

avalon community energy



Annual Report 2016



Produced by Avalon Community Energy Limited
A Community Benefit Society
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www.avaloncommunityenergycoop.co.uk

1. Foreword and introduction Jon Cousins, Chair

Once again, I am delighted to write this foreword and introduction for our report to an Annual General Meeting of Avalon Community Energy; and what a year it has been!

Although our journey has - like that of so many other community renewables - been full of obstacles and challenges imposed by OFGEM, HMRC, and the Government, I am very pleased to say that from the finance raised by our members in last year's successful Community Shares offers, Avalon Community Energy has been able to install sizeable solar arrays on the rooftops of Brookside Academy Primary School in Street and Spartan Games at Evercreech Junction.

As a result, 2016 was the year in which ACE started to generating clean, safe, renewable energy, providing an income that will create not only interest for our investor members, but also a wider community benefit.

Amid our success, we cannot forget that these remain challenging times, with proposed business tax and VAT increases on solar installations, not forgetting the changes introduced by the Chancellor of the Exchequer in 2016 - especially cuts in the Feed-in Tariff - which bankrupted several solar companies in the UK last year.

Our resilience is without doubt derived from our membership, our supporters, and our partners - who share our conviction that renewable energy is the best way forward - and, of course, from those members who have served as Directors over the year. Once again the Board have helped steer us through the challenging political and economic climate to the safe completion of our first installations. Everyone has played an important role, but it would be greatly remiss of me not to mention the incredible accomplishment of ACE Director Madeleine Milnes, who so brilliantly project managed the installations, and kept us moving forward where - and, indeed while - other community renewables stumbled and fell. As Chair, I would like to take this opportunity to acknowledge Maddy's contribution; it is not an exaggeration to say that all of us involved in ACE owe you a huge debt of thanks.

So what lies ahead?

- For our first new project for 2017, we intend to replicate our successful Brookside installation through our new School's Solar Project, more details of which you can find later in the Annual Report.
- As a Board, we have learnt an awful lot in 2016, and - as a result - we are currently engaged in the process of reviewing and developing our business plan.
- Keeping close connections with the community is extremely important, and we will continue to take every opportunity we can to meet people and listen to their thoughts and opinions - continuing to gather evidence to show support for renewable projects in the local area.

Challenging as they may be, these are also exciting times! Our journey continues, and - on behalf of my fellow directors - we warmly thank everyone who has chosen to be part of that journey. Indeed, we look forward to it becoming even more ACE in 2017!



*Jon Cousins
Chair of ACE*

2. Membership

Membership of ACE was introduced early 2015 and our current membership is 111 community members and 89 social investors. Community members must live or work in the local area (Glastonbury, Street, Wells, Shepton Mallet and surrounding villages). Social investors can live in any part of the UK.

3. Project Report

3.1 Projects Installed

This last year ACE has taken a leap forward and now has solar projects in place for the first time, generating energy and income. This has been achieved under difficult circumstances and required perseverance and tenacity. Many other community energy projects have fallen by the wayside in face of the changing political climate around renewables, whereas ACE carried on whilst being supported by its members and associates.

During the Autumn of 2015 we saw a turnaround in government policy towards renewables and, in particular, the Feed in Tariff (FIT) was to be withdrawn more quickly than originally planned. Deadlines were set for pre accreditations and pre registrations of projects, which led to a significant increase in workload for OFGEM who were ill equipped to cope. Furthermore, all our solar projects had to be installed by end of September 2016 to be eligible for the FIT. ACE was caught up in all these changes and we were under pressure to install our projects in a narrowing time frame. During this period between September 2015 and July 2016, we were persistent and contacted OFGEM regularly about the delays to ensure our projects were pre registered and pre accredited as soon as possible. We also involved our local MP to advocate on our behalf and wrote a letter of complaint to OFGEM. It was a frustrating period of time.

At Brookside Academy



We eventually received the pre accreditation for Brookside and pre registration of the Evercreech projects, six months later than expected and with only 3 months left to install. Through our complaints to OFGEM, we sought an extension, but they said "we do not have the discretion to extend the time period". We decided to prioritise the three projects that were likely to generate the most income. Two of these projects were installed, as disappointedly, one of the Evercreech projects pulled out due to having 'cold feet' at the eleventh hour. We wish to thank Solarsense for their patience and flexibility during this period and Sonya Bedford, our legal adviser, from Stephens Scown for helping us through this difficult period.

We are very pleased that the Brookside Academy Project was successfully installed. This is a 82kW system generating 77,000 kWh of power a year and will save the school around £2000 a year on their energy bills. It is anticipated it generate approximately £10,000 in income per year, rising yearly with inflation.

