



SOUTH EAST LONDON COMMUNITY ENERGY

Share Offer



Community
Shares
STANDARD

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Our share offer at a glance

You are invited to invest in, and become a member of, South East London Community Energy: a not-for-profit, co-operatively owned social enterprise that generates renewable electricity for the benefit of the local community.

We believe that communities, regardless of financial resources, should have access to, and benefit from, affordable low-carbon technologies. We are seeking to raise £250,000 in order to install 198kWp of solar photovoltaic panels on four schools in Greenwich and Lewisham. However, we will proceed with the project as long as we raise at least £60,000 which would allow us to install 49.5kWp of solar on one school, [Charlton Park Academy].

Taken together, these solar arrays will generate 178,132 kilowatt-hour (kWh) of clean solar electricity and save approximately 94.23 metric tonnes of CO2 emissions each year. Moreover, the schools will save an estimated £358,000 in electricity costs over 20 years. This will also enable them to direct more funds to meeting the needs of the communities that they serve. By investing in this share offer, you will also be helping us to generate a fund for tackling fuel poverty in South East London - providing much needed help to those who have to choose between heating and eating. This fund amounts to £90,000 over 20 years.

Be part of the community energy revolution

- The directors of SELCE intend to pay a 4% return on your investment
- Help schools to direct more of their funds towards serving the community
- Help us to make fuel poverty a thing of the past
- Make an impact on reducing local carbon emissions

Share offer open: 30 September 2015

Share offer closes: 11 November 2015

Minimum investment per member: £250.00

Maximum investment per member: £20,000.00



Investment at risk

We are a society for the benefit of the community, and we are allowed by law to issue withdrawable shares to the membership; however, we are not directly regulated by a statutory body. As with all risk investments, withdrawable shares could lose some, or all, their value and they are not protected by the Government's Financial Services Compensation Scheme or the Financial Ombudsman Service.

This Share Offer has been awarded The Standard Mark. The Community Shares Standard Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice.

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: communityshares.org.uk



About South East London Community Energy (SELCE)

The backstory

South East London Community Energy (SELCE) was formed in February 2014 by a group of Greenwich and Lewisham residents. We all shared a vision of a low carbon society in which everyone has access to a type of sustainable energy provision that could meet their needs and give them a voice in how that energy is produced.

We formed SELCE as a vehicle for taking action in a locally-focused way. We were inspired by the rapid growth in the past five years of what has collectively become known as 'energy co-operatives'. Energy co-ops are organisations formed by members of the community that identify suitable locations and install micro-renewable generation facilities, raising finance for the installations through community share offers.

SELCE is an energy coop for Royal Greenwich and Lewisham. These are densely populated London Boroughs with populations of 254,000 and 275,000 respectively; both are rich in linguistic and cultural diversity; and encompass areas of both affluence and deprivation.

Our mission and aims

We believe that communities, regardless of financial resources, should have access to the benefits of affordable low carbon technologies. We collaborate with local residents, businesses and organisations to reduce fuel poverty and develop financially, socially and environmentally sustainable projects which increase energy efficiency, produce local renewable energy and accelerate the transition to a low carbon energy generation system.

Our aims are as follows:

- To generate renewable and affordable energy in SE London that will mitigate climate change, and accelerate the transition to zero-carbon decentralised electricity systems.
- To build an economically sustainable business model that has a core focus on social responsibility and affordable energy provision.
- To provide tangible improvements to the financial situation of those living in fuel poverty in SE London.
- To give organisations that provide valued community services in SE London access to affordable, renewable energy - thereby reducing the burden of escalating energy costs.

Our legal structure

South East London Community Energy (SELCE) is the trading name of South East London Community Energy Ltd, which is registered as a Community Benefit Society under the Cooperative and Community Benefit Societies Act 2014 (Society number 32417). Our rules are based on Cooperatives UK model rules and are available from our website <http://selce.org.uk/key-documents/>. SELCE is a trading entity that will generate a financial surplus whilst undertaking work that benefits the community in line with our mission and aims.

