

Brendon Energy Ltd, Registered Number 31263R

Brendon Energy Ltd

An Industrial and Provident Society for Community Benefit
A Company Limited by Shares
Company No. 31263R

Reports and Financial Statements
Year Ended 31 March 2012

**Report and Financial Statements
Year Ended 31 March 2012**

Approved by the Directors

 Date 4/10/12
Gareth Hoskins
Company Secretary/Director

 Date 4/10/12
Dave Mansell
Director

 Date 4/10/12
Iain Beath
Director

Registered Office:

The Old Parsonage Farm
Huish Champflower
Taunton
Somerset
TA4 2EW

Accounting Reference Date: 31/3

Bankers:

The Co-operative Bank, P.O. Box 48, 1 Balloon Street, Manchester M60 4GP

Directors:

Iain Beath, Gareth Hoskins (Company Secretary), Dave Mansell (Treasurer)

Website:

www.brendonenergy.org

Structure, Governance and Management

Brendon Energy Ltd is a company limited by shares governed by its Rules. It was incorporated 11 May 2011 with the Financial Services Authority as an Industrial and Provident Society for Community Benefit under company number 31263R. Brendon Energy is managed by its board of Directors also known as Committee of Management. The first directors of the society, nominated by subscribers to the rules, were: Gareth Hoskins, Iain Beath, Geoff Johnson, Mandy Johnson and Phil White.

In recognition of work done, a share award was offered to founding Directors, as described in notes to the accounts 3b.

Phil White resigned on 30/5/2011. Dave Mansell was co-opted to the board on 8/9/2011. Directors stood down at a members' meeting on 22/3/2012 when Gareth Hoskins, Iain Beath and Dave Mansell were nominated and elected to the board.

Objectives and Activities

Brendon Energy Ltd is a community group set up to establish local community energy schemes. Projects generate clean power, provide a return to investors and all profits are invested in new projects and donated to benefit the local community.

Achievements and Performance

In 2011 Brendon Energy launched its first share offer to local people. In December of that year the share income and a loan made it possible to progress the first project of installing a 28.9KW solar PV array on the Children's Centre, Wiveliscombe, Somerset. The installation was completed in time to secure the government's higher rate Feed-in Tariff and was commissioned on 2 December 2011.

In 2012 a sub-group started preparatory work for a wind project in the Ten Parishes, including consideration of how best to involve local people and what returns could be earned for local communities from a small number of community-owned wind turbines. Brendon Energy looked at a range of renewable energy technologies, before choosing to pursue wind power, which it is believed offers the most benefit to communities in the Ten Parishes.

Financial Review

2011/12 has been the first year of trading for Brendon Energy. Previous preparatory work had been carried out by 10PTI Energy Ltd – a separate company. Brendon Energy's first share offer launched 9th July 2011 attracted £23,981 from 50 local investors. In addition Brendon Energy was offered a loan of £50,000 on favourable terms to allow maximum advantage to be taken of the Feed-In-Tariff (FIT) rates then available for solar PV energy projects.

The first project of installing a solar PV system on Wiveliscombe's Children's Centre was successfully completed and commissioned on 2 December 2011. The timetable for this installation had to be brought forward by about three months due to the

Government announcing at short notice that deep cuts in FiT rates were to be brought forward from April 2012 to take effect from 12 December 2011. Despite challenges this created, such as needing to arrange a survey, planning application, lease agreement and insurance as well as the installation itself in a short period, arrangements were successfully made in time and Directors took care to ensure undue risks were not taken with investment funds.

The terms of the £50,000 loan were formalised. The interest rate is fixed for 5 years to match that offered at the time by the Halifax online saver rate of 4.5% per annum and, after this period, the same or nearest equivalent Halifax (or successor) savings account rate at the time will be applied. The loan is to be repaid within 10 years and annual repayments will have priority for Brendon Energy after the payment of expenses for the Children's Centre project.

Brendon Energy was required to pay VAT at 20% on the Children's Centre installation which amounted to £12,364.80. VAT registration has subsequently been successful. A claim for repayment of VAT paid has been submitted but not received. It had been originally understood that the VAT on the installation would be at the 5% rate. When it was found that the rate would be 20% this led to a shortfall. This was covered by a short term interest-free loan of £524.15. It was agreed that this would be repaid when the VAT refund is received, as expected.

The company 10PTI Energy Ltd conducted feasibility studies for renewable energy projects in the local area, including paying for roof surveys and professional fees and funded set up costs of Brendon Energy Ltd including production of share offer document and website set-up.

