

**PEC Renewables Limited
Annual Report
November 2016**

Chair's Statement, Dave Garland



This report summarises PEC Renewables Limited's development and achievement during our second full year of business. On behalf of our Board and staff, I am again honoured to present this report to you, our members and supporting organisations.

It's been an incredibly busy year for us: We completed our installations for our second Community Share Offer. We also started our third Community Share raise (still current as I write this) in order to finance the 4.1MW community-owned ground-mounted solar array which we have built on a former landfill site at Ernesettle. This has been generating clean solar energy since the 22nd March 2016.

All our hard work as a team and with our partners has contributed to us smashing our target of achieving 5MW of locally-owned renewable energy generation in five years. We actually got there THREE YEARS early!

On behalf of the Board I want to express my thanks for the support of all of our members and the many organisations that have helped us make what was a dream in Summer 2015 become a reality by Spring 2016! I would like to express my thanks to all of our investors and a special thank you to the members who have supported all 3 of our share offers. I am grateful to you all for the faith you are showing in our ability to "deliver the goods".

This summary highlights our current and future projects and aims to give you a flavour of the challenges and triumphs along the way.

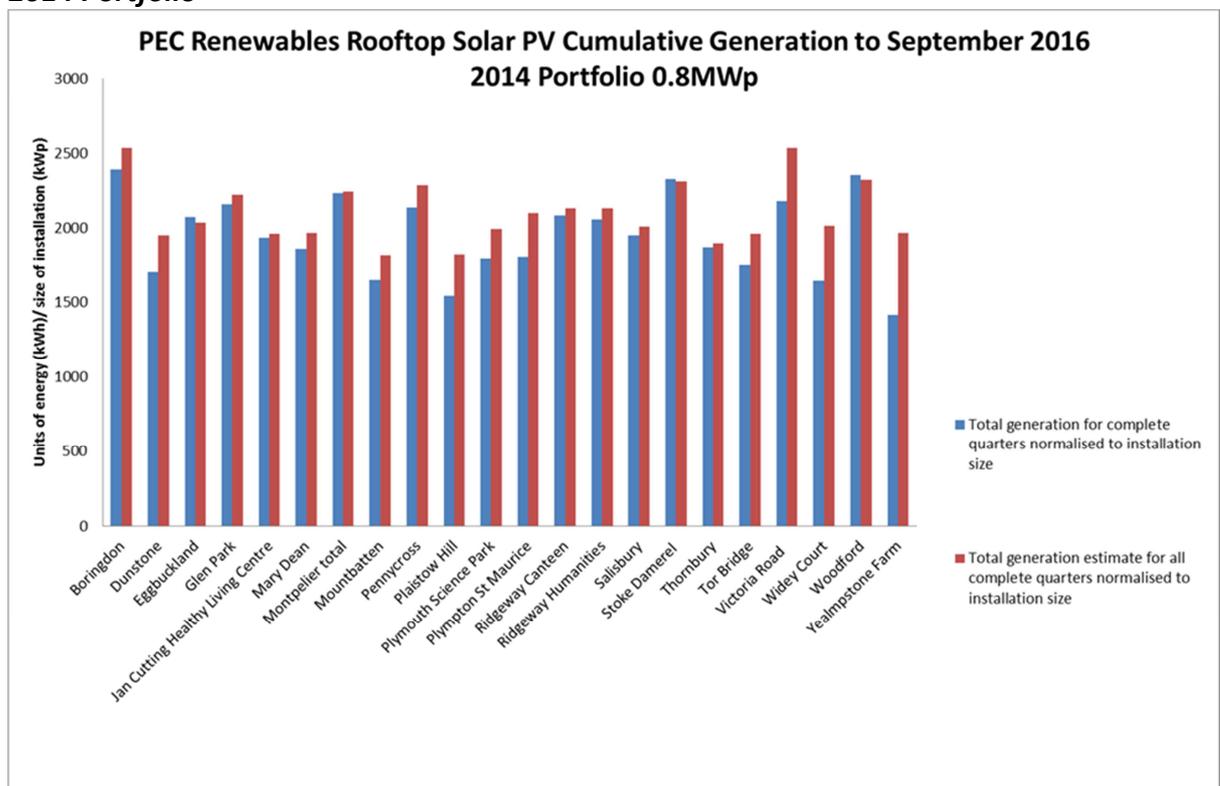
Rooftop Portfolio

The section sets out a summary of how our two portfolios of roof top solar installations are performing.

The columns in the graphs below show total cumulative generation (blue) since installation in units of energy (kWh) against predicted generation (red).

The predicted generation is based on lifetime average figures. Short term differences between actual and predicted generation are affected by factors such as the weather and the installation's performance. The cumulative amount of energy generated is divided by the total amount of power the site is capable of generating ('peak power' or kWp) as this makes it easier to compare sites that were installed at roughly the same time.

