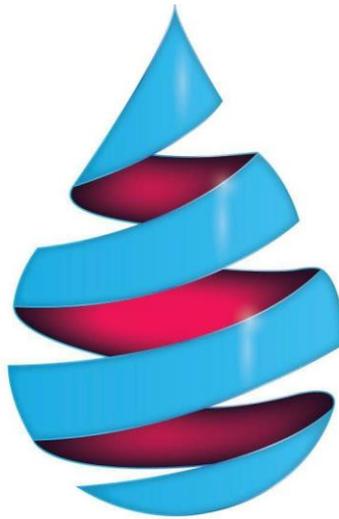


Reading Hydro

Community Benefit Society Ltd

Annual Report and Financial Statements

for the year ended 30th September 2019



Reading Hydro is a Community Benefit Society registered with the Financial Conduct Authority
Registration Number: 7212
Registered Address: RISC, London Street, Reading, RG1 4PS
reading.hydro.cbs@gmail.com
hydro.readinguk.org

Reading Hydro CBS Ltd

Society Information

Directors

Michael Beaven
Tony Cowling
Sophie Paul
Erica Purvis (resigned 26 March 2019)
Sarah Rigby (resigned 4 May 2019)
Andy Tunstall (appointed 24 September 2019)
Anne Wheldon
David Whipple (appointed 26 March 2019)

Registered Office

RISC, London Street, Reading, RG1 4PS

Registration Number 7212

Bankers

Metro Bank
201 Broad Street Mall
Reading
Berkshire
RG1 7QA

Reading Hydro CBS Limited

Directors' Report for the Year Ended 30 September 2019

Principal activity

The principal long term activity of the Society is planned to be the generation and sale of electricity from renewable sources. To this end, the current main activity is taking steps to build a hydro electricity generating scheme in Reading. The Society engages its members with the activities of the Society and continues to grow the membership.

Review of the business

Reading Hydro CBS (RH), born out of The Reading Sustainability Centre (TRSC), has pushed forward with our plan to install a community owned hydro generation scheme on the Thames adjacent to Caversham weir in Reading. This is a brief summary of work undertaken prior to and during the reporting year, and work planned for the subsequent year.

Previous years

- Obtained funding for initial exploratory works, planning and permissions (TRSC)
- Gained abstraction and impoundment licences from the Environment Agency (TRSC)
- Established Reading Hydro CBS Ltd duly constituted with directors
- Awarded planning permission for our initial plans to build a hydro generation scheme using Archimedes screw technology (TRSC / RH)
- Researched technologies and established a detailed financial model for the project
- Assessed a promising alternative hydro technology option, and engaged with the technology provider
- Enhanced our publicity with a new website, regular newsletters, development of a professional logo, together with promotional material (including branded posters, flyers, and e-newsletter)
- Engaged with a local primary school science club and attended other educational events

Year to September 2019

- Applied for planning permission for the alternative technology (later withdrawn)
- Obtained a DNO agreement with Scottish and Southern Electricity Networks (SSEN)
- Made agreements with TRSC to use their existing permissions where possible.
- Ran and marketed a successful Pioneer share offer raising £16,025
- Applied for and awarded a £15,000 Reach Fund grant.
- Applied for and awarded a £4,000 grant from Reading Climate Change Partnership in exchange for Pioneer shares.
- Tendered for the production of an outline design of the scheme, and commissioned consultants Renewables First to undertake this work
- Worked collaboratively with the Environment Agency in order to obtain all the necessary permits and permissions required by the Ofgem Feed-In Tariff pre-accreditation scheme
- Met the FiT pre-accreditation deadline of 31 March 2019, for a hydro scheme using Archimedes screw technology, through a concerted effort of all involved.

- Continued active engagement with our alternative technology provider. However by the end of the financial year it was apparent that the concept would not be proved in time.
- Made the final decision to use Archimedes screw technology for the scheme, based on financial and technical feasibility. Obtained build estimates.
- Insured for new areas of responsibility.

