Power for Good Co-operative Limited

Business Plan

November 2016

Second Project: Solar Panels for New Life Baptist Church, Kings Heath

New Life Baptist Church, Kings Heath
Left: Front elevation
Right: Rear of building, where the panels will be installed

Power for Good Co-operative Limited is registered in England as a Community Benefit Society
Registration number: 31738R.
Registered office: 3 Roxburgh Road, Sutton Coldfield B73 6LD
Tel 0121 241 5830   Email: powerforgood.coop@gmail.com
Website www.pfg.coop

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ORIGIN, VALUES AND AIMS

Power for Good Co-operative Limited (PfG) is a Community Benefit Society registered in 2012 by members of faith communities in the West Midlands, with the aim of taking local action on the global issue of climate change.

Concern about the effects of climate change is widespread and urgent. The Intergovernmental Panel on Climate Change (IPCC) has concluded that there is now unequivocal evidence of warming of the atmosphere and oceans, with a 95% probability that human influence is the dominant cause. In response, faith groups worldwide have called for joint action on emission reductions, the phasing-out of fossil fuel subsidies and access to renewable energy technologies for all. Faith groups have welcomed the U.N. Paris Climate Change Agreement and look forward to the government policies that will make it possible to keep the rise in temperatures to below 2%. Meanwhile the cumulative effect of small local projects will create a momentum and give encouragement to government to act to fulfill the Paris Agreement.

PfG's Founder Members, who belong to a variety of worshipping groups, are committed to working to reduce the carbon emissions of religious communities in the West Midlands. Our local action is to finance the installation of renewable energy measures in places of worship across the region with funds raised through Community Share Offers. These installations will not only increase the amount of renewable energy produced but also, through their location on prominent community buildings, increase awareness and promote discussion on responses to climate change.

Achievements to date

Over the summer of 2015, the Board of PfG ran a successful Community Share Offer and raised the capital to install solar photovoltaic panels on the roofs of two churches: St Richard's in Kitts Green, Birmingham, where we have an array of 9.8 kWp; and St Andrew's in West Bromwich, where we have an array of 19.5kWp.

Current Project

It is the Board's intention to launch a second Community Share Offer in order to raise the capital for a third installation on the roof of the New Life Baptist Church in Kings Heath.

PEOPLE AND STRUCTURES

Legal status

Power for Good Co-operative Limited was registered in September 2012 as a Community Benefit Society, a form of social enterprise which is similar in many respects to a co-operative. As a

Community Benefit Society, PfG can carry on activities in much the same way as a limited company, in that:

- its members (shareholders) enjoy limited liability
- it has legal personality and can enter into contracts and sue or be sued in its own name
- it can own property, employ staff and borrow money.

PfG's legal form entails some features which are significantly different from those of a commercial company:

- it is owned and democratically controlled by its members on the basis of one member, one vote, irrespective of the number of shares held
- it is permitted to offer shares for sale to the public outside the regulations normally applicable to financial promotions
- its shares are unlisted and cannot normally be transferred
- its members can apply to withdraw their capital, but the directors have absolute discretion to disallow requests for withdrawal
- the value of its shares may fall, but there is no prospect of an increase in share price or other capital gain
- rewards to members are primarily in the form of social, rather than financial, dividends
- returns can be paid on members' investments, but the rate of return must not exceed 5% per annum or 2% above the Co-operative Bank's base rate, whichever is the greater
- it is subject to a statutory asset lock which stipulates that, in the event of dissolution or winding-up, residual assets cannot be distributed to members but must instead be transferred to another asset-locked body, such as another asset-locked Community Benefit Society, a Community Interest Company (CIC) or a registered charity

Rules

PfG's governing document is its Rules. These are closely based on the Community Finance Model Rules developed by Co-operatives UK and can be found on our website at http://powerforgood.btck.co.uk/RulesofPowerforGood

Community benefit obligation

PfG is obliged by its Rules to carry on its business for the benefit of the community by installing renewable energy measures on places of worship, or on their associated or community buildings. We meet this obligation by selecting host buildings which are in regular day-time use for community purposes, such as children's groups, drop-in centres and support activities for the young, the elderly and the marginalised. By providing host buildings with low cost, low carbon electricity, we hope to help make such services to the community more sustainable, both financially and environmentally.

