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TEIGN ENERGY COMMUNITIES LTD

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 February 2018

Registered under the Co-operative and Community Benefit Societies Act 2014

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REPORT OF THE BOARD

The Board of Directors present their report and the financial statement for the period 1 March 2017 to 28 February 2018, being the second year of operations.

Principal activity

The objects of the Society shall be to carry on any business for the benefit of the community in Teignbridge by means of the development, financing, construction and operation of community renewable energy installations, sale of renewable energy, and energy saving initiatives.

Review of activities

Having established a sound financial and operational base in our first year, in 2017/18 we were able to explore a number of different opportunities to meet the Society's objectives. We were also able to increase our community fund and operational reserves, giving us greater flexibility for the coming year.

We funded an LED retrofit project at Teign School, although engagement with the school and the Schools' Trust remains poor. We also undertook a number information sessions with Members on smart meters and residential battery systems, others are planned.

TECs was approached by several groups and organisations to investigate different renewable and energy saving projects. These ranged from 150-250 kWpk rooftop PV to LED retrofits. Stakeholders included larger commercial organisations, schools, town councils and community centres. Although some of these reached an advanced stage of negotiation (draft contracts), we were not able to implement any during 2017/18. TVCE have carried out an initial assessment of a hydro project, they have expressed their intention to work with TECs should their project prove viable.

The renewables market remains very challenging as it continues to recover from government short-term policy changes in 2016. Commercial organisations are less likely to commit to longer term agreements following the Brexit decision. Most opportunities, however, fail to meet TECs' criteria of financial viability, mainly because of low on-site consumption. Unfortunately the expectation of a significant financial benefit is still widespread amongst those who approach TECs with their projects.

In common with other community energy groups, TECs has explored several post-FIT models to deliver Stakeholder projects. The main barriers for rooftop PV are regulatory constraints around using the public network at a viable cost and signing long-term agreements with commercial site owners/occupiers. We have published a paper on options to deliver projects for Local Supply and have undertaken discussions with many in the sector to try and overcome the main barriers. This will be one area to focus on in 2018/19.

Another focus for the coming year will be energy assessment and retrofit for buildings. We hope to engage Members and Stakeholders in this area and track developments in the retrofit market.

Responsibilities of the Board of Directors

The board is required to ensure that the financial statements prepared and presented for each financial year give a true and fair view of the Society's assets, liabilities, financial position and income and expenditure. And, to ensure that the consideration they give to these matters is evident in their deliberations and documentation.

Society interests

In common with all community benefit societies, TECs members hold shares and participate in the affairs of the society on a democratic one-member-one-vote basis. Any profits made must be used for the benefit of the community. Profits cannot be distributed to members of the society, rather interest is paid on share capital, and is an operating expense subject to a declared maximum rate.

This report was approved by the Board on 18th April 2018 and signed on its behalf by

Fuad Al-Tawil (Secretary)

STATEMENT OF INCOME and RETAINED EARNINGS
FOR THE YEAR ENDED 28 February 2018

	Notes	2017/8	£	2016/7	£
Turnover					
Electricity to site		2,499		2,817	
Electricity to grid		100		98	
Electricity FiT		<u>5,204</u>		<u>5,153</u>	
			7,803		8,067
Cost of Sales					
Insurance (installation)	2.3	9		933	
Services		88		35	
Depreciation	6	2,361		2,361	
Finance costs		3,151		2,817	
Community grant		<u>1,000</u>		<u>750</u>	
			(6,708)		(6,896)
			<u>1,095</u>		<u>1,171</u>
Gross Margin					
Administrative Expenses					
Insurance (indemnity)		0		411	
Materials and consumables		53		102	
Professional services	3	560		21,263	
Other	4	<u>410</u>		<u>108</u>	
			(1,022)		(21,883)
Other Operating Income					
Grants	5	0		19,395	
Donations		250		695	
Bank interest		<u>0</u>		<u>16</u>	
			250		20,106
Net Income ordinary activities before taxation			<u>323</u>		<u>(606)</u>
Tax on Net Income on ordinary activities			0		0
Net Income after tax			323		(606)
Retained Earnings at 1st March 2017			(606)		0
Net Income after tax			<u>323</u>		<u>(606)</u>
Retained Earnings at 28th February 2018			<u>(283)</u>		<u>(606)</u>

STATEMENT OF FINANCIAL POSITION AT 28 February 2018

	Notes	2017/8 £	2016/7 £
Fixed Assets			
Property, plant and equipment	6	42,497	44,858
Current Assets			
Trade and other receivables	7	398	
Cash at bank and in hand		<u>21,065</u>	
		21,463	
Trade and other payables: due within 1 year	8	(4,024)	
Net current assets / (liabilities)		17,440	4,756
Total assets less current liabilities		<u>59,937</u>	<u>59,614</u>
Net assets		<u>59,937</u>	<u>59,614</u>
Capital and reserves			
Opening called up share capital		59,614	60,220
Income Statement (Loss after tax)		<u>323</u>	<u>(606)</u>
Shareholders funds		<u>59,937</u>	<u>59,614</u>

The notes on pages 7 to 9 are integral to these accounts

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities

These financial statements were approved and authorised for issue by the Board on:

Signed on behalf of the board of directors

(Signature)	(Signature)	(Signature)
(Name)	(Name)	(Name)
(Date)	(Date)	(Date)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 February 2018