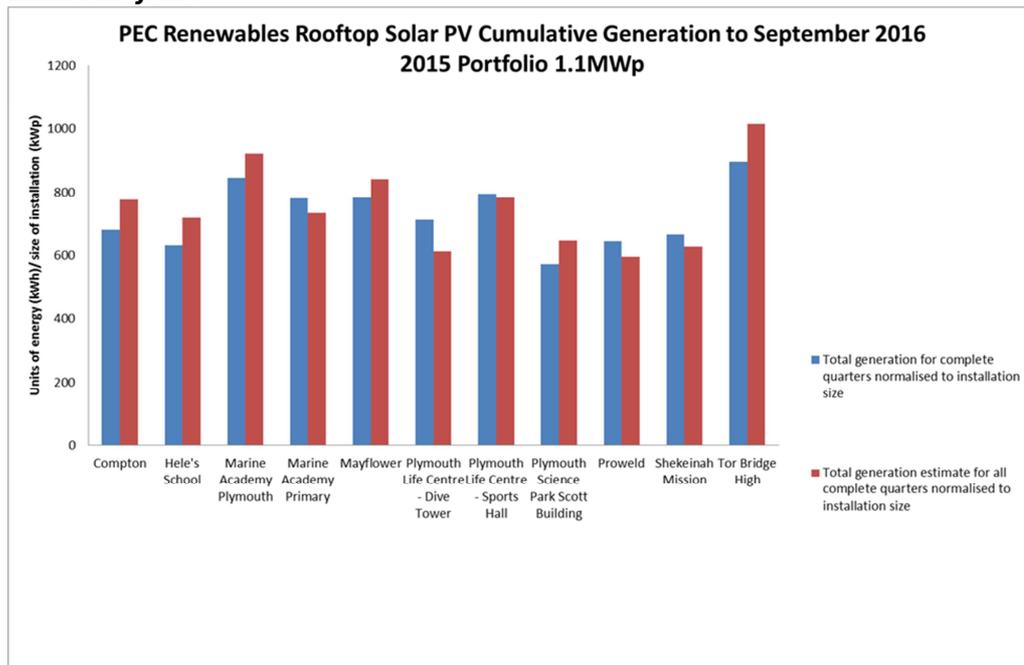
2014 Portfolio



Our first set of installations have now been generating for two years. Since commissioning the installations have generated 1,663 MWh of clean energy, saving 822 tonnes of carbon emissions. We estimate that the savings to the schools and community buildings from these installations now total over £65,000.

Generation suffered from a very cloudy winter but the installations are largely on track due to a good summer. There is some variation in site performance which we are continuing to explore. We have dealt with a range of technical and operational issues under warranty or within the confines of our forecast operational and maintenance budget, including squirrel damage (!) at an installation which was rectified and a deterrence measure was installed. The average onsite usage over the year was 66% which is broadly in line with that anticipated.

2015 Portfolio



As a result of our 2015 share offer a total of 1.1 MWp was installed on rooftops across the city. Installations include a whopping 366kWp array on the Plymouth Life Centre but also our smallest scheme to date that was delivered using recycled panels on the roof of the Shekinah mission headquarters.

As was reported in 2015 despite being the proud owners of the City's largest solar roof the Life Centre installation was not as large as we had originally planned. The smaller Plymouth Life Centre project provided the opportunity to provide additional low-cost green power installations to a higher number of schools and community buildings than we had originally planned. These additional sites did push deployment behind schedule; and whilst the majority of the portfolio was completed in 2015 the last installation did not get finalised until April 2016.

Generation from these sites is on track, with actual generation currently at an average of 98% of expected generation. Average site usage is higher than anticipated at 80% of the total generated. The Plymouth Life Centre is using 100% of generation as expected; however the new secondary school sites are also using a high proportion of power generated. This situation helps to maximise revenues to PEC Renewables (PECR) and enables the host organisations to maximise their savings which already total an over £50,000.

We are currently reviewing our operations and maintenance contracts for both portfolios of roof top installations. The new contract will be finalised during November and follows new national best practice guidelines published by BRE and the National Solar Centre.

Ernesettle Community Solar

The transformation of a brownfield site into a 4.1MW solar farm has been a huge focus for us throughout 2016. The accompanying report from ECS Ltd (a wholly owned subsidiary of PECR) details this achievement, and how the site is now operating.

This project has provided our 3rd opportunity for community members to co-own renewable energy assets by becoming investor members in our society. The latest share offer was launched in May with a target of raise of £1.2m and at the time of writing has raised over £680,000 towards the project. We are using these funds to loan ECS the money it needs to repay other loan arrangements that were required to construct it.

