
Charity bank loan	1,897,497	300,000
Deferred income	126,089	-
	2,323,586	1,100,000

Community Land Finance loan has an interest rate of 7.5% and is due for repayment on 3rd March 2020. An early repayment of £400,000 was made during the year.

Loan finance from Big Society Capital (£120,000) and Esmee Fairbairn Foundation (£80,000) had an interest rate of 7.5%, both balances have been repaid within the year.

These loans are secured by a debenture over 13 separate Solar PV arrays with a combined net book value of £1,088,323 as at the year-end (2017: £1,146,922).

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 3.5% 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 the £2,000,000 loan facility had been drawn down and one capital repayment of £20,503 was made (2017: nil). The balance remaining at year end is £1,979,497 (2017: £300,000).

Deferred income represents grants to fund acquisition of tangible fixed assets. This is released to income (to match against the depreciation charge) over the useful life of the asset funded by the grant.

12. Share Equity

The equity held by shareholders at 31 March 2018 is as follows:

	2018	2017
	£	£
Class A £1 Shares Solar PV 2014	1,694,001	1,694,001
Class A £1 Shares Solar PV 2016	790,100	793,100
Class B £1 Shares Solar PV 2013	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	1,471,177	822,361
	4,105,278	3,459,462

651,816 £1 class A shares were issued for the Sandford Hydro 2016 portfolio to 236 individual shareholders. In addition, 3,000 £1 class A shares were repaid in Sandford Hydro 2016 and 3,000 £1 Class A shares in Solar PV 2016 to 1 shareholder in line with their nominal value.

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	790,100	790,100	790,100
Class B £1 Shares Solar PV 2013	150,000	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	1,471,177	1,471,177	1,471,177

Number of individual shareholders by share class at 31st March 2018:

Share Class	2018	2017
Class B - Solar PV 2013	10	10
Class A - Solar PV 2014	345	345
Class A - Solar PV 2016	241	242
Class A - Sandford Hydro 2016	466	252

Members Interest Payments

For the portfolios under the 2013 and 2014 share offers, the Directors have declared an interest payment of 5.4% on outstanding capital. £99,576 (2017: £92,200) has been accrued at the balance sheet date and it is expected that this will be paid out prior to the 2018 AGM.

In addition, £4,221 (2017: £10,130) was paid out to the 39 pre-placement shareholders who received interest at a rate of 5% during the construction of Sandford Hydro.

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-Limited-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-Limited-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 and Leasing Commitments

The Society had authorised capital commitments totalling £nil (2017: £2,873,000) at 31 March 2018 with respect to civil works and plant at Sandford Hydro.

As at 31 March 2018 the Group had total commitments in respect of the minimum amounts payable under operating leases of £360,000 (2017:Nil). These relate to land access leases necessary to access and operate the hydro plant at Sandford.

15. Related Party Transactions

During the year the company made the following transactions with:

The Low Carbon Hub CIC:

£1,308 was paid in respect of Project Development Fees (2017: £113,234); £48,336 fees for raising finance for the IPS, including loan arrangement fees and share offers (2017: £22,000); £78,218 was paid in respect of Administration and Operations & Maintenance costs (2017: £56,092); and £100,000 was paid as a Community Benefit Donation, as described in Note 4 (2017: £48,497).

Finally, £67 was paid to the Low Carbon Hub CIC to reimburse it for costs incurred in preparation for new share offers during the year

At the balance sheet date, £49,512 was owed to The Low Carbon Hub CIC (2017: £12,494).

16. Post Balance Sheet Events

During the year, The Low Carbon Hub IPS Limited entered into a transfer of engagements agreement with Oxford North Community Renewables (ONCORE). This involves ONCORE transferring its solar assets and funds to The Low Carbon Hub IPS Limited. Existing shareholders in ONCORE will become member shareholders in The Low Carbon Hub IPS Limited with their ONCORE capital balances being transferred to Class A £1 shares in the Low Carbon Hub IPS Limited.

