

M&S Energy Society

AGM 26th March 2019

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**Two Rivers Community Energy Society Limited (trading as M&S Energy Society)
Chairman's Report to Members - Year ending 30th September 2018**

I am pleased to make my report to members of M&S Energy Society (the "Society"). This report principally covers the financial year ending on 30 September 2018 which was our second full year of trading.

We will be holding our AGM on Tuesday 26th March 2019 at the offices of Marks and Spencer plc at Waterside House, 35 North Wharf Road, London W2 1NW and I do hope you can attend.

2017/8 Financial Performance and Accounts

In our second year we generated about 698,356kWh of renewable electricity, all of which was used by the host M&S stores. This has reduced carbon emissions by about 368 tonnes using grid average figures at the time of installation. Carbon savings are probably greater as our generation will usually result in a reduction in generation from gas.

Overall generation in the financial year was a little below target, mainly due to issues at Longbridge and Hempstead Valley.

Details of generation by store are set out in the table below:

Site	2017/8 budget in kWh	2017/8 actual in kWh	2016/7 actual in kWh	% of budget achieved
Banbury	43,850	43,758	41,580	99.8%
Cheshire Oaks	45,350	47,328	45,080	104.4%
Cheshunt	131,380	131,207	132,120	99.9%
Hayle	212,000	199,802	191,230	94.2%
Hempstead Valley	95,872	79,252	85,320	82.7%
Longbridge	40,650	27,276	4,733	67.1%
Torbay	89,000	84,806	89,100	95.3%
Truro	91,800	84,927	83,760	92.5%
Total	749,902	698,356	672,923	93.13%

We have taken a full depreciation charge in this year's accounts. Our expenses are in line with our budget. Generation in the year was affected by the absence of generation from Longbridge in the first quarter (the system had been removed and disconnected as mentioned last year, and was reinstated in December 2017; a claim against the contractors, which covered most of our loss, was met in full by their insurers). In the late summer there was then a failure of the inverters at Longbridge, which were repaired and replaced under warranty, but not finally repaired until December 2018. We also had a major failure of inverters at Hempstead Valley, probably due to a lightning strike. We also anticipate that generation at both Hayle and Truro was initially projected to be slightly greater than is likely to be achieved. These setbacks will not affect payment of interest or repayment of capital to members but will reduce the community fund.

In January we paid members interest for the 2017/8 financial year at the rate of 5%, at the full projected rate set out in the share offer. The interest paid was slightly greater than our pre-interest surplus because of some loss of generation as described above, but the shortfall will be caught up over the life of the project.

Generation to date

At the end of January 2019, total generation since the project commenced exceeded 1,527MWh, all of which had been used by Marks & Spencer. This is a very satisfactory achievement and delivery of your Society's mission.

Other developments during the year

I am pleased to report that all our sites have now been registered for Feed-in Tariff (FIT) and all are currently generating well. All payments due of FIT and from Marks and Spencer have been paid.

We accepted an attractively priced offer to extend the warranty period on our inverters at Cheshunt and Hempstead Valley, extending the warranty period to ten years. Although the warranty is only as good as the person making it and does not cover all loss or damage to inverters, it gives us a good prospect of reducing our repair and maintenance costs over the next ten years at those sites.

We have also installed an additional meter at our Hayle site. This has enabled us to divide the site into two equal halves for monitoring, so any difference between them will indicate an issue to be addressed.

We have also continued to do a lot of work to create the systems needed to operate the Society smoothly and are continuing to develop these, including accounting and monitoring.

First redemption of shares

As set out in the share offer we intend to redeem about 15% of our shares in October 2019, as the first step in returning members' investment. We will contact you further about this in the summer. Our present intention is to enquire then which members wish to redeem their shares, and give those members priority in the return of capital; to the extent material funds allocated for share redemption are left over after repaying members who wish to redeem their shares, we will apply those remaining funds to redeem the same proportion of all members' shares. We intend to redeem shares annually thereafter, giving all members a chance to realise their investment if they wish and otherwise returning the same proportion of all members' investment.

Community Benefit

Our mission is to benefit the community primarily by reducing climate change emissions, alleviating fuel poverty, increasing generation of renewable and low carbon energy and conserving energy. Principally we are delivering our mission by installing and operating our solar pv installations. We also aim to lead by example, encouraging other owners and users of commercial buildings to work with communities to generate more renewable energy whilst supporting their community. This has been made more difficult by the many regulatory changes that have been made since the last election, all of which have been unsupportive of community renewable energy. Nevertheless, many commercial roofs do remain viable and the Society has had discussions with several other retailers and commercial landlords about what we've done to encourage them to deliver something similar, so far without success. The Society's work remains pioneering and market leading and we hope it will be replicated!

After meeting the cost of operating the Society and its solar panels and paying interest to members, the cash surplus remaining is applied as community benefit, to further deliver the objects of the Society. For the first three years, the amount of cash for community benefit generated by the Society is projected to be very modest, if any. From year four it is projected to increase sharply. At this stage in the Society's development, therefore, we feel we should wait until the community funds are rather larger, and we are satisfied that the Society is operating successfully, efficiently and effectively from its current solar panel sites, before considering how best to apply those funds.

However, we welcome your ideas on how best to implement this part of our mission once the funds have increased. Preferably we're looking at projects in the vicinity of the M&S stores which have our solar panels on them.