The Financial Conduct Authority (FCA) is the regulator that ensures our organisation complies with this Act. The FCA has the power to cancel the registration of a society if it does not comply with relevant legislation. The FCA is also responsible for regulating financial promotions, but Community Benefit Societies are exempt from most of these regulations and consequently this share offer is not regulated.



The team

The founder members of SELCE bring with them a range of professional experience and expertise.

Dr Giovanna Speciale brings 14 years' experience in the community sector. She has worked for ARVAC (The Association for Research in the Voluntary and Community sector), ran a Community Research Consultancy and managed projects on behalf of Groundwork London. She has recently completed a M.Sc. in Energy Policy for Sustainability at the University of Sussex.

Alex Hartley has 14 years' experience managing sustainability initiatives at a senior level in business and the third sector. She has developed programmes to tackle fuel poverty, presented to PRASEG (Parliamentary Renewable And Sustainable Energy Group) at the House of Commons, and has extensive experience of the green transport sector.

Rowan Parkhouse has a background in energy finance and currently works in Renewable Energy Corporate Finance. He has an MSc in Environmental Technology – Economics and Policy from Imperial College London.

Sergio Olivares has worked in the third sector since 1982, focusing on developing alternative economic systems and democratically-run enterprises. He works for Greenwich Cooperative Development Agency and has supported many local co-operatives and social enterprises and represented third sector interests.

Sylvie Wynn is an engineer at a solar PV company where she specifies systems, designs products, and trains installers. She has an M.Sc. in Environmental Engineering from Cardiff University and has worked in the renewable energy industry for the last six years.

Camilla Berens is a journalist who has written for The Guardian, The Independent and The New Statesman on issues relating to climate change and protest movements. She has taken part in campaigns against motorway and aviation expansion and is the co-ordinator of the Stop New Nuclear Alliance.

Adam Pope has a degree in Architectural Technology. He has worked on schemes mitigating fuel poverty for the last seven years and currently works for a Lewisham Housing Association as the Sustainable Homes Project Manager.

Andrew Rendel is an asset manager with a sustainability focused investment management firm. He has been working in the financial services sector for the last five years with the majority of that time focused on renewable energy financing.

Helen Jackson has been involved in grassroots community projects since 2001, such as the Camp for Climate Action, Transition Town Brixton, and Breaking the Frame technology politics network. She has a Research Masters (MRes) in Environmental Sociology. She has worked at Corporate Watch workers' cooperative since 2008 where she conducts research and investigative journalism.

Simon Quamie comes from a scientific and technical background with an MSc in manufacturing and technology management. He has also run several small businesses - such as a health food shop. He has recently retrained to become a domestic electrician and a solar installer, and is completing further studies to qualify in plumbing.



Our current financial position

In our first accounting period 18 June 2014 to 31 March 2015 South East London Community Energy was successful in raising £28,837 in grant funds. Management accounts presented and approved at our September 2015 Board Meeting indicated that the Balance Sheet at 31 March 2015 had net assets of £258 which was represented by the Surplus for the period equivalent to the same amount.

For further information about SELCE, please see our website <http://selce.org.uk/key-documents> where you will find this Share Offer, Application Form, Business Plan, selected Financial Projections, our Rules and Accounts 2014-15.



The project

You are invited to invest in the purchase, installation and operation of solar arrays that will be installed on four schools.

Schools in the Royal Borough of Greenwich

Mulgrave Primary School is a community school that currently caters for 484 pupils aged 3 to 11. It aims to provide a broad and balanced curriculum designed to fit the needs of each child. The school also manages a Children's Centre which works to provide the best start in life for children under five by supporting families - particularly low income families - to manage their finances and stay healthy. 40% of the children that attend this school are eligible for Free School Meals. Although Mulgrave Primary School and the Children's Centre are based in an area of high deprivation (it is ranked amongst the 5% most deprived areas in the country), aspirations for all children are high.