This agreement was subject to all the ONCORE contracts being able to be transferred to the Low Carbon Hub IPS Limited and this was not achieved until after the year-end. The transaction will be reflected in the accounts for the year ended 31 March 2019.

The solar asset being transferred across had an original cost of £234,000. At the point of transfer, 31 May 2018 the net book value of the assets was approximately£176,000 and it is anticipated that around £57,000 of bank balances will also be transferred.

The Low Carbon Hub IPS Limited

The Society's Statement of Financial Position As at 31 March 2018

	Notes	2018 £	2017 £
Tangible Fixed Assets	8.	3,338,761	3,471,151
Fixed Asset Investments	9.	1,974,178	2,300,440
		<u>5,312,939</u>	<u>5,771,591</u>
Current Assets			
Debtors	10.	237,367	82,276
Cash at bank and in hand	11.	207,797	78,155
		<u>445,164</u>	<u>160,431</u>
Creditors: Amounts falling due within one year	12.	1,626,131	1,904,254
Net Current Assets / (liabilities)		<u>(1,180,967)</u>	<u>(1,743,823)</u>
Total Assets Less Current Liabilities		<u>4,131,972</u>	<u>4,027,768</u>
Creditors: Amounts falling due after more than one year	13.	<u>300,000</u>	<u>800,000</u>
Total Net Assets		<u>3,831,972</u>	<u>3,227,768</u>
Capital and Reserves			
Share Equity	14.	4,105,278	3,459,462
Income and Expenditure Account		(273,306)	(229,690)
Hedging Reserve		-	(2,004)
Shareholders' Funds		<u>3,831,972</u>	<u>3,227,768</u>

Signed on behalf of the Board and authorised for issue on 2018

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 2018

	Notes	YEAR ENDED 31 MARCH 2018	YEAR ENDED 31 MARCH 2017
		£	£
Income			
Electricity Sales		183,625	98,997
FIT Income		257,470	162,242
Interest Receivable	3.	174,654	96,611
		615,749	357,850
Expenditure			
Community Benefit Donations	4.	100,000	48,497
Administration fees	5.	111,597	85,262
Interest Payable	7.	241,602	182,691
Depreciation Expense	8.	206,169	152,262
		659,365	468,711
Surplus/(Deficit) for the year		(43,616)	(110,861)
Taxation	6.	-	-
Surplus/(Deficit) transferred to retained reserve		(43,616)	(110,861)

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 2018

	Share Capital	Income and Expenditure Account	Hedging reserve	Total Shareholders' Funds
	£	£	£	£
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
Loss for the year	-	(43,616)	-	(43,616)
Other comprehensive income	-	-	2,004	2,004
Issue of new equity shares (note 14)	651,816	-	-	651,816
Capital returned	(6,000)	-	-	(6,000)
At 31 March 2018	4,105,278	(273,306)	-	3,831,972

The Low Carbon Hub IPS Limited

Notes to the Society's Financial Statements For the Year Ended 31 March 2018

1. Entity information 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. The society is incorporated in England and Wales and has its registered office at 9 Park End Street, Oxford OX1 1HH.

These financial statements were prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards. The principal accounting policies adopted by the Society are set out in note 2.

2. Accounting Policies

Basis of preparation

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. All income is stated net of any applicable Value Added Tax.

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.

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.

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

	2018	2017
	£	£
Sandford Hydro IPS Equity and Working Capital Loan Interest	103,989	35,628
Sandford Hydro Third Party Working Capital Funding interest	70,545	58,744
Bank Interest	120	2,239
	174,654	96,611

Loans have been made to Low Carbon Hub Sandford Hydro as detailed in note 17, Related Party Transactions.

£10,000 (2017: £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. Sandford hydro equity loan interest of £93,989 (2017: £25,628) was accrued as interest on the £1,471,177 (2017: £822,361) Sandford Hydro equity loan. Interest has been charged at a rate of 3% plus R.P.I for 2017/18, which is the equivalent of the members' interest rate of return.

