

Community Energy

Warwickshire

Industrial and Provident Society Registration No. 31145R

ANNUAL REPORT
AND ACCOUNTS
2011

Community Energy

Warwickshire

Registered in England as an Industrial and Provident Society for community benefit
Register no. 31145R

Registered office:

108 Shipston Road, Stratford-upon-Avon,
Warwickshire CV37 7LR

Tel: 01789 290736, e-mail: info@cew.coop
Website: www.cew.coop

Directors: Chris Begg
Barbara Cooper
Roger Matthews
James Pavitt
Keith Sinfield
Glyn Thomas
David Wood

Secretary: Barbara Cooper



Directors' report

The directors of Community Energy Warwickshire Limited (CEW) present their report and the unaudited financial statements of the Society for the year ended 31 December 2011.

Objectives

CEW's objectives as set out in its Rules are to:

- promote renewable energy and develop, install and operate renewable energy sources;
- promote sustainable use of energy and reductions in carbon emissions through the provision of advice on energy efficiency and the supply of energy-efficient products and services; and
- promote public awareness of environmental and related issues and support educational initiatives related to renewable energy, energy efficiency and sustainability

Review of the year

During 2011, CEW's first full year of existence, attention has been focused on building the organisation and delivering the solar-powered hospitals project.

Building the organisation

Governing document

CEW's governing document is its Rules. The initial Rules were registered with the Financial Services Authority (FSA) in December 2010. Following approval by the Special General Meeting on 3 November 2011, revisions to the Rules to ensure consistency with the Enterprise Investment Scheme have been registered with the FSA.

Board of directors

Chris Begg, Barbara Cooper, Roger Matthews, Dave Passingham, James Pavitt, Bernard Perkins, Keith Sinfield, Glyn Thomas and David Wood were appointed as interim directors of CEW on 2 February 2011. With the exception of Dave Passingham (resigned April 2011) all of those listed were elected as directors at the Annual General Meeting (AGM) on 4 May 2011. Bernard Perkins resigned as a director in October 2011. As required by the Rules, three directors (James Pavitt, Keith Sinfield and Glyn Thomas) will retire by rotation at the AGM on 22 May 2011 and will stand for re-election at that meeting.

All directors serve in a voluntary capacity and are unpaid. Details of the directors' interests in the shares of the Society are set out in Note 13 to the financial statements on page 11.

Officers

At 31 December 2011, the officers of CEW were Keith Sinfield (Chair), David Wood (Treasurer) and Barbara Cooper (Secretary). The officers are elected by the board and are unpaid.

Working groups

The board is supported by working groups covering communications and marketing; community programme; finance and governance; procurement and project management; and project development. Each group has terms of reference agreed by the board, is convened by a director and is open to any member

External support

CEW is grateful for help received during the year from two external sources. The Co-operative Enterprise Hub provided specialist advice on co-operative governance, including preparations for the community share offer, while Carbon Leapfrog arranged legal and other professional support for the solar-powered hospitals project.

Solar-powered hospitals

Feed-in Tariff reviews

CEW's plans for the solar-powered hospitals project changed during the year in response to Government reviews of the Feed-in Tariff. The first review, announced in March 2011, significantly reduced levels of tariff support for solar PV projects in excess of 50 kilowatts (kWp) from August 2011. In the light of this change, CEW scaled back the planned total capacity of the solar-powered hospitals project from 120kWp (comprising 100kWp at Warwick and 20kWp at Stratford) to 70kWp (50kWp at Warwick and 20kWp at Stratford).

The second review was announced on 31 October 2011, a week after the launch of CEW's community share offer, and proposed cuts in tariffs for solar PV by more than 50% from a reference date of 12 December. To ensure that at least some capacity could be installed before the reference date, the directors decided to proceed immediately with the installation of a 10kWp system at Stratford. After 12 December, reductions in the capital cost of solar PV equipment gave confidence that the 50kWp system proposed for Warwick would be financially viable even at the lower tariff rate and it was therefore decided to proceed in early 2012. In the event, the courts determined that the imposition of tariff cuts from the 12 December reference date was unlawful and CEW will therefore receive income from the Warwick system at the higher rate of 32.9p/kWh.

Partnership with South Warwickshire NHS Foundation Trust

In May 2011, CEW and South Warwickshire NHS Foundation Trust signed a memorandum of understanding as a basis for formal arrangements for the installation of solar PV systems at Stratford and Warwick Hospitals. The Trust has subsequently granted to CEW rent-free leases which enable the PV systems to remain in place for at least 25 years. In return, the Trust has the right to purchase all electricity generated by the PV systems at a discount to the price it normally pays for electricity. In addition, CEW has undertaken to support the Trust's energy efficiency and carbon reduction programme by providing access for Trust staff to energy-efficiency training and advice, including free membership of the Energy Savers scheme (see "Next steps" below.)