Future projects

Despite the challenging environment created by subsidy cuts and regulatory and policy barriers we remain keen to look at future opportunities to generate low carbon heat and power and to derive new income streams for PEC.

PECR's reputation and track record for delivery has helped it win two grants from the Urban Community Energy Fund. These are currently being used to investigate the feasibility of installing or upgrading biomass installations in schools and community buildings, and to investigate the business model for solar rooftop installations with little or no subsidy.

We are also working with RegenSW to investigate business models for community storage. We are excited about the opportunities that combining rooftop solar and storage may provide and look forward to exploring these opportunities going forward.

Investor members

The third share offer has led to a growth in the society's membership, to just under 400 individual members (398 at the time this report was written) – an increase of 25% compared to last year. We also now have 8 corporate members – an increase of 33% compared to last year.

We want to keep you informed and engaged in what we are doing, and hope that our regular email updates and events assist with this. As promised in our last Annual Report we have amended our Society Rules to give you the opportunity to vote on AGM resolutions in advance. This has allowed all members the opportunity to vote on the resolutions tabled at the AGM without the need to travel to the event.

Summary of the financial position for year ending 30th of June 2016

Income during the year was below expectations due to delayed completion of some of the portfolio 2 installations, and totalled £196,000. This was split between £133,000 from Feed in Tariff; £47,000 from on-site power sales; and £16,000 from exports to the grid. Operation and maintenance costs have been lower than forecast.

The accounts show an in year trading loss of £28,158 which is a significant improvement on 2014/15, and is lower than the deficit forecast in our model.

The 20 year financial model was reviewed by the Directors in May 2016 to reflect the changes in government subsidy policies and to include the actual size and completion dates for all the roof top installations. This revision to the model projects that community benefit payments to Plymouth Energy Community will still exceed £500,000.

The model accounts for inflation at 2.5% and includes the provision for the consideration of repayment of some share capital after 6 years. The Board of Directors have also factored in their intention to continue to make annual community share interest payments to members at 6% of investment values, subject to actual financial performance.

Profit and Loss Statement

	2014/2015	2015/2016
Turnover	£137,399	£284,621
Operating deficit	(£94,936)	(£31,939)
Deficit before taxation	(£95,619)	(£35,305)
Net deficit	(£99,456)	(£28,158)

Further details are set out in the audited Annual Accounts appended to this report

Interest Payment Recommendation

We propose to pay interest on members share capital at a rate of 6% of the investment value. Interest payments on shareholdings allocated during 2014 will be calculated for the period 1st July 2015 – 30th June 2016. Interest payments on shareholdings allocated during 2015 will be calculated from the 28th May 2015 (final share allocation date of 2nd share offer) to 30th June 2016. If members vote to accept this resolution, it is our intention for payments to be made during December 2016.

As outlined in the third (2016) share offer document, it is our intention that members who subscribed as part of this raise will get their first interest payment following our autumn 2017 AGM. The calculation of the first payments in 2017 will be based on a consideration of the actual date of the share allocations.

In accordance with Financial Conduct Authority guidance, the Board would like to make clear their intention to apply a rate of 6% to all share holdings in the upcoming year. The actual rate will be determined on the basis of in year financial performance.

The Board

Under PEC R Rules, for our third election, one of our elected Directors must stand down; however they can stand for re-election. It is intended that the society will have a maximum of three elected Directors, an equivalent or lesser number of Directors from Plymouth Energy Community and 2 co-opted Directors.

At this AGM, Tracey Sherston (Plymouth Community Homes representative) will be standing down. Ian Johnston has been nominated to stand for election at the AGM as representative for Plymouth Community Homes.

As the number of nominations are fewer than the number of positions we will not have a full ballot this year. Ian shall be deemed elected, providing ten members or more have affirmed the candidacy by show of hands at the AGM.

Ongoing support

We owe a huge thank you to Plymouth City Council for enabling us to reach the position that we are currently in; not just the Councillors who have shared our vision but also the passion and hard work of the Low Carbon City and Business Teams. As always we extend many thanks to our installers, investment partners and advisors which have provided a massive support in achieving our goals. Specific thanks go out to:

- Four Greens Community Trust,
- Dave Shears at Plymouth City Motocross Park,
- Communities for Renewables CIC ,
- Clean Earth,
- Sungift Solar,
- Hyde Park Electrical,
- Pfalzsolar GmbH,
- 5D Group,
- Social and Sustainable Capital,
- Stephens Scown LLP
- Foot Anstey LLP,
- Francis Clark Chartered Accountants,
- Bromhead Chartered Accountants,
- ETHEX,
- Knowledge Collective.