	Notes	2017/8 £	2016/7 £
Cash flows from operating activities			
Net Income for the financial year		323	(606)
Depreciation of plant and equipment	6	2,361	2,361
Taxation		0	0
Decrease/(increase) in current assets		137	(535)
Increase/(decrease) in current liabilities		<u>2,964</u>	<u>1,058</u>
Net cash generated from operating activities		5,784	2,278
Cash flows from investing activities			
Purchases of plant and equipment	6	<u>0</u>	<u>(47,219)</u>
Net cash from investing activities		0	(47,219)
Cash flows from financing activities			
Share capital receipts		2	89,295
Repayment share capital		<u>0</u>	<u>(29,075)</u>
Net cash used in financing	9	2	60,220
Net change in cash		5,786	15,279
Opening bank + cash balance		<u>15,279</u>	<u>0</u>
Closing bank + cash balance		<u>21,065</u>	<u>15,279</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2018

1 Statutory Information

Teign Energy Communities Ltd is a Community Benefit Society registered in England as a company limited by shares with the United Kingdom Financial Conduct Authority under the Co-operative and Community Benefit and Societies Act 2014. Registration number: 7210

Registered office: Teign Energy Communities Ltd, c/o Fuad Al-Tawil (Secretary), Deer Park Farm, Haccombe, Newton Abbot, Devon TQ12 4SJ

Web address: www.teignenergycommunities.co.uk

2 Accounting Policies

2.1 Compliance with accounting standards

The financial statements for the financial year ended 28 February 2018 have been prepared in accordance with the provisions of FRS 102 Section 1A small entities. There are no material departures from that standard.

2.2 Accounting policies

These financial statements are the second that comply with the FRS 102 Section 1A small entities. Therefore no transition arrangements are required from any previous accounting standards.

2.3 Last year's Statement of Income included two payments to insure the Teign School solar PV system and affecting profit in that year. This has been recognised in these financial statements for the year ending 28 February 2018.

2.4 The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Tangible fixed assets are included at cost less depreciation and impairment. Depreciation has been calculated to write off the cost of tangible fixed assets over their expected useful lives as follows:

Teign School 50kWpk rooftop solar PV installation: Straight line over 20 years

2.5 Turnover

Turnover is derived from the sale of renewable energy and the FiT scheme associated with energy generation.

2.6 Expenditure on research is written off against profits in the year in which it is incurred.

2.7 Government FiT Scheme

Government support in relation to tangible fixed assets are credited to profit and loss over the useful lives of the related assets, whereas those in relation to expenditure, as in these financial statements, are credited when the expenditure is charged to profit and loss.

2.8 Income recognition

Income from the supply of electricity and any government FiT scheme associated with that supply are recognised in the accounts on the date the electricity is supplied.

2.9 The presentation currency is £ sterling

3 Professional services

Last year a payment of £19,395 was made to commission an assessment and report of post-FiT opportunities.

4 Other costs

New cost items including Regen membership £245, and an increase in Financial Conduct Authority (FCA) fees to £125.

5 Grants

Last year a government grant of £19,395 was received from Rural Community Energy Fund (RCEF) to fund the post FiT assessment and report.

6 Fixed Assets

Teign School 50kWpk rooftop solar PV installation

	£
Cost	
At 1 March 2017	47,219
Additions	<u>0</u>
At 28 February 2018	47,219
Depreciation	
At 1 March 2017	(2,361)
Charge for the year	<u>(2,361)</u>
At 28 February 2018	(4,722)
Net book value	
At 1 March 2017	<u>44,858</u>
At 28 February 2018	42,497

7 Trade and other receivables

	2017/8	2016/7
	£	£
Income (electricity sales and FiT payments)	398	535
VAT	<u>0</u>	<u>0</u>
	398	535

8 Trade and other payables: amounts falling due within one year

	2017/8	2016/7
	£	£
Administration services	165	290
Insurance	(468)	0
Community grant	1,140	750
VAT	33	17
Finance costs	3,151	
Purchase of member shares (*see note 9 below)	<u>2</u>	<u> </u>
	4,024	1,058

9 Finance and shares

TECs finished the financial year with a total community shares issue of £60,220. This is a larger number of shares than has been needed to fund the Teign School PV system equipment (the fixed asset). This additional capital is fully funded, and was declared to investors in the first community share offer during the course of the 2016/7 financial year. The decision to issue more shares than was initially required was taken by the Directors to ensure a sustainable operating cash-flow which would cover upfront costs (e.g. VAT, insurance and other operational expenses) as well as providing funds to support future project opportunities.

*This year two shares were returned from a current member, and a £2 reimbursement remains outstanding at 28 February 2018. This made shares available for two new members to join TECs.

.....End of Financial Statements.....

Postscript to the Financial Statements, for TECs members

These financial statements are a statutory requirement, and will be sent to the Financial Conduct Authority and HMRC. Produced in a standard format they enable financial comparisons between trading years and between similar businesses. They also inform TECs members how the business is performing. A couple of points are worth noting:

- The Statement of Income shows that TECs made a £606 trading loss in the first year, and a £323 profit in 2017/18. Thus, at the end of two years, earnings are retained being a loss of £283. Remember that this is after a standard charge of £2,361/yr has been made for the depreciation of the fixed asset (Solar PV). This cost remains in the bank account as part of the reserve to repay shareholder capital in the future.
- A Statement of Cash Flows has been produced despite there not being a statutory requirement to do so. It describes activities causing cash flows and balance changes (re assets and liabilities) due to trading, investing and financing. This account shows the relationships between profits, net assets, and the actual bank balances held at the end of the year. As such it helps prove that the accounts have been produced correctly.