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, £100,000 (2017: £48,497) was transferred to The Low Carbon Hub CIC as such a donation. Please see the website for further information www.lowcarbonhub.org/understanding-community-benefit-societies

5. Administration Costs

Administration costs are made up of the following:

	2018	2017
	£	£
Investor Administration Fees	2,418	2,594
Low Carbon Hub CIC (see related parties note)	78,218	56,092
Other Admin Fees	20,463	12,326
Other Operations & Maintenance Fees	10,495	14,250
	111,594	85,262

The audit fee for 2017/18 included in these accounts is £4,500 (2017: £3,325).

6. Taxation

A reconciliation of income tax applicable to accounting profit before tax at the statutory tax rates for the years ended 31 March 2018 and 31 March 2017 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 2018 was 19% (2017: 20%).

	2018	2017
	£	£
Surplus / (deficit) for the year before tax	(43,616)	(110,861)
At United Kingdom Tax rate of 19%/20%	(8,287)	(22,172)
Creation of tax losses	8,287	22,172
Total corporation tax reported on the income statement	-	-

7. Interest Payable

	2018	2017
	£	£
Members Interest Payments	104,097	102,330
Loan Interest	137,505	80,361
	241,602	182,691

£99,576 (2017: £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 5.4%.

Interest during construction is also earned by the early investors in Sandford Hydro at a rate of 5%. This is part of the capital value and had been taken into account in the costs of the project. £4,221 (2017: £10,130) has been accrued for these payments for the construction in the period 2017/18.

8. Tangible Fixed Assets

	WIP	Solar PV arrays	Inverters	Total
		£	£	£
Cost				
At 31 March 2017	-	3,502,707	235,160	3,737,867
Additions	24,094	48,154	1,531	73,779
At 31 March 2018	24,094	3,550,861	236,691	3,811,646
Depreciation				
At 31 March 2017	-	232,199	34,517	266,716
Provided during the year	-	180,689	25,480	206,169
At 31 March 2018	-	412,888	59,997	472,885
Net book value				
At 31 March 2017	-	3,270,508	200,643	3,471,151
At 31 March 2018	24,094	3,137,973	176,694	3,338,761

A total of £46,766 of financing costs were capitalised into Tangible Fixed Asset cost during the year (2017: £74,089). Of these costs, £nil related to interest on loan finance (2017: £30,893); £46,766 for fees in connection with finance arrangements and £nil related to costs incurred in relation to new share offerings (2017: £43,196).

9. Fixed Asset Investments

	2018 £	2017 £
Investment in subsidiaries	1	1
Loans to subsidiaries (note 17)	1,974,177	2,300,439
	1,974,178	2,300,440

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

	2018	2017
	£	£
Trade Debtors	13,496	19,992
Other debtors	-	3,219
Accrued Income Electricity Sales & FIT	64,552	46,511
Prepayments and accrued income	159,319	7,200
VAT recoverable	-	5,352
	237,367	82,276

11. Cash or cash equivalents

	2018	2017
	£	£
Unrestricted cash	145,668	42,283
Restricted cash	62,129	35,872
	207,797	78,155

Management have set aside £62,129 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

	2018	2017
	£	£
Trade Creditors	58,266	6,753
Amounts due to The Low Carbon Hub CIC (See Note 17)	142,107	12,494
Accruals and Deferred Income	119,186	261,796
Oxford City Council construction facility	1,305,807	1,623,210
Vat payable	765	-
	1,626,131	1,904,254

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. One repayment was made during the year £317,403 and no (2017: three) additional drawdowns have been made (2017: 1,305,807).

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

	2018	2017
	£	£
Community Land Finance loan	200,000	600,000
Esmee fairbairn Foundation loan	-	80,000
Big Society loan	-	120,000
Oxford City Council fish pass loan	100,000	-
	300,000	800,000

Community Land % Finance Limited has an interest rate of 7.5% and is due for repayment on 3rd March 2020. An early repayment of £400,000 was made during the year.