Continued and ongoing activities

- Growing the Reading Hydro CBS membership and involving many skilled volunteers.
- Maintaining links with related organisations, including TRSC, the Things Network, Greater Reading Environmental Network, Renewables First, Energy4All, Energy Local, Low Carbon Hub, Community Energy England, Reading Geeks, Reading Hackspace and other Reading sustainability and technology groups.
- Growing our online presence.
- Continuing engagement with the Environment Agency, Reading Borough Council and SSEN to obtain extensions and variations to permissions and authorisations as needed.
- Building relationships with potential partners
- Attending and speaking at relevant events and to Reading-based interest groups, and exploring further educational opportunities
- Improving our route to membership and supporters' experience

Plans for the 2019-20 Financial Year

- Run a main community share offer to finance the final design and construction of the hydro scheme. This will include:
 - Obtaining a letter of intent from a preferred electricity customer, including Heads of Terms.
 - Commissioning detailed designs and plans for the scheme.
 - Refining our financial model.
 - Commissioning the production of a business plan and share offer document.
 - Applying for Community Share booster funding from Cooperatives UK 'Power to Change'
 - Marketing the share offer to increase awareness of the project, attract significant numbers of local investors (who become members of Reading Hydro CBS) and raise the target investment.
 - At the close of the offer, dealing with any over- or under-subscription as appropriate.
- Once funds are in place, progress the project quickly towards construction. This will include:
 - Reorganising our board and volunteer teams and roles, defining and filling any skills gaps.
 - Negotiating any necessary variations or extensions to permissions and authorisations.
 - Commissioning the final design, leading to tender for and commissioning of the civil engineering works, and procurement of mechanical and electrical system
 - Finalising the process for selling electricity and the contract with the customer.
 - Agreeing a timeframe with all involved parties, and ensuring that work is properly overseen.
 - Ensuring that risks and responsibilities are clearly set out and appropriately assigned, taking legal advice on all contracts and agreements.

- Ensuring suitable insurance cover as activities change and grow.
- Beginning work on site.
- Seek funding for broader work such as environmental improvements, documentation and publicity for the build process, educational resources and visits.
- Maintain and increase engagement with Reading Hydro members.

Summary of the financial position

Income during the 2019 financial year came from a grant of £15,000 applied for, and received from, the Access Reach Fund. Other receipts consisted of income from donations and sale of Christmas cards and badges.

Members Equity increased from the gradual issue of one share to each new individual applicant upon payment of £1 for admission to membership of the Society. In addition the Pioneer Share Offer was Crowdfunded and raised £16,025 of share capital.

Payments consisted of share offer costs, regulatory fees to the FCA, and membership of Co-operatives UK, commercial insurances, and costs associated with technical advice and obtaining Environment Agency licences.

Outlook and principal risks and uncertainties

The chief source of funding for the coming year will be from the main share offer, with continued minor finance from grants and donations. The directors remain committed yet realistic, and additional capable and resourceful members continue to offer voluntary help to the project.

The principal risks for the following financial year relate to obtaining the necessary funds from the main share offer, validating the financial model with refined figures and initiating the build.

Greater funding and expenditure activities will increase the requirements for tight financial management of the Society. Increased risks largely relate to holding main share offer funds, the many steps to ensuring the build remains viable, followed by the management and commencement of the build or alternatively returning remaining funds if necessary.

There are also risks from any potential future partners or contractors not being able fulfil their role in the project, for example due to insolvency. If they are a necessary part of the project and viable alternatives are not possible, then this would endanger the future of the project. Therefore, when arrangements with potential partners and contractors are being negotiated and agreed, open discussion and clear definition of contingency plans will be used to mitigate such risks.

Professional project management and health and safety oversight will be required, along with legal scrutiny of all contractual documents

At the close of this financial year the Society has sufficient cash to finance the detailed design, produce a business plan and market the main share offer. It is possible that the planning permission and Environment Agency permits could have a value, but this is not quantifiable.

The outlook is promising, yet there are many hurdles to jump before the project can be judged viable and safely built.

At the time of writing (February 2020) we have already finalised the business plan, and have achieved the target investment in the share offer including Booster funding. We have commissioned detailed design drawings and begun reorganisation towards initiating the project build.

Continued work will include looking at raising alternative funds for the fish pass, covering legal, insurance and technical aspects, and putting the civil engineering work out to tender, with the construction dates and timeframes agreed with the appointed contractors. These stages of the project will involve coordination with the scheme designers, the Environment Agency, Reading Borough Council, the technology providers and the civil engineering team, with associated project management.

The above stage of the project is the most capital-intensive, and includes the risks associated with building in the river. Good technical, legal and contract advice will be required to minimise the risks involved, in addition to suitable insurance cover.

Interest payments and capital returns to members

There will be no interest payments or capital returns from the activity of the Society this year.

Incorporation and member engagement

The Society became Reading Hydro CBS Ltd in September 2016 (formerly Berkshire Energy Pioneers CBS as incorporated in September 2015).

On the 30th September 2019 the number of members of the Society was 208.

Member and community engagement are important aspects of the Society's governance and we welcome support, ideas, comments and assistance.