Co-operative principles
PfG is a corporate member of Co-operatives UK. As such, it fully embraces the co-operative principles of self-help, self-responsibility, democracy, equality, equity and solidarity and strives to uphold the ethical values of honesty, openness, social responsibility and caring for others.

Governance
PfG is led by its board of directors. The current directors are:

Paul Bracher is the vicar of St Richard`s Church, Lea Hall on the east side of Birmingham. Before Paul became a director, with help from Power for Good, solar panels were fitted on the roof of St Richard`s Church and, with assistance from the congregation, Paul has also been exploring instigating other energy efficient measures at St Richard`s. In addition, because of church partnerships, Paul is involved in trying to encourage greater energy efficiency, including by means of utilising solar power in the country of Malawi in southern Africa. Before becoming a priest Paul was a practising solicitor in Dorset.

Margaret Healey-Pollett (Chair) is a Founder-Member of PfG, and has been interested in renewable energy for as long as she can remember. Currently, she manages All Saints Centre Café in Kings Heath, an offshoot of All Saints Church. The café is in the part of the building where solar panels were installed, paid for by loans from the congregation. Margaret used to produce Energy Performance Certificates and Green Deal Advice Reports, and continues to be interested in the energy efficiency of buildings. Solar panels were installed on her home in September 2010. She has previously worked as a teacher, an Oxfam shop manager, and an administrator at the University of Birmingham Chaplaincy. She is a graduate in Theology from the University of Bristol.

John Heywood (Secretary) is the Company Secretary and a Founder Director. Armed with a degree in classics, ancient history & philosophy from Oxford University, John spent his working life in the tough realities of child care social work. This reinforced his habits of caution and attention to detail, combined with patience and optimism. A life-long interest in the natural world and thrifty use of resources has led him to believe that climate change is the major threat to our world; and that it is worth tackling at all possible levels, winning hearts and minds on the way. John is a member of the environmental group at his church in Sutton Coldfield, and took the lead in securing the installation of 9kW of solar panels in 2014 with tangible benefits already evident to the congregation (and the treasurer). He also has solar photovoltaic panels on his house. He continues to work with the Deanery and Diocese on a range of matters relating to climate change.

Steve Lyne is a Founder Member of PfG. A retired quantity surveyor with 40 years' experience, Steve has a good understanding of building construction and civil engineering, and knows how the industry works. He also maintains great interest in all modes of renewable energy generation, while focusing on solar PV and keeping abreast of current developments.

He is a member of a Transition Group in Sutton Coldfield, is involved in a hydro scheme in a Birmingham park and is currently renovating his house to a low-carbon standard. Steve belongs to Wylde Green United Reformed Church, in Sutton Coldfield.

Beryl Moppett is a graduate in Maths from London University and a retired Maths teacher. She is a Reader at St Helen's Anglican Church in Solihull. She first got involved in Green Theology after attending a day's seminar by A Rocha. Now she is the chair of the Solihull Big Green Group and for the last five years has organised the Solihull Go Green Fair on behalf of the Solihull Faiths Forum. Beryl has had solar PV panels on her house since 2010.

Rudy Smith is a part certified accountant who gained early experience with KPMG and Kalamazoo. Passionate about sport, particularly rugby, he developed and directed a series of sports related businesses. For ten years he also ran Malvern Rugby Club. He is a member of SS Mary & Ambrose Anglican Church, Edgbaston.

Nigel Speakman Nigel comes to the board after forty years as a telecommunications engineer and is a member of the Institute of Electrical Engineers. He has been active in Scouting for 54 years; and is currently the District Commissioner for Sutton Coldfield East. Nigel has fully insulated his house and has solar water heating panels on his roof. He is a member of St Peter's Parish Church, Maney, in Sutton

John Wilkinson is a retired Anglican parish priest. He is a graduate in Theology from Cambridge University, and then served as a VSO volunteer for two years in Belize. After parish ministry in inner-city Birmingham, he was a theological college tutor in Mission, Pastoral Studies and Black Theology. He is active in peace and justice issues and has a particular concern for combating climate change, the generation of energy from renewable sources and reducing the carbon footprint of church and other religious communities. Solar panels were installed on his home in 2010. He belongs to St Hilda's Church, Warley Woods, in Smethwick.