Charlton Park Academy is based in Greenwich and has been directly funded by the Secretary of State for Education as a Residential Special Academy since August 2012. The school caters for 183 pupils between the ages of 11 and 19 that have special educational needs. Many pupils have complex or severe educational learning difficulties. The school also has a small residential unit for pupils with complex medical health care needs who require extended educational provision. The Academy aims to enable students to become successful learners, confident individuals and responsible citizens. The ethos of the school promotes personal endeavour and responsible attitudes amongst pupils, strong pastoral support and strong links with the community.

Schools in Lewisham

Horniman Primary School is a very successful one-form entry school for pupils aged 4 to 11 years situated at the top of a hill overlooking London, close to the Horniman Museum in Forest Hill. The school has a very active Eco Committee. They have won a prize from The Guardian that enabled the school to host a bicycle powered school radio station. Last year they were awarded "Gold with distinction" in the Clean and Green programme and currently have the Eco Schools silver award. Diversity, creativity, enquiry, enterprise, and the environment are at the heart of the curriculum; supporting children grow up as responsible citizens who care about the world around them. It is an exciting, happy inclusive and engaging place to learn and work; Horniman School is a learning community for pupils, staff, governors, and the community.



Ashmead Primary School is a community school in Deptford catering to 302 children aged 3 to 11. The school's vision is that every child leaves feeling 'loveable and capable'. The school has chosen 12 key values, and two of these are focused on every half term. They are: respect, perseverance, kindness, cooperation, serenity, hope, courage, responsibility, empathy, confidence, integrity and freedom. A recent survey of parents revealed that 100% of parents felt their child was happy at Ashmead School.



Installation of solar PV

The supply and installation of solar PV systems on these schools will be carried out by GHG Organisation (www.ghg-org.co.uk) who were selected on the basis of a rigorous competitive tender in which each installer was scored against weighed criteria of: cost, quality of panels and inverter accreditations, contribution to the local economy, organisational values. The company has extensive experience of installation at the 25-50kWp undertaking 3-4 projects of this size per month. They are a London based MCS registered company that comply with RECC (Renewable Energy Consumer Code). Our technical directors have since worked closely with GHG to ensure that we receive the best possible equipment and that all installations are optimally specified.



Leasing arrangements

A 20 year lease agreement that specifies the terms and conditions of our relationship with the freeholder of the schools (the local authority) has been negotiated alongside a Power Purchase Agreement with the Schools. These will be signed prior to installation. SELCE was represented by Ashursts LLP in these negotiations. SELCE would like to gratefully acknowledge their pro bono contribution to the project.



Why invest?

The schools have more funds to invest in services

Our school partners will benefit from reduced electricity costs. Our financial model suggests that, taken together, the schools will save around £358,000 on electricity bills over the 20 lease period.

Every penny that is saved will be spent on things that improve the educational opportunities, such as books, teachers, sports facilities and activities. In the words of one head teacher, "It's a no brainer!" Since schools do not have the capital to invest in purchasing a full solar array, access to solar electricity and the concomitant financial and educational benefits is made possible by this share offer.



Solar panels are a tool for environmental education

An energy monitor that provides information about the quantity of electricity generated by each solar array will be installed on public display in all of our partners' buildings. This will provide an exciting tool for hands-on education about renewable electricity. The information from the monitors can also feed into maths, science, geography and PSHE lessons.

The project generates funds for those at risk of fuel poverty in South East London

We believe that access to energy for lighting, cooking, heating and communication is essential for a decent quality of life - and yet there were 9,502 and 11,840 households in Greenwich and Lewisham respectively that are forced to

choose between paying heating and buying other essentials. And yet we know that a cold home has multiple and far reaching consequences for householders in terms of effects on physical and mental health and educational attainment: Cold homes cost the NHS £1.3bn every year (Energy Bill Revolution).