Design, supply and installation

Following a competitive tendering process during summer 2011, the contract for the design, supply and installation of the PV systems was awarded to Eco2Solar Ltd. Despite national shortages of solar panels and other equipment created by proposed changes to the Feed-in Tariff (see above), Eco2Solar installed and commissioned the 10kWp system at Stratford Hospital by 8 December 2011, enabling it to be registered for the Feed-in Tariff at the rate of 37.8p/kWh. The Warwick 50kWp system was commissioned on 2 February 2012 and, as noted, benefits from both lower capital cost and a higher rate of Feed-in Tariff than expected.

Next steps

Energy efficiency

The development of energy efficiency activities has been slower than planned because of the need to manage the impact of unexpected changes in Feed-in Tariffs. However, work on the Energy Savers programme is now well advanced and roll-out will begin shortly, starting with members of CEW and staff at South Warwickshire NHS Foundation Trust.

Future renewable energy projects

In early 2012, CEW received a grant of £29,000 from the Government's Local Energy Assessment Fund (LEAF), which has been used to commission a study into the feasibility of energy production from food waste by anaerobic digestion (AD).

Financial statements

The financial statements for the year to 31 December 2011 are set out on pages 6 to 11. The detailed income and expenditure account set out in Note 14 on page 12 does not form part of the financial statements but is included as an aid to understanding CEW's financial position.

Directors' responsibilities for the financial statements

Legislation governing Industrial and Provident Societies requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of CEW and of the profit or loss of CEW for that period. In preparing the financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed; and prepare the financial statements on the going concern basis unless it is inappropriate to assume that CEW will continue in business.

The directors are responsible for ensuring the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of CEW and which enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts. They are also responsible for taking such steps as are reasonably open to them to safeguard CEW's assets and to prevent and detect fraud and other irregularities.

Disapplication of requirement for statutory audit

Under the legislation governing Industrial & Provident Societies, a Society whose turnover is less than £90,000 and whose total assets are less than £2.8 million may, with the approval of its members, disapply the requirement for a full professional audit of its financial statements provided that it is not a subsidiary of another Society and does not have subsidiaries of its own; it is not a housing association, a body covered by the Insurance Accounts Directive or a body which takes deposits (other than deposits in the form of withdrawable share capital); and its Rules allow it to disapply the requirement for a full professional audit.

A resolution to disapply the requirement for statutory audit was passed at the AGM held on 4 May 2011 in respect of the financial statements for the period 23 - 31 December 2010. The directors consider that CEW has continued to meet all the above conditions throughout the year to 31 December 2011 and will propose a resolution at the AGM on 22 May 2012 to enable the requirement for a full professional audit to be disapplied. The resolution will be passed if the number of votes cast against it is less than 20% of the total number of votes cast and less than 10% of the total number of members.

Approved by the directors on 3 May 2012 and signed on their behalf



Barbara Cooper
Secretary

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Income and expenditure account

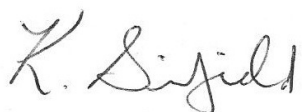
| | | Year to 31 Dec 2011 | 23 -31 Dec 2010 |
|---|-------|------------------------|--------------------|
| | Notes | £ | £ |
| Revenue | | 96 | - |
| Cost of sales | | (111) | (327) |
| | | <u> </u> | <u> </u> |
| Gross deficit | | (15) | (327) |
| Administrative expenses | | (1,173) | (932) |
| Other operating income | 2 | 14 | 792 |
| | | <u> </u> | <u> </u> |
| Operating deficit | 3 | (1,174) | (467) |
| Interest receivable | | 13 | - |
| Deficit on ordinary activities before taxation | | (1,161) | (467) |
| Taxation on ordinary activities | 4 | - | - |
| | | <u> </u> | <u> </u> |
| Deficit for the financial period | | (1,161) | (467) |
| Balance brought forward | | (467) | - |
| | | <u> </u> | <u> </u> |
| Balance carried forward | | (1,628) | (467) |
| | | <u> </u> | <u> </u> |