We hope to be able to continue to work in great, productive partnerships for the foreseeable future.

Most importantly, on behalf of my fellow Directors, I would like to extend a massive thank you to you, our members. Without your support and confidence in what we are trying to achieve, I would not be offering this report to you today. Please be proud of the movement of change of which you are part, making positive investment choices takes courage and sends a strong signal to our community that we can take control of our energy future.

Summary and commendation:

On behalf of the Board and staff of PEC Renewables, I therefore commend this report for acceptance and approval of our members



Dave Garland – Chair



Report of the Directors and
Financial Statements
For The Year Ended 30 June 2016
for
PEC Renewables Limited

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For The Year Ended 30 June 2016

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PEC Renewables Limited

Company Information
For The Year Ended 30 June 2016

DIRECTORS: D R Garland
C J Penberthy
Ms T Sherston
D Madge
L Richards
Ms B M Hampson

SECRETARY: Ms T Sherston

REGISTERED OFFICE: Ballard House
West Hoe Road
Plymouth
Devon
PL1 2AE

REGISTERED NUMBER: IP32286R (England and Wales)

AUDITORS: Bromhead
Chartered Accountants
Statutory Auditors
Harscombe House
1 Darklake View
Plymouth
Devon
PL6 7TL

PEC Renewables Limited
Report of the Directors
For The Year Ended 30 June 2016

The directors present their report with the financial statements of the company for the year ended 30 June 2016.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2015 to the date of this report.

D R Garland
C J Penberthy
D Madge

Other changes in directors holding office are as follows:

M Harriott - resigned 14 April 2016
Ms T Sherston - appointed 10 December 2015
T Sydenham - resigned 11 December 2015
L Richards - appointed 15 July 2015
D Shelton - appointed 10 December 2015

Ms B M Hampson was appointed as a director after 30 June 2016 but prior to the date of this report.

D Shelton ceased to be a director after 30 June 2016 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Bromhead, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
D R Garland - Director

Date:

13/10/16

**Report of the Independent Auditors to the Members of
PEC Renewables Limited**

We have audited the financial statements of PEC Renewables Limited for the year ended 30 June 2016 on pages four to nine. 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they 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 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors 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 company's affairs as at 30 June 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Lee Curtis (Senior Statutory Auditor)
for and on behalf of Bromhead
Chartered Accountants
Statutory Auditors
Harscombe House
1 Darklake View
Plymouth
Devon
PL6 7TL

Date: 13.10.16

PEC Renewables Limited

Income and Expenditure Account
For The Year Ended 30 June 2016

	Notes	Year Ended 30.6.16 £	Period 10.1.14 to 30.6.15 £
TURNOVER		284,621	137,399
Administrative expenses		<u>556,463</u>	<u>232,335</u>
		(271,842)	(94,936)
Other operating income		<u>239,903</u>	<u>-</u>
OPERATING DEFICIT	2	(31,939)	(94,936)
Interest receivable and similar income		<u>1,314</u>	<u>1,267</u>
		(30,625)	(93,669)
Interest payable and similar charges		<u>4,680</u>	<u>1,950</u>
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(35,305)	(95,619)
Tax on deficit on ordinary activities	3	<u>(7,147)</u>	<u>3,837</u>
DEFICIT FOR THE FINANCIAL YEAR		<u>(28,158)</u>	<u>(99,456)</u>

The notes form part of these financial statements

Balance Sheet
30 June 2016

	Notes	30.6.16		30.6.15	
		£	£	£	£
FIXED ASSETS					
Tangible assets	4		1,989,648		929,204
Investments	5		1		-
			<u>1,989,649</u>		<u>929,204</u>
CURRENT ASSETS					
Debtors	6	251,461		69,093	
Cash at bank		256,522		1,376,297	
		<u>507,983</u>		<u>1,445,390</u>	
CREDITORS					
Amounts falling due within one year	7	92,586		16,088	
			<u>415,397</u>		<u>1,429,302</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,405,046</u>		<u>2,358,506</u>
CREDITORS					
Amounts falling due after more than one year	8		(1,078,535)		(1,000,000)
PROVISIONS FOR LIABILITIES	9		-		(3,837)
NET ASSETS			<u>1,326,511</u>		<u>1,354,669</u>
CAPITAL AND RESERVES					
Called up share capital	10		1,454,125		1,454,125
Income and expenditure account	11		(127,614)		(99,456)
SHAREHOLDERS' FUNDS			<u>1,326,511</u>		<u>1,354,669</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved by the Board of Directors on 13th October 2016 and were signed on its behalf by:


C J Penberthy - Director


D R Garland - Director

Notes to the Financial Statements
For The Year Ended 30 June 2016

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The directors have prepared these accounts on the going concern basis despite additional losses incurred this year as they believe the current position is temporary. The company is operated alongside a detailed financial model to forecast future performance and current results are in line with this model. The directors are confident that company will be profitable in the near future in accordance with this model.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

Turnover

Turnover represents net sales of electricity both back into the national grid and for usage by the site in which the asset has been installed. Income is recognised on an accruals basis when the company first has right to the consideration.