SELCE is committed to tackling fuel poverty head on. We will use any financial surplus from our renewable generation work to fund support for those who are most vulnerable. Specifically, we will use funds allocated to the 'fuel poverty' fund to (a) undertake fundraising (b) to provide match funding towards grant funded work.

During SELCE's first year we have provided energy advice to 348 vulnerable households and trained 98 front line workers in giving energy advice thanks to grant funding



from The Community Energy Saving Competition and The Big Energy Saving Network.

On the basis of financial modelling, cumulative contribution to the fuel poverty fund will amount to £90,000 over 20 years.

Avoiding Green House Gas Emissions

The need to tackle climate change and the transition to a low carbon energy system is one of the principal challenges facing our generation - and the next. SELCE's project will result in an approximate carbon emissions reduction of 159 metric tonnes of CO₂ every year.

Every unit of electricity that is generated renewably displaces electricity generated from fossil fuels, and a reduction in the greenhouse gas emissions associated. twittheieuseiernthenTthemhemfossil fuel.

Financial benefits for you

A projected return of 4%

The directors of SELCE intend to pay a 4% return on investment: Based upon our financial model, we forecast that in our base case we will be able to provide a 4% interest rate to members with full capital repayment in, or before year 20.

The Enterprise Investment Scheme

Investments may also qualify for 30% tax relief under the Enterprise Investment Scheme (EIS). Under EIS investors are able to claim income tax relief in the year of the investment for 30% of the value of the qualifying investment. The minimum investment to qualify for EIS is £500. We have received advance assurance from HMRC indicating that we will be eligible for EIS should the project continue to comply with the EIS rules (a copy of this letter is available on our website www.selce.org.uk/key_documents). SELCE will not be offering SEIS tax relief due to the fact that this would recede our ability to channel state aid funds into fuel poverty focused work.

Whilst the management of SELCE will seek to ensure that the project is run in compliance with EIS rules, we cannot guarantee that the investment will be eligible for EIS relief. SELCE is also unable to give advice to individuals on whether they would be able to claim tax relief on their investment. Investors should therefore seek independent financial advice if they intend to claim relief under the EIS. Further information is available from <https://www.gov.uk/government/publications/the-enterprise-investment-scheme-introduction>

Exemption from Inheritance Tax

Exemption from Inheritance Tax: Our shares also attract Business Property Relief, meaning they are exempt from Inheritance Tax (IT), provided the shares have been held for at least two years. See <https://www.gov.uk/business-relief-inheritance-tax> for further guidance.

Please see the terms and conditions section below for conditions under which shares can be withdrawn or nominated to someone else in the event of your death.



Community support for the project

We have actively sought to collaborate with local residents. At the inception of our organisation we held two public meetings, one in March 2014 attended by 35 local residents, and a follow-up, feedback meeting in June 2014 attended by 20 local residents. Those attending two public meetings were asked to describe their aspirations for us as an organisation. Residents were enthusiastic about our proposed renewable generation work and were keen to see schools, in particular, benefit from community financed solar electricity. They also felt that this should be coupled with an equal focus on energy justice issues, and in particular, work to address fuel poverty. It is for this reason that fuel poverty alleviation work holds equal prominence in our statements of purpose as work on renewable generation and demand reduction. It is also the reason that we have been so active in the realm of fuel poverty alleviation in our first year.

In the absence of funds to advertise those first two public meetings, their reach was understandably limited. With funds awarded by the Urban Community Energy Fund we are currently engaged in a second consultation process that aims to gather the views of a broader range of residents. If you are a resident of South East London and you would like to participate in this, please go to <https://www.surveymonkey.com/r/YOURENERGYCOOP>. By going to our website www.selce.org.uk you can also sign up to receive our newsletter, like us on Facebook, and follow us on Twitter.