Balance sheet as at 31 December

| | Notes | 2011 £ | £ | 2010 £ |
|---|-------|-----------------|----------------|-----------|
| Fixed assets | | | | |
| Tangible assets | 6 | | 24,635 | - |
| Current assets | | | | |
| Debtors | 8 | 11,300 | | 10,990 |
| Cash at bank | | 99,887 | | - |
| | | 111,187 | | 10,990 |
| Creditors: amounts falling due within one year | 9 | (35,000) | | (907) |
| Net current assets | | | 76,187 | 10,083 |
| Total assets less current liabilities | | | 100,822 | 10,083 |
| Capital and reserves | | | | |
| Called-up equity share capital | 11 | 102,450 | | 10,550 |
| Income and expenditure account | | (1,628) | | (467) |
| Members' funds | | | 100,822 | 10,083 |

These financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the directors and authorised for issue on 3 May 2012 and are signed on their behalf by:



Keith Sinfield
Chair



David Wood
Treasurer



Barbara Cooper
Secretary

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Notes to the financial statements

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Cash flow statement

The directors have taken advantage of the exemption in the Financial Reporting Standard for Smaller Entities (effective April 2008) from the requirement to prepare a cash flow statement in the financial statements on the grounds that CEW is small.

Turnover

Turnover is accounted for on the accruals basis and represents electricity sales and Feed-in Tariff payments, based in both cases on kWh of electricity generated.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated to write off the cost of the asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|--------------------|--|
| Plant & Machinery: | Solar panels 25 years and inverters 10 years, both straight line |
| Equipment: | Three years, straight line |

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less or to receive more tax. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share capital

The directors have applied Urgent Issues Task Force abstract 39 in determining the accounting treatment of members' shares. Rule 53 of CEW's Rules entitles any member to request redemption of their share capital, but also gives the directors an unconditional right to refuse such a request. Accordingly, members' shares are treated as equity.

2. Other operating income

| | Year to 31 Dec 2011 | Year to 31 Dec 2010 |
|------------------------------|------------------------|------------------------|
| | £ | £ |
| Donations from organisations | - | 600 |
| Donations from individuals | 14 | 192 |
| | <u>14</u> | <u>792</u> |

3. Operating deficit

Operating deficit is stated after charging:

| | Year to 31 Dec 2011 | Year to 31 Dec 2010 |
|------------------------------------|------------------------|------------------------|
| | £ | £ |
| Directors' remuneration | - | - |
| Depreciation of owned fixed assets | 125 | - |
| | <u>125</u> | <u>-</u> |

4. Taxation

CEW's trading activities are taxable and CEW is registered for corporation tax. However, the directors consider that it is unlikely that taxable profits will be reported for several years.

5. Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the year.

6. Tangible fixed assets

| | Plant & Machinery | Equipment | Total |
|----------------------------|----------------------|------------|---------------|
| | £ | £ | £ |
| Cost | | | |
| Additions | 24,540 | 220 | 24,760 |
| At 31 December 2011 | <u>24,540</u> | <u>220</u> | <u>24,760</u> |
| Depreciation | | | |
| Charge for the year | 95 | 30 | 125 |
| At 31 December 2011 | <u>95</u> | <u>30</u> | <u>125</u> |
| Net book value | | | |
| At 31 December 2011 | <u>24,445</u> | <u>190</u> | <u>24,635</u> |
| At 31 December 2010 | <u>-</u> | <u>-</u> | <u>-</u> |

7. Capital commitments at 31 December

| | 2011 | 2010 |
|--|--------|------|
| | £ | £ |
| Expenditure on solar PV systems contracted for but not spent | 84,750 | - |

8. Debtors

| | 2011 | 2010 |
|--------------------------------|---------------|----------|
| | £ | £ |
| Trade debtors | 8 | - |
| Other debtors | 10,695 | 10,990 |
| Prepayments and accrued income | 597 | - |
| | <u>11,330</u> | <u>-</u> |

9. Creditors: amounts falling due within one year

| | Year to 31 | Year to 31 |
|-------------------------------------|---------------|------------|
| | Dec 2011 | Dec 2010 |
| | £ | £ |
| Other creditors including taxation: | | |
| Loan from director | 35,000 | - |
| Accruals and deferred income | - | 907 |
| | <u>35,000</u> | <u>907</u> |

10. Related party transactions

Three directors of CEW are also members and officers of Transition Stratford (an unincorporated not-for-profit association) and for this reason Transition Stratford is considered to be a related party. During the year, Transition Stratford held funds, including members' subscriptions, on behalf of CEW pending the opening of CEW's own bank account. At 31 December 2010, the balance held by Transition Stratford on behalf of CEW was £10,990. The full balance held by Transition Stratford was transferred to CEW's bank account in April 2011. At 31 December 2011, the balance held by Transition Stratford on behalf of CEW was £nil.