Spartan Games is a 26kW system, generating 20,000 kWh, and will generate around £5,000 a year income.



3.2 Project Development

The rising energy prices, the currency depreciation and continued fall in the cost of solar panels is creating a more favourable economic climate for ACE. It means we are more likely to be able to install solar PV and offer very competitive tariffs to our customers. Furthermore, we have the advantage that once installed, the electricity generated is not affected by other factors, apart from the sun, resulting in price stability at a time when the main suppliers dependent on energy from fossil fuels, are facing increasing and variable costs.

In addition, the technological advances in solar, smart energy software, batteries and electrical vehicles are showing enormous promise and present as possible opportunities for development into local projects.

From our first school project, we have a lease and Power Purchase Agreement prepared and approved by Somerset CC and through our business planning exercises we intend to offer our solar roof top to a schools in the local area as part of the second stage of our development. This work has already commenced however we are also making a Big Lottery 'Awards for All' application to finance a project manager so this can be taken forward quickly.

4. Community Shares Report

During 2016 we were pleased to be able to send out the HMRC paperwork to our investors who were therefore able to utilise the tax relief available from the Social Enterprise Investment Fund and the Enterprise Investment Fund, resulting in significant tax savings for our investors.

5. Communication Activities

We held two events over the last year which took place after the installations were completed. The main event being the one held at Brookside Academy in January 2017 which included speakers James Heappey MP and Brian Walton, Headteacher for Brookside Academy. This was a well attended event and included ACE members and other people who had supported us along the way. This event generated positive publicity for us and was reported in the local papers. We were delighted to be able to thank those who had helped ACE achieve this milestone. The second event in March 2017, at Spartan Games, was more low key and included only those at the business. Again this received good publicity in the local papers and on social media.

More recently we have been working on our next Business Plan for 2017-23 and involved some local members.

6. Breakthrough Energy Group Report

Since last year's report the Plasma energy MagGrav units (we were testing one) are not currently performing with sufficiently consistent savings to warrant further consideration for the present.

In the meantime we note with great interest that according to reports, the new US President has signed a memorandum to declassify free energy devices (along with anti-aging technology) that could be of great benefit to us all and we will be reporting back as these are released.

The other thing we are exploring is the latest battery storage devices which are hitting the marketplace including the Tesla systems. These could make all the difference to our latest plans to help other Academies with rooftop solar, as with falling feed-in-tariffs, the extra own use percentage utilisation of energy generated can make a significant difference to helping ensure financial viability.

7. Financial Report

7.1 Treasurer's comments

It seems helpful in reviewing the December 2016 profit and loss account to remind ourselves as to what has gone before.

- The 2015 comparative figure at the bottom right-hand corner of the profit and loss account shows £9,116 cumulative loss at December 2015.
- Just above that the profit brought forward from 2014 represents the grant money in and very little expenses - £18,260
- In the calendar year 2015 we spent our grant money as planned plus we had the share issues which cost us around £9,000 the bulk of which was in our postage and delivery charges plus some professional fees, hence the cumulative loss of £9,116 at the end of December 2015.
- In 2016 itself after the massive delay in getting our accreditation we finally had our first two installations at the end of December 2016 giving us only the winter quarter to produce some electricity and income.
- The main expense against income is the depreciation of equipment at £1,348 being just one quarters depreciation. In the 2017 year this will be over £5,000.
- The main ongoing large expenses will be insurance and as time goes on maintenance costs, with other overheads hopefully only £1,000 or so.
- With so little of the year to produce electricity we ended up with a small operating loss of £1,095.

Turning now to the balance sheet

- The big change here is in our fixed assets with the first two installations now up and running, representing the conversion of our share capital investment into tangible assets that will produce our income and your investment return.
- The work in progress represents the sales of electricity and feed in tariff income up to 31 December which was not invoiced until after the year end but is shown here to accurately reflect the period in which it was produced.
- It is comforting to see over £47,000 still in the bank to help us with our further installations going forward.
- The trade creditors in current liabilities represents the final balance owed for our legal fees covering the installations.
- With the addition of some community shares the balance sheet increases by around £3000 in the year.

7.2 Poised for further growth.

That is how we would describe our current financial position. As you have already heard we currently have over £47,000 in the bank and have applied to the "awards for all" fund to help us develop our business plan going forward. Again, as you have already heard, 2016 was extremely frustrating for us with the delays caused by OFGEM which has made us the better part of a year behind in generating actual income. Therefore, it comes as no surprise we have made a small loss in the year.

This has left us with a cumulative loss of a little over £10,000 as at December 2016, meaning that we have to generate that amount of profit in 2017 and beyond before we would be legally able to pay a dividend to shareholders by way of our intended 5% per annum return on their investment.