The solar panels installed on the Children's Centre are performing very well, with electricity output 25% above original forecasts in the first 3 months of 2012, when the weather was also more sunny and less overcast than usual for the time of year.

Plans for Future

When 10 PTI's source of funding ends in May 2012 all 10PTI's assets and liabilities will be transferred to Brendon Energy. This will be shown in 2012/13 accounts.

As reported to members in March 2012. Directors decided not to pay interest on shares in 2011/12, because shares were only held for part of this financial year, the first income from the Feed-in-Tariff (FiT) would not have been received in this period and, at the rate of 1% originally proposed, the payments would be small for the administration involved. To more than compensate, directors decided the first annual interest payment should be paid in Autumn 2012 at 4%, rather than stepping-up to this rate as originally proposed during the share offer period, as FiT income to be received from the Children's Centre installation would be sufficient to pay this as the annual interest rate from 2012/13.

A cash flow forecast for the Children's Centre project shows a surplus of £100,000 being generated by this project over the 25 years that the FIT is guaranteed for. Most will be generated after the loan is repaid from 2022.

Directors have agreed £500 will be paid to community projects in both 2012/13 and 2013/14 and anticipate allocating £1,000 in these years to support new community-owned renewable energy projects. Over the 25 years for which the feed-in-tariff is payable on the Children's Centre installation, the surplus generated will be split between community and new renewable energy projects.

It is anticipated that further share offers will be launched to attract investment in new projects.

Membership

Since registering 11 May 2011 Brendon Energy has admitted 53 people into membership, with no-one ceasing membership. Membership at 31 March 2012 is 53.

Risk Assessment

Risk	Impact	Probability	Mitigation
Damage to or failure of solar PV system	High	Low	Regular readings monitor output. System in fairly safe location, guaranteed and insured, including for loss of income.
Loss of financial reserves	Medium	Low	Reserves held are low and in Co-op business account, so should be secure.
Misappropriation of funds by Director	Medium	Low	Two signatures required for cheques. Policy that board approves online payments. Bank statements sent to different director from one with online account access. Directors elected by and accountable to members.
VAT repayment not received on solar PV system	Medium	Low/Medium	Short-term loan and 10 PTI liabilities to be paid off over longer term, reducing community fund.
Reduction in Feed-in Tariff	Depends on how much reduced	Low	None, but government have previously guaranteed tariff and annual inflation uplift.
Lack of volunteers to administer and manage company	High	Low/Medium	Annual general meetings held to elect directors. Payment for management and administration may have to be made, reducing community fund.
Future projects have adverse effects on Brendon Energy	High	Low/Medium	Risks to be assessed and cautious financial forecast undertaken. Directors to only proceed if favourable.

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

2. Revenue

- a. As at 31st March 2012 Brendon Energy had issued its first invoice to Good Energy for electricity produced from commissioning date 2/12/11 to 20/3/12. Total generation tariff: 4,340 units at 32.9p total £1,427.99. Deemed (50%) export tariff: 2,170 units @3.1p total £67.28.

3. Overheads

- a. **Loan transfer arrangement fee:** It was necessary to transfer the loan money to Brendon Energy quickly to ensure the Children's Centre installation met the time scale for the higher rate feed-in-tariff and this incurred a cost.
- b. **Share Award:** Founding directors were offered a one-off award of shares for work done in setting up Brendon Energy in May 2011, with an offer of 1,125 shares accepted by Iain Beath and 2,000 shares by Gareth Hoskins. Also 50 shares have been awarded to Johnny Mars for his assistance with the share offer launch event in July 2011. These awards were agreed by members as part of the directors' report at a meeting in March 2012 and a motion to confirm the award was agreed at a members' meeting in July 2012.
- c. **Depreciation:** The PV array is to be fully depreciated in a straight-line over 25 years. 25 years is the time that the feed-in-tariff is guaranteed for and therefore the time that the system is of value to Brendon Energy.

4. Assets

- a. **VAT:** VAT registration was successful and a claim for repayment of the full VAT paid on the solar PV installation has been submitted but not received. VAT repayment is dependent on the whole supply of electricity produced by the panels having VAT charged. In practice this means that electricity deemed to be exported to Good Energy is to have VAT charged at 20% and electricity deemed to be used by the Children's Centre is to have VAT charged at 5%.

5. Equity and Liabilities

- a. **Share Capital:** Total shareholding of £1 shares is 27,156.
- b. **Director's Loans:** £50,000 loan from Gareth Hoskins interest rate 4.5% per annum for first 5 years. Loan to be repaid in 10 years. £524.15 short-term, interest-free loan from Geoff Johnson.