The board of directors is elected by and from the Society's members in accordance with PfG's Rules. All of the directors serve in a voluntary capacity and are unpaid. At each AGM one-third of the serving directors will retire by rotation, but may seek re-election if they so wish. Ensuring the organisational sustainability of PfG is a key objective of the current board, who actively encourage the participation of members in the activities of the Society in order to ensure a succession of committed and qualified candidates for election as directors.

The work of PfG is undertaken primarily by the directors, who may also co-opt up to two external independent Directors who need not be Members and are selected for their particular skills or experience or both. In addition to the formal roles of chair, secretary and treasurer, other responsibilities are undertaken by directors on an ad hoc basis and are currently focused primarily on project management and preparations for the second Community Share Offer.

CORE BUSINESS

Primary activity

The primary business activity of PfG is facilitating and financing the installation of solar panels on faith community buildings in the West Midland region. So far two installations have taken place on St Andrew's West Bromwich, and St Richard's Kitts Green.

Potential sites are identified through personal contacts, the website (www.pfg.coop) and supportive networks of those concerned to mitigate the effects of climate change. With support from professionals, PfG provides for each site, planning support and technical advice to take projects through to completed installation.

Current project

The New Life Baptist Church in Kings Heath has a south-facing roof with very little shading. It is used during the day by a Nursery School, a cafe and other activities. It was identified as an excellent site for solar panels in a report commissioned by Kings Heath Transition Initiative in 2011.

A structural survey has been carried out and formal consent for the installation of solar PV has been obtained from the relevant authorities. A rent-free lease for the use of roof space is being negotiated and will be signed before installation begins.

Financial resources required

The total capital cost of the project, net of Value Added Tax (VAT), is £24,600, which we will seek to finance from the proceeds of a Community Share Offer. An additional £4,920 will be needed to cover VAT, which will be charged at 20%, but PfG is registered for VAT and expects to be able to recover the VAT paid within about six months after the completion of the projects. Accordingly, the fund-raising target for the Community Share Offer does not include VAT, which will be financed from an interest-free bridging loan from one of the directors which will be repaid as soon as the VAT is recovered.

Expected operating income

With the second project PfG's operating income will be derived from the Feed-in Tariff (FiT) and the sale of electricity to the church. The starting rate of FiT generation payments is expected to be 4.25p/kWh, and the export tariff will be 4.91p/kWh. The sale of electricity is projected to be at the rate of 10p/kWh.

PfG will retain ownership of the installations and the income streams they generate throughout the 20 year duration of their FiT contracts. This income will be used to fund returns to shareholders, repay capital, and meet operating expenses.

Rewards to investors

In accordance with PfG's obligations as a Community Benefit Society, rewards to investors will be primarily in the form of social, environmental and community benefits rather than in financial returns. These benefits will include lower-priced electricity for the host building, a reduction in its carbon footprint and the promotion of renewable and sustainable energy through the visibility of the project on a prominent community building.

Potential financial returns to investors are limited by PfG's Rules, which stipulate that the rate of return paid on share capital must not exceed 5% per annum or 2% above the Co-operative Bank's base rate, whichever is the greater. The directors' current expectation is that the return on share capital will be paid at the rate of 2% per annum from Year 4 onwards.

OPERATING CONTEXT

The following main factors have influenced the formation of PfG and are expected by the directors to impact on its future activities.

Climate change and the role of faith groups

In its Fifth Assessment Report published in 2014, the IPCC concluded that there is unequivocal evidence of warming of the atmosphere and oceans and that many of the associated impacts, such as rising sea levels, have occurred since 1950 at rates unprecedented in the historical record. There is a clear human influence on the climate, with a 95% probability that human activity has been the dominant cause of warming, leading to the conclusion that the longer we wait to reduce carbon emissions, the more difficult and expensive it will become.

In April 2016, an interfaith climate change statement was handed to the UN General Assembly. The statement confirms the support by the world faiths of the Paris Agreement, and encourages all governments to ratify it.

> 'The Statement renews the strong commitment of the faith community to remain active in defining the moral responsibility to care for the Earth, and it also encourages its own communities to reduce emissions and to divest and reinvest in renewables'.
> http://www.interfaithstatement2016.org/home_april

PfG's directors and members belong to a variety of worshipping communities and are committed to working to reduce the carbon emissions of faith communities in the West Midlands.