Grant income relating to ongoing projects at the year end have been allocated based on the expenditure incurred. Any surplus income received has been deferred to be allocated against future expenditure.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful economic life.

Plant and machinery - 5% straight line
Land & buildings - 5% straight line

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. OPERATING DEFICIT

The operating deficit is stated after charging:

	Year Ended 30.6.16 £	Period 10.1.14 to 30.6.15 £
Depreciation - owned assets	98,161	46,110
Auditors' remuneration	1,000	1,000
	<u> </u>	<u> </u>
Directors' remuneration and other benefits etc	-	-
	<u> </u>	<u> </u>

3. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the deficit on ordinary activities for the year was as follows:

	Year Ended 30.6.16 £	Period 10.1.14 to 30.6.15 £
Deferred tax	(7,147)	3,837
	<u> </u>	<u> </u>
Tax on deficit on ordinary activities	(7,147)	3,837
	<u> </u>	<u> </u>

PEC Renewables Limited

**Notes to the Financial Statements - continued
For The Year Ended 30 June 2016**

4. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery etc £	Totals £
COST			
At 1 July 2015	13,040	962,274	975,314
Additions	11,231	1,147,374	1,158,605
At 30 June 2016	<u>24,271</u>	<u>2,109,648</u>	<u>2,133,919</u>
DEPRECIATION			
At 1 July 2015	733	45,377	46,110
Charge for year	652	97,509	98,161
At 30 June 2016	<u>1,385</u>	<u>142,886</u>	<u>144,271</u>
NET BOOK VALUE			
At 30 June 2016	<u>22,886</u>	<u>1,966,762</u>	<u>1,989,648</u>
At 30 June 2015	<u>12,307</u>	<u>916,897</u>	<u>929,204</u>

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
Additions	1
At 30 June 2016	<u>1</u>
NET BOOK VALUE	
At 30 June 2016	<u>1</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Ernesettle Community Solar Ltd

Nature of business: Sale of electricity through solar panels

	%	
Class of shares:	holding	
Ordinary A	100.00	30.6.16
		£
Aggregate capital and reserves		36,419
Profit for the year		<u>44,829</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.16 £	30.6.15 £
Trade debtors	63,366	9,785
Other debtors	188,095	59,308
	<u>251,461</u>	<u>69,093</u>

PEC Renewables Limited

Notes to the Financial Statements - continued
For The Year Ended 30 June 2016

7.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	30.6.16	30.6.15
		£	£
	Trade creditors	16,206	12,881
	Taxation and social security	3,060	-
	Other creditors	73,320	3,207
		<u>92,586</u>	<u>16,088</u>
8.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	30.6.16	30.6.15
		£	£
	Other creditors	<u>1,078,535</u>	<u>1,000,000</u>
	 Amounts falling due in more than five years:		
	Repayable by instalments		
	Other loans more 5yrs instal	<u>978,535</u>	<u>933,333</u>
9.	PROVISIONS FOR LIABILITIES		30.6.15
			£
	Deferred tax		<u>3,837</u>
			Deferred tax
			£
	Balance at 1 July 2015		3,837
	Accelerated capital allowances		83,004
	Provision for losses		<u>(90,151)</u>
	Balance at 30 June 2016		<u>(3,310)</u>
10.	CALLED UP SHARE CAPITAL		
	Allotted, issued and fully paid:		
	Number: Class:	30.6.16	30.6.15
		£	£
	1,454,125 Ordinary	<u>1,454,125</u>	<u>1,454,125</u>

The society is a company limited by guarantee and registered under the Co-operative and Community Benefit Societies Act 2014. The society's rules allow shares with a nominal value of £1 to be issued to members. Shares have been issued in order to raise funds to invest in community-owned renewable energy installations across the city. This has enabled solar panels to be installed on the roofs of schools across the city.

The holders of these shares have no additional rights over other members and each member is entitled to one vote at a general meeting of the company regardless of their shareholding. There is no additional obligation on shareholders to contribute in the event of the company being wound up.

PEC Renewables Limited

Notes to the Financial Statements - continued
For The Year Ended 30 June 2016

11. RESERVES

	Income and expenditure account £
At 1 July 2015	(99,456)
Deficit for the year	<u>(28,158)</u>
At 30 June 2016	<u><u>(127,614)</u></u>

12. RELATED PARTY DISCLOSURES

A loan existed between the company and Plymouth Energy Community Limited, a company with directors in common. At the end of the period £1,000,000 (2015: £1,000,000). was owed to Plymouth Energy Community Limited.