We can be contacted by emailing reading.hydro.cbs@gmail.com, through the Reading Hydro Project Facebook group, through @rdghydro on Twitter or Instagram, and by signing up for our newsletter via our website: hydro.readinguk.org. Anyone can get involved in person by attending our Annual General Meetings or open events, which are announced via our main communication channels above.

Our Society's community engagement involves an increasing variety of events and publicity, including a strong online presence and attractive e-newsletter, press releases, action evenings, public social gatherings, partnership with other community groups, and educational links.

The directors express their sincere thanks to all those who have, and continue to, support the Society and Reading Hydro project.

Board procedures

The board meets every two to four weeks in person or online, to review the operations of the Society and to take any necessary decisions about the governance, management and future direction of the Society. Work is divided between subgroups of directors and active members, which report to board meetings. Throughout the development and construction stages of the project, board activity is necessarily frequent, demanding and multi-faceted.

Once the hydro scheme is operational, a new phase of governance will commence.

Directors of the Society

The directors who held office during the year were as follows:

Michael Beaven

Tony Cowling

Sophie Paul

Erica Purvis (resigned 26 March 2019)

Sarah Rigby (resigned 4 May 2019)

Andy Tunstall (appointed 24 September 2019)

Anne Wheldon

David Whipple (appointed 26 March 2019)

No directors received remuneration from Reading Hydro CBS Ltd.

Changes to the board

Under our rules, each year one-third of the elected directors must stand down each year and may offer themselves for re-election. We currently have five elected directors, thus the two longest-standing, Sophie Paul and Anne Wheldon, will stand down at the AGM in 2020. They have both offered to stand for re-election.

Appointment of auditors

In accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014, we are deemed a small society for this financial year. At the March 2019 AGM the members agreed to disapply the requirement for accounts to be audited. Instead, our accounts have been reviewed by a qualified accountant.

Directors' responsibilities

The rules of the Society require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the profit

or loss of the Society for that period. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Directors on 14 March 2020 and signed on their behalf by:

Sophie Paul
Director and Chair, Reading Hydro CBS Limited

Reading Hydro CBS Limited

Independent Accountant's Report to the members on the unaudited accounts of Reading Hydro CBS Limited

We report on the financial statements of the Society for the year ended 30 September 2019 on pages 10 to 14.

This report is made solely to the members as a body. Our reporting work has been undertaken so that we might state to the members those matters we are required to state to them in an independent accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of management committee and independent accountant

The management committee is responsible for the preparation of the accounts and they consider that an audit is not required for this year and that an independent accountant's report is needed.

It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of Independent Accountant's Opinion

Our procedures consisted of comparing the accounts with the books of account kept by the society and making such limited enquiries of the officers of the society as we considered necessary for the purpose of this report. These procedures provide the only assurance expressed in our opinion.

Independent Examiner's Opinion

In our opinion:

- a) The accounts are in agreement with those accounting records kept by the society under the Co-operative and Community Benefit Societies Act 2014, s.75;
- b) Having regard only to, and on the basis of, the information contained in those accounting records, the accounts have been drawn up in a manner consistent with the accounting requirements of the applicable legislation; and
- c) The society satisfied the financial criteria enabling it to disapply the requirement to have an audit of the accounts for the year as specified in the Co-operative and Community Benefit Societies Act 2014, s.84(1), as amended by the Co-operative and Community Benefit Societies Act 2014 (amendments to Audit Requirements) Order 2018.

Vale & West Chartered Accountants

Victoria House, 26 Queen Victoria Street, READING RG1 1TG

15 March 2020

Reading Hydro CBS Ltd

Income statement for the year ended 30 September 2019

	Notes	2019	2018
Income			
Donations	2	£913	£554
Grants and Bursaries		£2,186	
Sales	3	£40	£253
Total Income		£3,139	£807
Expense			
Advertising and Promotion			
Charitable Donations			
Share offer expenses		£1,547	
Cost of sales			£150
Insurance		£465	
Dues and Subscriptions		£93	£378
Miscellaneous Expense			
Professional Fees			
Site development cost		£1,034	£494
Total Expense		£3,139	£1,022
Operating profit (-loss)		£0.00	-£215
Other Interest and similar income			
Other Interest Payable and similar charges			
Net Profit / - Loss for the Year		£0.00	-£215

The above results were derived from continuing operations. No activities were discontinued during the year.

The Society has no recognised gains or losses for the year other than the results above.

The notes on pages 13 to 14 form an integral part of these financial statements.

