

SOLAR PV PROJECTS

FINANCIAL ILLUSTRATIONS



The financial illustrations for solar electricity PV projects in this information sheet need to be read alongside the Brendon Energy offer document for the share issue opened on 9th July 2011. These illustrations are partly based on assumptions, using the best information available to the Directors of Brendon Energy, and are not a guarantee of performance. It is important to read the offer document and note the risks described.

Project Income and Returns

- Solar electricity from PV panels provides building users with free solar electricity when generated, so saving on grid electricity costs.
- For certified installations, a Feed-in Tariff (FiT), set by the government, is paid for all solar electricity. This is guaranteed for 25 years and the tariff increases in line with inflation - using the Retail Prices Index (RPI).
- In 2011/12, the Feed-in Tariff is paid at a rate of 32.9p per kWh (electricity unit) for all solar electricity generated by projects of over 10 to 50 kW. The generation rate is 37.8p per unit for projects of over 4 to 10 kW. An export tariff of 3.1p per unit is also paid for all solar electricity not used by the building and fed-in to the national grid for others to use.
- Feed-in Tariff income will be paid to Brendon Energy for funded projects.
- The budget for each project will allow share capital to be repaid within the life of the project, but this capital may be reinvested in further renewable energy projects.
- Brendon Energy plans to pay similar interest on share investment to that offered by the Ouse Valley Energy Services Company (see: www.ovesco.co.uk) for their recent successful share offer, which raised £307,000 from community investors. It is planned to pay interest on shares as shown in table. A higher return will be paid if possible.
- Brendon Energy has received advance assurance that on the basis of information supplied, it will qualify under the Government's Enterprise Investment Scheme (EIS), which is designed to help smaller higher-risk trading companies raise finance by offering a range of tax reliefs to investors. This includes allowing qualifying investors to reduce their income tax liability by 30%* of the amount invested – see: www.eisa.org.uk/benefits
- Budgets prepared for solar PV projects allow for the withdrawal of some share investment after the third year and for all capital to be repaid or reinvested within 25 years, when FiT income ends.
- Brendon Energy budgets cover costs of insurance, maintenance and an annual audit of accounts. Management costs will be kept to a minimum for early projects but may need to be increased as more projects are implemented.
- After paying all costs and share returns, it is forecast that FiT income on solar PV projects will be sufficient to generate a net return, which will be used to invest in new projects and to establish a fund for more projects of community benefit.

| Year | Interest |
|-----------|----------|
| 1 | 1% |
| 2 | 2% |
| 3 | 3% |
| 4 & after | 4% |

* Relief increased from 20% in 2011 Budget – see: www.hmrc.gov.uk/budget2011/eis-vct-reforms.pdf

Cash Flow Forecasts for Brendon Energy Projects

A) Children's Centre, Wiveliscombe - 68 Solar PV Panels with capacity of 16 kW

Investment of £43,460 in Brendon Energy would enable 68 solar PV panels to be installed on the roof of Wiveliscombe Children's Centre with a generating capacity of 16 kW. The cash flow forecast with inflation of 3% per annum for this project is as follows:

| End of Year | Feed-in Tariff Income | Overheads & Management Costs | Share Interest and Capital Repayment | Net Return to New Projects & Community | To/From Cash Reserve |
|--------------|-----------------------|------------------------------|--------------------------------------|--|----------------------|
| 1 | £4,907 | £1,985 | £435 | £1,000 | £1,488 |
| 2 | £5,029 | £1,787 | £869 | £1,000 | £1,373 |
| 3 | £5,154 | £1,840 | £1,304 | £1,000 | £1,010 |
| 4 | £5,282 | £1,895 | £3,408 | £1,000 | -£1,021 |
| 5 | £5,414 | £1,952 | £2,504 | £1,000 | -£42 |
| 6 | £5,548 | £2,011 | £2,469 | £1,000 | £68 |
| 7 | £5,686 | £2,071 | £2,434 | £1,000 | £181 |
| 8 | £5,827 | £2,133 | £2,399 | £1,000 | £295 |
| 9 | £5,972 | £2,197 | £2,364 | £1,000 | £410 |
| 10 | £6,121 | £2,263 | £3,164 | £1,000 | -£307 |
| 11 | £6,273 | £2,331 | £2,260 | £1,000 | £681 |
| 12 | £6,429 | £2,401 | £2,225 | £1,000 | £802 |
| 13 | £6,588 | £6,820 | £2,191 | £1,000 | -£3,422 |
| 14 | £6,752 | £2,547 | £2,156 | £1,000 | £1,049 |
| 15 | £6,920 | £2,624 | £2,956 | £1,000 | £340 |
| 16 | £7,092 | £2,703 | £2,052 | £1,000 | £1,338 |
| 17 | £7,268 | £2,784 | £2,017 | £1,000 | £1,468 |
| 18 | £7,449 | £2,867 | £1,982 | £1,000 | £1,600 |
| 19 | £7,634 | £2,953 | £1,947 | £1,000 | £1,733 |
| 20 | £7,823 | £3,042 | £2,747 | £1,000 | £1,035 |
| 21 | £8,018 | £3,133 | £1,843 | £1,000 | £2,042 |
| 22 | £8,217 | £3,227 | £1,808 | £1,000 | £2,182 |
| 23 | £8,421 | £3,324 | £1,773 | £1,000 | £2,324 |
| 24 | £8,631 | £3,423 | £1,739 | £1,000 | £2,468 |
| 25 | £8,845 | £3,526 | £22,602 | £1,000 | -£18,283 |
| TOTAL | £167,301 | £67,841 | £73,647 | £25,000 | £813 |

B) Children's Centre, Wiveliscombe - 85 Solar PV Panels with capacity of 20 kW

Increased investment of £49,530 in Brendon Energy would enable a larger installation of 85 solar PV panels on the roof of Wiveliscombe Children's Centre with a generating capacity of 20 kW. Over 25 years, this would generate a total FiT income of £209,276, total share interest and capital repayment of £83,920 and a net return for investment in new projects and a community fund of over £45,000 (£1,000 per annum rising to £2,000 pa from year 6).

C) Victoria Rooms, Milverton - 39 Solar PV Panels with capacity of 9 kW

Investment of £28,560 in Brendon Energy would enable 39 solar PV panels to be installed on the roof of the Victoria Rooms, Milverton with a capacity of 9.2 kW. Over 25 years, this would generate a total FiT income of £106,636, total share interest and capital repayment of £48,390 and a net return for investment in new projects and a community fund of £6,000.