Plymouth Energy Community Limited also provided set up, business development and administration services to PEC Renewables Limited totalling £124,385 (2015: £53,509).

PEC Renewables Limited paid a grant to Plymouth Energy Community Limited totalling £5,000 (2015: £nil).

PEC Renewables Limited provided set up, business development and administration services to Ernesettle Community Solar Limited, a company controlled by PEC Renewables Limited, totalling £238,634 (2015: £nil). A balance of £33,456 (2015: £nil). was owed to PEC Renewables Limited at the year end.

PEC Renewables Limited paid grants to Ernesettle Community Solar Limited totalling £97,918 (2015: £nil).

13. ULTIMATE CONTROLLING PARTY

The company is under the control of the directors.

PEC Renewables Limited

**Detailed Income and Expenditure Account
For The Year Ended 30 June 2016**

	Year Ended 30.6.16		Period 10.1.14 to 30.6.15	
	£	£	£	£
Turnover				
Power sales	63,429		34,147	
Feed in Tariffs	133,207		90,272	
Grants	87,985		12,980	
		<u>284,621</u>	<u>137,399</u>	
Other income				
Recharged expenditure	238,634		-	
Loan interest receivable	1,269		-	
Deposit account interest	1,314		1,267	
		<u>241,217</u>	<u>1,267</u>	
		<u>525,838</u>		<u>138,666</u>
Expenditure				
Rates and water	8,339		-	
Insurance	7,595		3,728	
Advertising	1,047		12,861	
Subscriptions	355		193	
Repairs and renewals	10,673		3,000	
Recharged expenditure	238,634		-	
Grants paid	102,918		-	
Sundry expenses	146		117	
Management fee	35,000		30,000	
Accountancy	1,240		4,190	
Meter costs	1,333		909	
Legal & professional fees	6,908		129,346	
Auditors' remuneration	1,000		1,000	
		<u>415,188</u>	<u>185,344</u>	
		<u>110,650</u>		<u>(46,678)</u>
Finance costs				
Bank charges	335		881	
Members interest paid	42,780		-	
Interest paid	4,680		1,950	
		<u>47,795</u>	<u>2,831</u>	
		<u>62,855</u>		<u>(49,509)</u>
Depreciation				
Short leasehold	652		733	
Plant and machinery	97,508		45,377	
		<u>98,160</u>	<u>46,110</u>	
NET DEFICIT		<u><u>(35,305)</u></u>	<u><u>(95,619)</u></u>	

This page does not form part of the statutory financial statements

**Ernesettle Community Solar
Annual report**

November 2016

Chairman's Statement, Lee Richards



General Summary

At this point in time in 2015, PEC Renewables (PECR) was faced with the challenging option of developing the 4.1MW Ernesettle Solar Array. As a PECR director and Chairman of Ernesettle Community Solar Ltd (ECS) I am proud and honoured to say that this challenge was risen to in a spectacular manner, and with the creation of ECS we have created a fantastic community asset that will continue to support the work of Plymouth Energy Community and local communities for the next 25 years.

As you might expect it has been a very busy year for ECS, with raising the construction finance, ensuring the site was operational in time to beat tough Government subsidy deadlines, re-financing with long term loans and opening another community share raise, all in the midst of one of the most challenging policy and funding environments the renewable energy industry has experienced. However, with dedication and support from our partners, local community groups and members we have achieved what can only be considered a huge success. Therefore on behalf of the ECS Board, I feel honoured to present this summary of our success to you, our members and supporting organisations.

Background & Governance

18 months ago Plymouth Energy Community & PEC Renewables set out with an ambition to build a community owned solar farm at Ernesettle. Following feasibility studies and business planning work in spring/summer of 2015; and planning approval in September, Ernesettle Community Solar Ltd was formed in November 2015. It is a private company limited by shares and PEC Renewables is the sole shareholder. The articles of association include specific provisions relating to its community function and an Asset Lock restricting the transfer of its assets.

The Board of ECS is made up of David Madge, Chris Penberthy and myself who are also members of the PEC Renewables Board. ECS has a policy whereby any profit produced after finance, operating costs and provisions for reserve funds will be paid to Plymouth Energy Community.

Construction & Financing

ECS built the solar array in partnership with the Four Greens Community Trust and Communities for Renewables (CfR). In January we contracted with Pfalzsolar to build the farm and provide the required operation and maintenance support once completed. The

construction was completed during what felt like the wettest winter on record and in what was an ongoing race against time to beat the subsidy deadline of the 31st March 2016.