UK Government policies on renewable energy

Feed-in Tariff

The Feed-in Tariff (FiT) scheme was introduced by the UK Government on 1 April 2010 as a means of encouraging investment in renewable energy by providing guaranteed payments for electricity from renewable sources. FiT payments consist of two components:

- generation payments, in pence per kilowatt hour (kWh) for all electricity generated, including electricity used within the host building
- export payments, also in pence per kWh, for surplus electricity exported to the grid. In the case of smaller community projects such as NLBC, exports are currently unmetered and it is assumed ("deemed") that 50% of the electricity generated will flow automatically to the grid

Once an installation is in place and has been registered for FiT, the rate of generation payments is fixed, subject only to adjustment for inflation, for the duration of the FiT contract: in the case of solar PV, the length of FiT contracts is 20 years.

At the end of 2015, following a consultation, the Government cut the FiT rate dramatically so that, (unlike with our first two installations), it has become necessary for PfG to charge the host building for the electricity it will use from the panels in order that PfG has sufficient income to support a community share offer.

Pre-registration with Ofgem

PfG has pre-registered the proposed solar PV system with Ofgem. This means that the requirement that the building has a D rating or above on the EPC in order to receive FiT, has been waived. The pre-registration will expire on 25th May 2017.

Regulation of co-operative and community benefit societies

As a condition of incorporation, PfG is registered as a Community Benefit Society with the Financial Conduct Authority (FCA), the registration authority for co-operative and community benefit societies, to which it submits its accounts and reports annually on its activities. The FCA has extensive powers to ensure that societies operate in accordance with their Rules, including the ability to appoint inspectors and to suspend or cancel the registration of any society which in its view is failing to meet the conditions of its registration, which include a community benefit obligation.

COMMUNITY SHARES AND POTENTIAL INVESTORS

Attracting and retaining share capital

The Community Benefit Society model has features which may be unfamiliar to shareholders who have previously invested in listed companies or in products such as Individual Savings Accounts (ISAs):

- community shares are unlisted and cannot normally be traded or transferred – although members may apply to withdraw their share capital
- shares may decrease in value with no corresponding prospect of capital gain
- Community Benefit Societies are required to operate for the benefit of the community rather than for the financial gain of their investors
- rewards to members are chiefly social rather than financial but returns to investors are paid at a rate sufficient to attract and retain working capital

These features, particularly limited returns and the absence of a share market, create risks so that investors may mistakenly expect a rate of return commensurate with investment in a commercial company, and they may seek to withdraw their share capital when this expectation is not fulfilled.

PfG's strategy to overcome such attitudes will be, firstly, to foster enthusiasm for, and ownership of the project among investors who belong to the churches where panels are to be installed by

- encouraging investment from within these churches
- making sure that all understand the benefits to all users of their building
- emphasising that reduction of their church's carbon footprint demonstrates commitment to the agreed values and aims of the Christian community to which they belong

Secondly, PfG's strategy will be to foster the same enthusiasm and ownership among investors from other faith communities by

- encouraging investment from within these communities
- explaining the aim to develop its identity as a truly ecumenical and inter-faith Community Benefit Society
- emphasising the wider community benefit of PfG as an expression of interfaith dialogue and social cohesion.

This strategic approach will be reinforced by:

- providing clear information to potential investors about Community Benefit Societies and their share capital
- including in the share offer document an explicit statement of expectations on the timing and level of returns on investment
- exercising the discretionary powers of the board to manage the timing of withdrawal of share capital other than in exceptional circumstances (eg the death or bankruptcy of a member).

Competition for ethical share capital

The people whom we will approach to be investors in PfG will have choices in the use of their money, including alternative ethical investments or charitable donations. PfG will seek to convince them that investment in our project will put their money to good use, with identifiable benefits to communities in their area, while they earn modest returns and are repaid their capital at the end of the project. However we will emphasise that their returns will be more in community benefit than financial profit.

Potential returns on investment

In making their financial projections, the PfG directors have considered what might be an affordable return to investors over the twenty-year period of FiT payments, and whether this will be sufficient to attract the necessary level of investment. Given the profile of the people we will approach for investment and their likely commitment to social causes, we believe that a return of 2% per annum, should be sufficient to attract and retain the capital necessary for the project.

Identifying and communicating with investors

The minimum subscription under the Community Share Offer will be £250. The maximum allowed in law is £100,000, but this exceeds the total we are seeking to raise. In order to achieve a wide spread of membership, the directors will be reluctant to accept a subscription in excess of £5,000.