Reading Hydro CBS Ltd

Statement of financial position at 30 September 2019

	Notes	30 Sep 19	30 Sep 18
Assets			
Fixed Assets	5	£0	£0
Hydro-Electric Plant			
Accumulated Depreciation			
Total Fixed Assets		<u>£0</u>	<u>£0</u>
Current Assets			
Prepayments - project costs		£12,409	£2,267
Grant funding		-£8,642	£0
Prepayments - other		£571	£0
Total Cash at bank and in hand		<u>£20,211</u>	<u>£675</u>
Total Current Assets		£24,549	£2,942
Current Liabilities			
Accounts Payable		£3,954	£1,260
Grant funding		£4,172	£0
Directors loans		<u>£451</u>	<u>£1,814</u>
Total Current Liabilities	6	£8,577	£3,074
Net Current Assets		<u>£15,972</u>	<u>-£132</u>
Total Assets Less Current Liabilities		<u>£15,972</u>	<u>-£132</u>
Net Assets		<u>£15,972</u>	<u>-£132</u>
Capital and Reserves			
Members Equity	7	£16,187	£83
Accumulated Revenue reserve		<u>-£215</u>	<u>-£215</u>
Shareholder Funds		<u>£15,972</u>	<u>-£132</u>

The Statement of Financial Position continues on the following page.

The notes on pages 13 to 14 form an integral part of these financial statements

Reading Hydro CBS Ltd

Statement of financial position at 30 September 2019 (continued)

The society is satisfied that it is entitled to exemption from the requirement to obtain an audit under section 84 of the Co-operative and Community Benefit Societies Act 2014 (the Act).

The members have not required the society to obtain an audit of its financial statements for the year in question in accordance with the Act.

The directors acknowledge their responsibilities for:

- 1) ensuring that the society keeps proper accounting records which comply with section 75 of the Act;
- 2) establishing and maintaining a satisfactory system of its books of account, its cash holdings and all receipts and payments in order to comply with section 75 of the Act; and
- 3) preparing financial statements which give a true and fair view of the state of affairs of the society as at the end of the financial year and of its income and expenditure for the year in accordance with the requirements of section 80, and which otherwise comply with the requirements of the Act relating to the financial statements, so far as applicable to the society.

These financial statements have been prepared in accordance with Section 1A of FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

These financial statements were approved by the board of directors and authorised for issue on 14 March 2020, and are signed on their behalf by:

Sophie Paul
Director and Chair

Michael Beaven
Finance Director

Anne Wheldon
Director and Company Secretary

The notes on pages 13 to 14 form an integral part of these financial statements.

Reading Hydro CBS Ltd

Notes to the Financial Statements for the year ended 30 September 2019

1 Accounting policies

Summary of Significant Accounting Policies and Key Accounting Estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

These financial statements were 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. There have been no departures from the requirements of FRS 102 Section 1A - small entities.

Basis of Preparation

These financial statements have been prepared using the historical cost convention.

Summary of Disclosure Exemptions

There are no disclosure exemptions applicable to the Society.

Going Concern

In the opinion of the directors, the Society is a going concern.

Revenue Recognition

Turnover is the amount derived from ordinary activities and is stated net of Value Added Tax.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and call deposits.

Share Capital

Ordinary shares are classified as equity.

Shareholders' Interest

During the reporting year the shares carried no right to interest, dividend or bonus.

2 Donations Received

	2019	2018
Donations received from external sources	£913	£554

3 Sales Income

For Christmas 2017 Reading Hydro CBS created and sold greetings cards to raise funds for the Society.

	2019	2018
Sale of Christmas Cards and pin badges	£40	£253

Reading Hydro CBS Ltd

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

4 Directors' Remuneration

No Directors received remuneration for the year.

5 Fixed Assets

The Society held no fixed assets during this stage of project development.

6 Current Liabilities

	2019	2018
Director's loans repayable within 12 months	£ 451	£1814
Other creditors	£3954	£1260
Grant Funding	£4172	£ 0
Total	£8577	£3074

7 Members Equity

In the year ended 30 September 2019 the Society's constitution was changed so that a member could hold more than one share. Normally one share of the Society of the nominal value of £1 is issued to each individual upon admission to membership however those applying for shares in the Pioneer Share offer received more than one share. Each member has one vote regardless of the number of shares held.

	2019	2018
"A" Ordinary shares of £1 (pre change)	£83	£83
"B" Ordinary shares of £1 (post change)	£16,104	£0
Total	£16,187	£83

Reading Climate Change Partnership have agreed to invest £4,000 by the purchase of 4,000 £1 ordinary shares.

8 Post Year End Events

During December 2019 to February 2020 a Community Share Offer was made to raise £700,000 share capital which achieved its target.