Project finances

A NOTE ABOUT PROPOSED CHANGES TO THE FEED IN TARIFF RATES:

On 27th Aug the Department of Energy and Climate Change announced the government's intention to review the Feed in Tariff scheme. The proposed reductions in the Feed in Tariff proposed for installations commissioned after 1st Jan 2016 are substantial. However, SELCE have pre-registered all installations that form part of this project. Pre-registration is a facility that allows Community Benefit Societies to receive a 'tariff guarantee' valid for one year from the pre-registration application date. SELCE successfully applied for pre-registration for installations on Mulgrave School and Children's Centre, Horniman School, and Ashmead School in Dec 2014 and for Charlton Park Academy in August 2015. Provided that all installations are completed within the one year tariff guarantee period the proposed changes to the Feed in Tariff will not impact on this project.

Development costs

SELCE have incurred a number of costs in setting up our organisation and in developing this project. These include the cost of registration as a Community Benefit Society, technical assessments and structural survey. Our own fundraising activity (including our Renewable Rock benefit gig), funds from the Urban Community Energy Fund, pro-bono legal work, and over 4000 hours of volunteering time have enabled us to cover all but £4,500 of these development costs - currently loaned at 0% interest. These costs have been added to our share offer raise target.

Expenditures

There are a number of expenditures throughout the course of the project. These include:

- Interest and principal repayment to members – As detailed above in "Financial benefits for you".
- Operations and Maintenance ("O&M") – O&M costs for solar photovoltaic equipment are generally low and there are multiple providers who cover the London area. Initially we expect that these services will be provided by the installer and will total less than £500 per site per annum.
- Insurance – To minimise risk to our members we have acquired comprehensive insurance policies to cover damage to the installations. This will also cover mechanical and electrical failures of the equipment once out of the initial manufacturer's warranty period.
- Inverter Replacement – We anticipate that the inverters, required to turn the DC energy from the panels into AC energy which can enter the grid, will on average need replacing in year 10.
- Project Management and Administration – This will include preparing accounts, managing the ongoing contracts, administering payments to suppliers and shareholders, etc.





Assumptions

Our financial model uses assumptions to calculate future incomes and expenditure:

- Panel Degradation – This is the rate at which the panels become less productive. We use 0.8% which is an industry standard; however, we also model 0.9% and 0.7%.
- Inverter Life – Our inverters will be under warranty to last at least 10 years however we assume that we will then need to replace them.
- Administration Costs – Our administration cost assumptions are based upon figures supplied by other similar organisations and our own assessments of the ongoing needs of the project.
- Generation – Our solar engineer and installer have worked together to estimate the productivity (kWh/kWp) of the sites over a typical year in accordance with standard industry methodology.
- Retail Price Index – We assume that RPI will average 2.5% over the next 20 years. We believe that 2.5% is a reasonable assumption for the long term average based on historic figures and the Bank of England's target of 2% for CPI which is generally lower than RPI. When assessing the project's overall viability we have also assessed cases of 1.5%, and 3.5% long-run RPI.

Forecasts

- Based upon our financial model, using the assumptions above, we forecast that, in our base case, we will be able to provide a 4% interest rate to members, full capital repayment in year 20, and generate a fuel poverty fund of £90,000 over a 20 year period. The following section provides financial projections for a 20 year period. This does not include any income from grants for fuel poverty focused work. Tables providing information about projected cashflow and liabilities are available from our website www.selce.org.uk/for-potential-investors