Our last share offer was over-subscribed, and we had to return some of our members' investments (in part). Confidence is therefore high that we will meet the target. Initially, we will promote the offer among our members and others who showed interest during our last share offer; among the members of the NLBC community; and among the wider public in Kings Heath where there is substantial commitment to renewable energy. As with our last offer, we won't use a share offer platform, rather we will use a printed format, our website and our Facebook page.

SUMMARY OF RISKS

The PfG directors have carried out an assessment of the main risks to the share offer and the project. The table below summarises their analysis and the steps PfG is taking in response.

RISK	RESPONSE
Feed-in Tariff	
The Government may change the FiT arrangements for solar PV, for example by reducing FiT levels or removing indexation for inflation.	It is considered unlikely that the Government will change any existing contracts so our strategy is to proceed as quickly as possible with installation and registration in order to lock into a FiT rate before the next reduction.
With the introduction of Smart Metering, the amount exported to the Grid would be metered, resulting in a lower income for PfG.	We have taken this into account in our financial projections, assuming that it will happen in year 3.

Community share offer	
The share offer may fail to reach its total in time to meet our planned installation date of early April.	We would have to review the plans and take a decision on whether the project is still viable. Any share money already received would be returned if the project is discontinued.
Technical	
The PV systems may fail to perform to specification or degrade more rapidly than expected.	Winaico panels are covered by a 12 year manufacturer's warranty and a 25 year performance warranty. Our financial projections assume degradation at the rate of 0.7% per annum, in accordance with the manufacturer's data. In our two pilot projects, both arrays have over-performed against estimates. Panels made by the same manufacturer will be used in the second project.
The inverter may fail sooner than expected	The inverter comes with a manufacturer's warranty of five years. In addition, we maintain specialist PV insurance against financial losses arising from failure of, or damage to our plant and equipment. Our financial model assumes that, in normal operation, the inverter will need to be replaced once during the 20-year FiT contract term. We therefore intend to depreciate it over 10 years in order to create a reserve to fund its replacement at the end of its expected operating life.
The PV systems may become technically obsolete within a few years of installation.	The panels will continue to operate, probably for over 20 years, even if the technology seems dated.
The condition of the roofs may deteriorate faster than expected.	A structural survey of the roof has confirmed that it is strong enough for the panels. The surveyor carries full professional indemnity insurance.
Legal	
Church property may be damaged during installation, leading to legal claims against PfG	Our installers are insured against claims for damage to buildings. In addition, we maintain public liability insurance against claims from third parties arising from damage or injury caused by our operations.
The church governors may require the PV	The lease includes provision for compensation for lost

systems to be removed temporarily or permanently, resulting in lost income from generation	revenue if the church terminates the lease early or otherwise requires the electricity generation to be interrupted.
Financial	
PfG may face a higher than expected level of applications from members for repayment of share capital.	Except in the case of the death or bankruptcy of a member, the directors have absolute discretion to suspend members' rights to withdraw share capital. They expect to use this discretion in the early years of PfG's operations to ensure that the return of share capital does not undermine PfG's financial stability. Once PfG is fully operational, the experience of other societies suggests that it would be prudent to assume an annual withdrawal rate of about 10%. The directors intend to depreciate the solar PV panels over the 20-year term of the FiT contracts, but do not expect to replace the panels at the end of their operating lives: the reserves thus created are expected to enable PfG to meet future withdrawal requests, so long as they are not all simultaneous. The longer shares are left with PfG the more likely it will be that they can be withdrawn in full on request.
The NLBC might decide to purchase electricity from another supplier, and stop using the electricity generated by the panels.	The rate we will charge will be very competitive, and will remain fixed, subject only to annual adjustments in the RPI, or as below. Over time, the prices we charge will probably become relatively cheaper as other electricity providers raise their prices. There is provision in the lease to ensure NLBC cannot do this.
The government might add extra charges to renewable energy generators.	A clause is to be inserted in the lease to allow for an increase in the amount we charge for the electricity in this event.
Organisational	
Dependence on volunteers may mean that PfG is unable to secure succession to its board of directors or otherwise develop its activities.	We are committed to creating an open and participative organisation which will encourage all members to get actively involved. As well as raising money, this share offer is an opportunity to bring in new members to carry the organisation forward.