This was only possible through the hard work and determination of a long list of partners including Plymouth City Council, CfR, Pfalzsolar, Leapfrog Bridge Finance, Foot Anstey and Stephens Scown LLP, who worked tirelessly to get the legals and funding in place in time.

Leapfrog's short term construction funding has now been repaid with a loan from PEC Renewables, raised through community shares, a long term loan from Plymouth City Council and a 3 year loan from Social and Sustainable Capital. This work was completed in September and was the final realisation of the vision of bringing the array into long term community ownership.

Operation & Maintenance

There have been the normal minor technical and operational issues linked to establishing any solar farm, but these have all been rectified under the operations and maintenance contract. The array is generating within the expected performance parameters, and has already produced 3,153 MWh of clean electricity saving 1,558 tonnes of carbon emissions.

As a result of constructing Ernesettle solar we have created 18 acres of wildflower meadow, creating a haven for bees and other pollinating insects. We have enhanced this further by building two 'bug hotels' and we will be planting over five hundred metres of native hedgerow and trees species this winter.

Summary of the financial position for year ending June 30th 2016

The accounts show an in year trading profit of £36,418, and balance sheet reserves of the same value, as this is the first year of operation. This period of accounting up to 30th June 2016 reflects the construction of the site and corresponding construction loan, but does not include all the refinancing costs as the refinance package was not completed until September 2016.

The income for the first 7 month period of trade show income from power sales of £161,021, which compares well with that forecast in our financial model.

The loan interest has been calculated on the Leapfrog construction loan at a rate of 6.5% as per the agreement. Total interest for the period was £81,648 but £19,136 has been capitalised due to the proportion of the interest applicable up to the actual commissioning date of the project. The remainder of the loan interest has been charged to the profit and loss account. Similarly, the company's assets have only been depreciated in these accounts from the point in time that they became operational. These are depreciated on a straight line basis over 20 years.

Profit and Loss statement

	2015/2016
Turnover	£210,939
Operating profit	£108,352
Profit before taxation	£44,829
Net profit	£36,418

Further details are set out in the audited Annual Accounts appended to this report.

Summary and commendation:

On behalf of the Board I therefore commend this report for the acceptance and approval by the board of PEC Renewables.



Lee Richards
Chairman, Ernesettle Community Solar

Report of the Directors and

Financial Statements

For The Period

27 November 2015 to 30 June 2016

for

Ernesettle Community Solar Limited

Ernesettle Community Solar Limited

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For The Period 27 November 2015 to 30 June 2016

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Ernesettle Community Solar Limited

Company Information
For The Period 27 November 2015 to 30 June 2016

DIRECTORS:

C J Penberthy
D Madge
L Richards

REGISTERED OFFICE:

Low Carbon Team
Ballard House
West Hoe Road
Plymouth
Devon
PL1 3BJ

REGISTERED NUMBER:

09892557 (England and Wales)

AUDITORS:

Bromhead
Chartered Accountants
Statutory Auditors
Harscombe House
1 Darklake View
Plymouth
Devon
PL6 7TL

Ernesettle Community Solar Limited

Report of the Directors
For The Period 27 November 2015 to 30 June 2016

The directors present their report with the financial statements of the company for the period 27 November 2015 to 30 June 2016.

INCORPORATION

The company was incorporated on 27 November 2015 and commenced trading on the same date.

DIRECTORS

The directors who have held office during the period from 27 November 2015 to the date of this report are as follows:

C J Penberthy - appointed 16 December 2015
D Madge - appointed 27 November 2015
L Richards - appointed 27 November 2015

All the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Bromhead, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
~~C. J. Penberthy - Director~~

Date: 13/10/16.....

**Report of the Independent Auditors to the Members of
Ernesettle Community Solar Limited**

We have audited the financial statements of Ernesettle Community Solar Limited for the period ended 30 June 2016 on pages four to eight. 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they 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 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors 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 company's affairs as at 30 June 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Lee Curtis (Senior Statutory Auditor)
for and on behalf of Bromhead
Chartered Accountants
Statutory Auditors
Harscombe House
1 Darklake View
Plymouth
Devon
PL6 7TL

Date: 13.10.16

Ernesettle Community Solar Limited

Profit and Loss Account
For The Period 27 November 2015 to 30 June 2016

	Notes	£
TURNOVER		210,939
Administrative expenses		<u>102,587</u>
OPERATING PROFIT	2	108,352
Interest receivable and similar income		<u>54</u>
		108,406
Interest payable and similar charges		<u>63,577</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		44,829
Tax on profit on ordinary activities	3	<u>8,411</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>36,418</u>