Loan finance for Big Society (£120,000) and Esmee Fairbairn Foundation (£80,000) had an interest rate of 7.5%, both balances have been repaid within the year.

These loans are secured by a debenture over 13 separate Solar PV arrays with a combined net book value of £1,088,323 as at the year end (2017: £1,146,922).

14. Share Equity

The equity held by shareholders at 31 March 2018 is as follows:

	2018	2017
	£	£
Class A £1 Shares Solar PV 2014	1,694,001	1,694,001
Class A £1 Shares Solar PV 2016	790,100	793,100
Class B £1 Shares Solar PV 2013	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	1,471,177	822,361
	4,105,278	3,459,462

651,816 £1 class A shares were issued for the Sandford Hydro 2016 portfolio to 236 individual shareholders. In addition, 3,000 £1 class A shares were repaid in Sandford Hydro 2016 and 3,000 £1 Class A shares in Solar PV 2016 to 1 shareholder in line with their nominal value.

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	790,100	790,100	790,100
Class B £1 Shares Solar PV 2013	150,000	150,000	150,000
Class A £1 Shares Sandford Hydro 2016	1,471,177	1,471,177	1,471,177

Number of individual shareholders by share class at 31st March 2018:

Share Class	2018	2017
Class B - Solar PV 2013	10	10
Class A - Solar PV 2014	346	345
Class A - Solar PV 2016	241	242
Class A - Sandford Hydro 2016	464	252

Members Interest Payments

For the portfolios under the 2013 and 2014 share offers, the Directors have declared an interest payment of 5.4% on outstanding capital. £99,576 (2017: £92,200) has been accrued at the balance sheet date and it is expected that this will be paid out prior to the 2018 AGM.

In addition, £4,221 (2017: £10,130) was paid out to the 39 pre-placement shareholders who received interest at a rate of 5% during the construction of Sandford Hydro.

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-Limited-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-Limited-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 2018 (2017: £nil). 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:

£51,417 was paid in respect of Project Development Fees (2017: £113,234); £78,218 was paid in respect of Administration and Operations & Maintenance costs (2017: £56,092); and £100,000 was paid as a Community Benefit Donation, as described in Note 4 (2017: £48,497).

Finally, £67 was paid to the Low Carbon Hub CIC to reimburse it for costs incurred in preparation for new share offers during the year (2017: £22,000).

At the balance sheet date, £49,226 was owed to The Low Carbon Hub CIC (2017: £12,494).

Sandford Hydro Limited

Two (2017: Three) loans totalling £1,894,001 have been made to Sandford Hydro Limited (2017: £2,300,439):

£200,000 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 (2017: £800,000).

£nil 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 (2017: £323,610)

£1,674,177 (2017: £1,022,361) loan from the equity raised, £nil (2017: £200,000) working capital from the 2014 equity raise at a rate of 5% and £651,816 (2017: £822,361) from the Sandford Hydro share offers. This is at a rate of 3% plus R.P.I. to cover the investor returns.

At the balance sheet date the intercompany clearing account had a balance (owed)/owing of £(142,107) (2017: £118,840).

18. Post Balance Sheet Events

During the year, The Low Carbon Hub IPS Limited entered into a transfer of engagements agreement with Oxford North Community Renewables (ONCORE). This involves ONCORE transferring its solar assets and funds to The Low Carbon Hub IPS Limited. Existing shareholders in ONCORE will become member shareholders in The Low Carbon Hub IPS Limited with their ONCORE capital balances being transferred to Class A £1 shares in the Low Carbon Hub IPS Limited.

This agreement was subject to all the ONCORE contracts being able to be transferred to the Low Carbon Hub IPS Limited and this was not achieved until after the year-end. The transaction will be reflected in the accounts for the year ended 31 March 2019.

The solar asset being transferred across had an original cost of £234,000. At the point of transfer, 31 May 2018 the net book value of the assets was approximately £176,000 and it is anticipated that around £57,000 of bank balances will also be transferred.