FINANCIAL PROJECTIONS

The table on page 18 sets out the directors' forecasts of income and expenditure over the 20-year term of assured income from FiT, and from charges to NLBC for consumption of the electricity used, and take into account the following key factors.

Capital costs

The total estimated capital cost of the project, net of VAT, is £24,600 made up of:

- Installation of the panels: £20,450
- Installation of additional 32 amp, 3 phase cabling: £3,850
- Installation of a usage meter £260

We will seek to raise £24,600 through a community share offer. This total does not include VAT, which will be charged at 20% on the installations. This will be financed from interest-free bridging loans from the directors which will be repaid as soon as the VAT is recovered from HMRC.

Community Share Offer

As a community benefit society, registered with the FCA, PfG has the power to raise capital through a community share offer. The directors did this successfully in 2015, when we raised £42,000 and commissioned the installation of PV panels on St Richard's Lea Hall, and St Andrew's West Bromwich.

A share offer is predicated on the assumption of bringing in revenue that will be sufficient to pay a modest return to investors, and to repay their share money in the fullness of time, as well as covering any overheads. With our first project, our financial projections showed that the FiT would provide us with enough income to meet our obligations. With the recent reduction in the FiT rate, this share offer will only be viable if the users of our host building are charged for the electricity they use from the panels.

Revenue

1. **Feed-in Tariff revenue**

Generation payments

Following the government's review, at the end of 2015, the generation element of the FiT has been greatly reduced. Based on an installation date of early April 2017, the directors are assuming a starting rate of the FiT generation payments to be 4.25p as stated on the Ofgem table:
https://www.ofgem.gov.uk/system/files/docs/2016/04/01_april_2016_tariff_table.pdf

Export payments

It is expected that FiT export payments will be received at a rate of 4.91p per kW hour, also found on the Ofgem table referred to above. Until Smart Metering is introduced, this payment will be for 50% of all the electricity generated. With the introduction of Smart Metering, we expect the export payment to be reduced to about 20% of the electricity generated. Our projections have used this figure from year 3, on the assumption that Smart Metering will be installed by 2019.

2. Sale of electricity

In order to make sufficient revenue to support the community share offer, it will be necessary to charge the users of the New Life Baptist Church for the electricity they use. The directors will seek to charge at a rate somewhat lower than they are paying their supplier (currently 11.6p per kWh) in order that they will benefit financially as well as environmentally.

As the building is well-used during the daytime, by a nursery and a café amongst other activities, we are assuming that 80% of the electricity generated from the panels will, in fact, be used internally. In the table below, the projections assume a charge to the church of 10p/kWh.

Year One income

Estimated annual output

The estimated annual output from the project, taking into account the orientation and inclination of the panels, the effect of shading and average sunlight hours in Birmingham, is 14,492 kW hours.

Estimated Year 1 output kWh	*FiT Generation rate* p/kWh	*FiT generation payment* £	*FiT export (50% output x 4.91p/kWh)* £	*Total FiT payments in Year 1* £	*Estimated sales (80% output x10p/kWh)* £	*Total estimated income year 1* £
14,492	4.25	616	356	972	1,159	**2,131**

Subsequent Years

Decline in performance

Based on data from the panel manufacturers Winaico, we have assumed that output from the panels will decline at the rate of 0.7% per annum.

3. Inflation

The FiT generation rate is adjusted annually by Ofgem to take account of increases or decreases in the Retail Price Index (RPI) over the preceding 12 months. For the purpose of the financial projections, the directors have assumed a 2.5% annual increase in the FiT, and in the electricity charges, over the 20 years of the project to take account of inflation. The actual percentage figure will vary from year to year, in April 2016 it was 1.2%.

Depreciation policy

The directors intend to depreciate PfG's assets so as to write off the cost of each category of asset, less its estimated residual value, over its useful economic life as follows:

- solar PV panels: 20 years straight line
- inverters: 10 years straight line
- Usage meter: 20 years straight line

The solar PV panels are expected to have an operating lifetime in excess of 25 years, but will be depreciated over 20 years to reflect the duration of the underlying FiT contracts. The depreciation reserve thus created will not be used to replace the panels at the end of their actual operating lives, but will instead create a general financial reserve for the continuation and future development of PfG in accordance with its Rules; and for the repayment of members' share capital.