The notes form part of these financial statements

Balance Sheet
30 June 2016

	Notes	£	£
FIXED ASSETS			
Tangible assets	4		3,811,036
CURRENT ASSETS			
Debtors	5	137,793	
Cash at bank		<u>105,444</u>	
		243,237	
CREDITORS			
Amounts falling due within one year	6	<u>4,009,443</u>	
NET CURRENT LIABILITIES			<u>(3,766,206)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			44,830
PROVISIONS FOR LIABILITIES	8		<u>8,411</u>
NET ASSETS			<u><u>36,419</u></u>
CAPITAL AND RESERVES			
Called up share capital	9		1
Profit and loss account	10		<u>36,418</u>
SHAREHOLDERS' FUNDS			<u><u>36,419</u></u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved by the Board of Directors on 13th October 2016 and were signed on its behalf by:


.....
C J Penberthy - Director


.....
L Richards - Director

Ernesettle Community Solar Limited

Notes to the Financial Statements
For The Period 27 November 2015 to 30 June 2016

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

Turnover

Turnover represents net invoiced sales of services, excluding value added tax, except in respect of service contracts where turnover is recognised when the company obtains the right to consideration.

Revenue grant income relating to ongoing projects at the year end have been released in full.

Capital grant income has been deferred and released in accordance with the company's depreciation policy.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful economic life.

Plant and machinery ect - 5% straight line

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. **OPERATING PROFIT**

The operating profit is stated after charging:

Depreciation - owned assets	£ 52,394
Auditors' remuneration	1,500
	<hr/>
Directors' remuneration and other benefits etc	-
	<hr/>

3. **TAXATION**

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

Deferred tax	£ 8,411
	<hr/>
Tax on profit on ordinary activities	8,411
	<hr/>

Ernesettle Community Solar Limited

Notes to the Financial Statements - continued
For The Period 27 November 2015 to 30 June 2016

4.	TANGIBLE FIXED ASSETS	Plant and machinery etc £
	COST	
	Additions	3,863,430
	At 30 June 2016	3,863,430
	DEPRECIATION	
	Charge for period	52,394
	At 30 June 2016	52,394
	NET BOOK VALUE	
	At 30 June 2016	3,811,036
5.	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	£
	Other debtors	137,793
		137,793
	Included in other debtors is accrued income to the sum of £118,276.	
6.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	£
	Trade creditors	42,715
	Other creditors	3,966,728
		4,009,443
7.	OPERATING LEASE COMMITMENTS	
	The following operating lease payments are committed to be paid within one year:	
		£
	Expiring:	
	In more than five years	1,000
		1,000
8.	PROVISIONS FOR LIABILITIES	£
	Deferred tax	8,411
		8,411
		Deferred tax
		£
	Accelerated capital allowances	24,912
	Corporation tax losses	(16,501)
		8,411
	Balance at 30 June 2016	8,411

Ernesettle Community Solar Limited

Notes to the Financial Statements - continued
For The Period 27 November 2015 to 30 June 2016

9. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	£
Number:	Class:		
1	Ordinary A	£1	<u><u>1</u></u>

1 Ordinary A share of £1 was allotted and fully paid for cash at par during the period.

10. **RESERVES**

	Profit and loss account £
Profit for the period	<u>36,418</u>
At 30 June 2016	<u><u>36,418</u></u>

11. **RELATED PARTY DISCLOSURES**

PEC Renewables Limited, the parent and controlling company of Ernesettle Community Solar Limited, provided set up, business development and administration services to Ernesettle Community Solar Limited totalling £238,634 (2015: £nil). A balance of £33,456 (2015: £nil) was owed to PEC Renewables Limited at the year end.

Ernesettle Community Solar Limited received grants from PEC Renewables Limited totalling £97,918 (2015: £nil).

Plymouth Energy Community Limited, a company with directors in common, also provided management services to Ernesettle Community Solar Limited totalling £8,750 (2015: £nil).

12. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is PEC Renewables Limited.

Ernesettle Community Solar Limited

Profit and Loss Account
For The Period 27 November 2015 to 30 June 2016

	£	£
Turnover		
Sales	161,021	
Grants	49,918	
	<hr/>	210,939
Other income		
Deposit account interest		54
		<hr/>
		210,993
Expenditure		
Rent	9,000	
Insurance	10,440	
Light and heat	630	
Meter Costs	969	
Sundry expenses	455	
Accountancy	1,097	
PEC management charges	8,750	
Professional Fees	17,593	
Auditors' remuneration	1,500	
Entertainment	89	
	<hr/>	50,523
		<hr/>
		160,470
Finance costs		
Bank charges	320	
Loan interest	63,577	
	<hr/>	63,897
		<hr/>
		96,573
Depreciation		
Plant and machinery		51,744
		<hr/>
NET PROFIT		<u>44,829</u>