Further information about the Resolutions to be proposed at the Annual General Meeting

Motion 1: *to approve the minutes of the Annual General Meeting held on 14th March 2018.*

The minutes are available on our web site. If you'd like a set to be posted or emailed to you, please let me know.

Motion 2: *to receive and adopt the Report of the Directors and the unaudited financial statements of the Society for the year ended 30th September 2018, together with the report of the accountants thereon.*

Further information about the accounts is given above.

Motion 3: *to re-appoint the firm of Melville & Co, Chartered Accountants, as the appropriate person to make a report on the accounts and balance sheet of the Society for the Society's year of account ending 30th September 2019 at a fee to be agreed by the Board.*

Melville & Co are local to Energy4All and are experienced in advising and reporting on the accounts of energy co-operatives such as your Society. The Society's financial books are being maintained by Energy4All for us at their Barrow office, so having accountants local to that office is more cost effective. Melville & Co are very competitively priced, which is also important. We recommend that they be re-appointed. They will also assist the Society on its tax computations and returns and will make the Society's tax return and capital allowances claims for the year ending 30th September 2018.

Motion 4: *to disapply the obligation of the Society to appoint auditors pursuant to Section 84 of the Co-operative and Community Benefit Societies Act 2014 so that an audit of the accounts of the Society shall not take place for the Society's year of account ending 30th September 2019.*

The Society passed a similar motion last year prior to the share offer, and in consequence the accounts presented to you this year for approval have been reviewed and reported on but not audited by the Society's accountants, Melville & Co. The Board does not consider it is appropriate to incur the additional cost of an audit (about £1,500-2,500) for such a small and comparatively straightforward business and the additional expense of an audit has not been budgeted.

It is for the members to decide each year whether to have an audit or a review and report.

Motions 5: *to reappoint Mike Smyth as a director of the Society.*

One third of the Board (apart from Jonathan Hazeldine who is a co-opted member and represents Marks & Spencer) retire each year. This year Mike Smyth is retiring by rotation and I am pleased to report that he has agreed to stand for reappointment. No other members applied to stand as directors. More information about Mike is given in the document headed "Nominations to the Board".

If you are unable to attend the AGM, I do urge you to participate by voting electronically on the motions by visiting the members section of the Society's web site.

The installation of our solar panels on 8 M&S stores was a highly complex project to deliver in a very short timescale. There has continued to be a lot of follow up work to do and we had more than our fair share of issues to resolve, but I am pleased to report that matters are now currently operating broadly as we had hoped, and this unique project is delivering the benefits for the environment, community and members that was our aspiration.

I do wish to thank all those involved who made it possible and in particular the teams at Marks & Spencer, Joju Solar and Energy4All. Finally, I would like to thank all my fellow board members who have contributed so much, as volunteers, in a challenging and demanding start up period.

Yours sincerely

Mariana Spater
Chair, M&S Energy Society
28th February 2019

**Two Rivers Community Energy Society Limited
(trading as M & S Energy Society)**

**Notice of Annual General Meeting to be held on
Tuesday 26th March 2019**

NOTICE is given that the Annual General Meeting of members of the Society will be held at 7pm on Tuesday 26th March 2019 at the offices of Marks & Spencer plc, Waterside House, 35 North Wharf Road, London W2 1NW for the following purposes:

AGENDA

1. Introductions and welcome.
2. **Motion 1:** To approve the minutes of the Annual General Meeting held on 14th March 2018.
3. **Motion 2:** To receive and adopt the Report of the Directors and the unaudited financial statements of the Society for the year ended 30th September 2018, together with the report of the accountants thereon.
4. **Motion 3:** To re-appoint the firm of Melville & Co, Chartered Accountants, as the appropriate person to make a report on the accounts and balance sheet of the Society for the Society's year of account ending 30th September 2019 at a fee to be agreed by the Board.
5. **Motion 4:** To disapply the obligation of the Society to appoint auditors pursuant to Section 84 of the Co-operative and Community Benefit Societies Act 2014 so that an audit of the accounts of the Society shall not take place for the Society's year of account ending 30th September 2019.
6. **Motion 5:** To reappoint Mike Smyth as a director of the Society.
7. Any other business.

Close of Formal Business

By order of the Board
Annette Heslop,
Company Secretary
28th February 2019

Registered Office:
Unit 26, Trinity Enterprise Centre
Furness Business Park
Barrow in Furness
Cumbria
LA14 2PN
Tel: 01229 821028

Please refer to the enclosed Form of Proxy for instructions on voting.

Nominations to the Board

The Rules allow for a maximum of nine Board members. As this is the third Annual General Meeting of the Society one of the three elected directors (nominated by lot, as each elected director has served for the same period) shall stand down. Mike Smyth is standing down at this Annual General Meeting and he is seeking re-election. The board has not received any nomination to join the Board from members. A competitive ballot is not required as the total number of Board members will not exceed nine. Members are asked to re-elect Mike Smyth.

Retiring Directors Seeking re-election

Mike Smyth

Mike is a solicitor who lives in Milford, Surrey. He is the volunteer chair of Energy4All Limited, and also the volunteer chair of Wey Valley Solar Schools Energy Co-operative Limited and The Schools' Energy Co-operative Limited, both of which install Solar Panels on schools, and a director of two other co-operatives which are members of the Energy4All family. Previously he was a partner of Lawrence Graham, a major London based firm of solicitors, for more than 20 years, specialising in corporate and commercial law. He chaired Friends of the Earth Trust until 2012.