Inverters typically have an operating lifetime of 10 -15 years, and the financial model therefore assumes that the inverter will need to be replaced during the 20-year term of the underlying FiT contracts for the projects. The depreciation of the inverter on a straight-line basis will create a reserve which will be used to replace it at the end of its useful operating life. The depreciation total exceeds the total capital to be raised because of the need to replace the inverter during the 20 year period.

At the end of the 20 year project, PfG may need to extend the term of the lease if the actual financial return has not matched the projections and has failed to meet the target needed to repay the capital costs to the share-holders. However, when the lease does finally expire, either the ownership of the panels will be transferred to the NLBC, or the panels will be removed, depending on the wishes of the church's managing committee at the time.

Project costs

1. Insurance

The PV panels carry a manufacturer's warranty of twelve years, and a performance warranty of twenty-five; Winaico also includes two years' insurance for the complete system in the price of the panels, covering material damage, interruption of service, and reduction in yield. Winaico give an option to extend this cover for further 8 years, at a one-off cost of about £375 and the directors have budgeted for this from Year 2. It is difficult to obtain quotations for insurance for the second decade of operation, but £675 has been allowed for this at Year 11. A further general contingency sum of £75 per annum has also been included in the projections. These amounts will be carried over from year to year in order that we have a reasonable fund for contingencies should the need arise.

2. Corporation Tax

PfG is obliged to pay Corporation Tax on its profits: this may be mitigated by capital allowances based on the value of our assets (PV panels & inverters). The value of the assets diminishes annually while the profit generated by the panels is sustained. We estimate that capital allowances will be depleted by Year 15, after which Corporation Tax will be due.

3. Return on share capital

Return on share capital is planned at 2% payable annually after Year 3. The financial projections therefore assume this payment from Year 4 to Year 20, but the actual timing and amount of payment will remain at the discretion of the Board. There is a level of risk that is shared by all the members that the actual performance might not, despite our best efforts, be as good as the projections suggest. Because of this we believe that our offer will be Sharia –compliant.

4. Start-up costs

Before the share offer can be launched, there are certain essential start-up costs, in particular a structural survey; and solicitors' fees, as a lease must be agreed between PfG and the NLBC. For our previous projects, the directors received a grant to help towards the costs incurred by PfG, but in the end there was an outstanding amount that was covered by a combination of a loan from the directors and the early FiT payments. As we now have an agreed form of the lease, we hope these costs will be lower for this project, but we still have to fund-raise in order to cover them. Over 3rd-4th October, one of the directors, Rev Paul Bracher, walked the 92 miles of the Two Saints Way from St Chad's, Lichfield to Chester Cathedral. This was quite a feat for which he has received sponsorship. The sponsorship site, https://mydonate.bt.com/fundraisers/paulbracher will remain open until 11th January 2017, and new sponsorship is welcome until that date.

5. Corporate overheads

These include all costs not directly attributable to the project, including FCA annual fees, Co-operatives UK membership subscriptions, public liability and employers' liability insurance, and other incidental expenditure. As the projected closing cash will leave only a few hundred pounds per annum to cover these overheads, the directors are fully mindful that very careful management will be needed to ensure that PfG is able to operate within the financial resources available to it. Some of the corporate costs (such as membership fees), apply to the whole of PfG and so the closing cash from the other two projects can be amalgamated with this project to meet the general costs.

Table showing Financial projections

Year	1	2	3	4-10	11-20	1-20
Total income from FiT @ 0.0425p x 2.5 annual RPI adjustment + export.	972	989	1,007	5,905	9,809	**18,682**
Total income from sale of electricity @**10p** per kWh x 80% of the electricity generated, x 2.5 annual RPI adjustment.	1,159	1,180	1,201	9,029	14,998	**27,567**
Total Income	**2,131**	**2,169**	**2,208**	**14,934**	**24,807**	**46,249**
Total depreciation (£)	(1,315)	(1,315)	(1,315)	(9,205)	(13,150)	(26,300)
Panel insurance and other project costs (£)	(75)	(450)	(75)	(525)	(1,425)	(2,550)
Cost of return on share capital (£) assuming £24,600 raised.				(3,444)	(4,920)	(8,364)
Surplus before tax (£)	741	404	818	1,760	5,987	9,035
Corporation tax (£)	-	-	-	-	(1,561)	(1,561)
Closing cash (for corporate overheads) (£)	741	404	818	1,760	3,751	**7,474**