Our target dividend on our £189,000 share capital at 5% is therefore around £9,500 pa.

7.3 The current year 2017

If we conservatively use as our income figure the projected first year's annual revenue created from just the existing Brookside Academy and the installation at Evercreech this totals some £15,500. If we deduct estimated overheads of £1,500 this leaves approximately £14,000 before depreciation. Depreciation this year is in the region of £5,400 thus leaving a projected profit before and after tax of perhaps £8,600.

If we then use part of our cash, preferably with matched grant funding, on even just one additional local Academies with a 30kw installation with at least an 80% own consumption charged at 10p per kWhr that is projected to produce in a full year around £3,600 in income, less a little over £1,000 in depreciation so with no maintenance or interest to pay that could make a contribution of up to £2,500 on its first full year. With the use of battery storage in addition the profit surplus pa could increase.

This indicates that it could be possible to generate a profit of up to around £10,000 in 2017. This could therefore potentially eliminate the cumulative loss by the end of this year and a dividend in 2018 if all goes well.

However, the board are working on an additional strategy that could have that £10,000 loss brought forward eliminated in addition to a decent profit. This is not certain at the time of writing and we may, or may not, have more news regarding this at the AGM itself.

7.4 Utilising our cash reserves

At present, as mentioned above, we are favouring our local academies who could utilise a high percentage use of a 30kw installation.

8. Objectives for 2017

During Spring 2017, we reviewed the learning from our first projects over 3 sessions professionally facilitated by Joanna Davey, Consultant (ACE member who kindly gave her time for free).

From this work we have written our Business Plan 2017-23 which concludes that we are in strong place to take ACE forward into the next stage of our development and our agreed priorities for next year are:

- To replicate successful schools projects and consider the feasibility of storage;
- To utilise the skills of board members, and those associated with the board, to explore opportunities in new technology and particularly electric vehicles and battery storage;
- To seek out matched funding, to extend some of ACE's capital in bank; to employ staff and/or consultants to enable the generation of income from new projects;
- To invite greater member involvement in ACE with the objective to obtain wider views and increase engagement in the development of ACE.

Avalon Community Energy Limited

Balance sheet As at 31st December 2016

	2016 £	2016 £	2015 £	2015 £
Fixed Assets –Solar at cost	134,806			
Less depreciation	<u>1,248</u>			
		133,458		5,000
Current Assets				
Vat Debtor	830			
Work in progress	1,640			
Bank and Cash	<u>47,207</u>		<u>172,389</u>	
49485+192	<u>49,677</u>		<u>172,389</u>	
Current Liabilities - Payable within 1 year				
Trade Creditors	<u>4,331</u>		<u>1,750</u>	
	<u>4,331</u>		<u>1,750</u>	
Net Current Assets (liabilities)		<u>45,346</u>		<u>170,639</u>
Net Assets		<u>£178,804</u>		<u>£175,639</u>
Financed By				
<i>Share Capital</i>				
Community Member Shares	26,905		22,645	
Supporter Member Shares	<u>162,110</u>		<u>162,110</u>	
		189,015		184,755
<i>Revenue Reserves - Unrestricted</i>				
Profit /(Loss) brought Forward	(9,116)		18,260	
Profit /(Loss) for the year	<u>(1,095)</u>	<u>(10,211)</u>	<u>(27,376)</u>	<u>(9,116)</u>
		<u>£178,804</u>		<u>£175,639</u>

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Full Profit and Loss Account

For the year ended 31st December 2016

	2016 £	2016 £	2015 £	2015 £
Income				
Bank Interest earned		119		21
Sales of Electricity		1,640		
Gifts and Donations				
Unrestricted		105		575
Other				40
Miscellaneous				3
		<hr/>		<hr/>
		1,864		639
Expenses				
Advertising and Promotion			2,355	
Bank Charges	7		125	
Fees and subscriptions	195		115	
Casual wages	96			
Insurance	692		200	
Sundry Expenses	33		85	
Postage and Delivery			5,252	
Professional Fees	550		19,823	
Conference & meeting Expenses			60	
Depreciation Solar Equipment	1,348			
Accommodation costs	38			
	<hr/>		<hr/>	
Total Expenses		<u>2,959</u>		<u>28,015</u>
Operating Profit / (Loss) before tax		(1,095)		(27,376)
Less Corporation Tax		<hr/>		<hr/>
		0		0
Profit / (Loss) After Tax		(1,095)		(27,376)
Profit / (Loss) brought forward		<u>(9,116)</u>		<u>18,260</u>
Profit / (Loss) carried forward		£(10,211)		£(9,116)