On 14 November 2011, a director of CEW made a cash advance of £35,000 to Eco2Solar Ltd to ensure that solar PV capacity could be installed before the 12 December reference date from which the Government proposed to reduce Feed-in Tariff rates for solar PV. This advance is treated in the financial statements as an unsecured interest-free loan to CEW, the full amount of which was outstanding at the balance sheet date.

11. Share capital

CEW's share capital is composed of ordinary shares of £1 each. Each member is entitled to one vote, irrespective of the number of shares held. Shares in CEW are non-transferable and cannot be bought or sold. Under CEW's Rules, shares may be withdrawn by members on giving three months' notice. However, the directors may at their absolute discretion decline to allow the withdrawal of share capital.

The Rules also empower the directors to suspend the right to withdraw share capital. The directors resolved in May 2011 to suspend the right to withdraw share capital until further notice and do not expect to restore the right to withdraw share capital until October 2014 at the earliest. Until the right to withdraw share capital is restored, shares may be withdrawn only with the consent of the board, which the directors expect to grant only in exceptional circumstances - for example at the request of the personal representative of a deceased

member or the trustee in bankruptcy of a bankrupt member.

Changes in CEW's issued share capital during the year to 31 December 2011 were as follows:

| | 2011 | 2010 |
|-----------------------------|----------------|-------------|
| | £ | £ |
| At 1 January | 10,550 | - |
| Shares issued | 93,400 | 10,550 |
| Other movements | (1,500) | - |
| | <hr/> | <hr/> |
| At 31 December | 102,450 | 10,550 |
| | <hr/> | <hr/> |
| Amounts presented in equity | 102,450 | 10,550 |
| | <hr/> | <hr/> |

The changes in share capital primarily reflect the allotment of ordinary shares of £1 each in response to applications received pursuant to the community share offer launched on 24 October 2011. Changes in share capital up to the closing of the share offer were as follows:

| | No. of members | No. of shares issued |
|------------------------|---------------------------|-------------------------------------|
| As at 23 October 2011 | 21 | 13,000 |
| As at 31 December 2011 | 80 | 102,450 |
| As at 23 April 2012 | 88 | 113,200 |

12. Interest on share capital

As an Industrial and Provident Society for community benefit, CEW can pay interest on share capital, provided that the rate paid does not exceed the minimum required to attract and retain capital. No interest has been paid on share capital in the year to 31 December 2011 and the directors do not expect any interest to be paid in the three years from 1 January 2012.

13. Directors' interests in shares

The directors of CEW during the period and their beneficial interests in the shares of CEW were as follows:

| | Ordinary shares of £1 each | |
|---|-----------------------------------|------------------------------|
| | As at 31 Dec 2011 | As at 31 Dec 2010 |
| Chris Begg | 1,050 | 50 |
| Barbara Cooper | 20,000 | 1,000 |
| Roger Matthews | 1,500 | 1,000 |
| Dave Passingham (resigned April 2011) | 500 | 500 |
| James Pavitt | 1,500 | 1,500 |
| Bernard Perkins (resigned October 2011) | 100 | 100 |
| Keith Sinfield | 1,000 | 500 |
| Glyn Thomas | 1,000 | 1,000 |
| David Wood | 1,000 | 100 |

14. Detailed income and expenditure account

| | Year to 31 Dec 2011 £ | 23 -31 Dec 2010 £ |
|---|-----------------------------|-------------------------|
| Revenue from electricity generation | 96 | - |
| Cost of sales | | |
| CORE conference costs | - | 327 |
| Insurance of solar PV panels and equipment | 16 | - |
| Depreciation of solar PV panels and equipment | 95 | - |
| | <u>111</u> | <u>327</u> |
| Gross deficit | <u>(15)</u> | <u>(327)</u> |
| Overheads | | |
| Meeting room hire | 126 | 25 |
| Insurance | 7 | - |
| Telephone and internet | 228 | - |
| Formation costs | - | 907 |
| Advertising and publicity | 521 | - |
| Statutory registration fees | 55 | - |
| Depreciation of equipment | 30 | - |
| Paypal charges of electronic share purchases | 206 | - |
| | <u>1,173</u> | <u>932</u> |
| Deficit on trading | <u>(1,188)</u> | <u>(1,259)</u> |
| Donations from organisations | - | 600 |
| Donations from individuals | 14 | 192 |
| Operating deficit | <u>(1,174)</u> | <u>(467)</u> |
| Bank interest receivable | 13 | - |
| Deficit on ordinary activities | <u>(1,161)</u> | <u>(467)</u> |