Year	1	2	3	4	5	6-10	11-20	Whole project
Income								
Feed in Tariff	18,951	22,056	22,319	22,584	22,853	118,413	262,526	489,702
Export Electricity Sales	1,817	2,108	2,133	2,158	2,184	11,316	25,086	46,802
Partner Electricity Sales	5,899	6,841	6,923	7,005	7,088	36,728	81,423	151,907
Interest	238	277	458	589	617	3,499	7,354	13,032
Total Income	26,905	31,282	31,832	32,337	32,743	169,956	376,389	701,444
Expenditure								
Operations & Maintenance	(2,072)	(2,114)	(2,156)	(2,199)	(2,243)	(11,905)	(27,657)	(50,346)
Insurance	(1,004)	(1,020)	(1,040)	(1,061)	(1,082)	(5,746)	(13,348)	(24,302)
Administration	(6,045)	(6,166)	(6,289)	(6,415)	(6,543)	(34,732)	(80,684)	(146,873)
Development Costs	(4,579)	–	–	–	–	–	–	(4,579)
Tax	–	–	–	–	–	(3,319)	(24,480)	(27,799)
Total Expenditure	(13,699)	(9,299)	(9,485)	(9,675)	(9,868)	(55,702)	(146,170)	(253,898)
Cash Movements								
Net Income generated by operations	13,206	21,983	22,347	22,662	22,874	114,254	230,219	447,545
Construction VAT Recovery	37,369	–	–	–	–	–	–	37,369
Community benefit fund generated	(8,910)	(2,040)	(2,081)	(2,122)	(2,165)	(11,492)	(60,257)	(89,067)
Movements to Reserve Accounts (Maintenance, Share Capital)	(32,336)	(13,651)	(13,651)	(1,844)	(1,844)	(9,221)	24,357	(48,190)
Surplus available to members	9,329	6,291	6,615	18,695	18,865	93,542	194,320	347,658
Cashflow								
Opening Cash	9,155	13,761	10,607	10,699	10,897	11,081	10,545	9,155
Member Interest Payments	(4,723)	(9,446)	(6,522)	(6,690)	(6,874)	(35,042)	(51,372)	(120,669)
Repayment of Member capital	–	–	–	(11,807)	(11,807)	(59,036)	(153,493)	
Closing cash	13,761	10,607	10,699	10,897	11,081	10,545	0	0
Closing cash inc. reserve accounts	42,684	34,496	48,240	50,282	52,310	60,995	0	0

Share offer terms and conditions

Membership

Membership is open to individuals who are over 16 years of age, corporate bodies and voluntary organisations.

Shareholdings

The minimum shareholding is £250 and the maximum is £20,000.

Offer timetable

The initial offer period is six weeks from 30th September 2015 but may be extended for a further period, at the sole discretion of the directors.

Share withdrawal

The shares in a Community Benefit Society are not transferable, which means that they cannot be bought and sold except through the society, and the value of the shares cannot increase beyond their nominal £1 value. Whilst the expected project life is 20 years, shares may be withdrawn at an earlier stage at the discretion of the board of directors. Share withdrawal is suspended for the first three years of the project – meaning that no shares will be withdrawable until at least 2018. After this time, any members who wish to withdraw their shares, either in part or in full, can apply to the board of directors. The board will then consider applications taking into account the funds available to SELCE to make the repayment. The board will consider withdrawal applications once every three months, and, if applications to withdraw shares exceed the available funds, repayments will be offered on a pro-rata basis.

Payment of interest

Provision is made in the Rules for payment of interest on shares at rates sufficient to attract the required capital. The rate will be determined by members each year at the annual general meeting. Interest will be paid on an annual basis following our AGM. SELCE hope to be in a position to pay interest from June 2016. The directors anticipate that the project will return a projected 4% to investor-members.

Nomination option

In the event of the death of a member, the repaid value of the shares will normally be added to the estate for

probate purposes. You may (if you wish) elect to nominate a recipient for the value of the shares (but only up to £5,000) and thus (under current legislation) remove up to 5,000 shares from your estate for probate purposes (i.e. the shares may pass to the nominee outside the Will of the deceased).



Your application

You cannot withdraw your application for shares after we receive your application form. Any amounts to be invested are payable in full on application. The directors do not have to accept your application for shares. They may decide not to issue shares to you or may allocate you fewer shares than you applied for. They do not have to give any reasons for their decision. Your application will be considered for approval at the first convenient board of directors meeting after the closing date of the offer. Neither SELCE nor any of its directors can provide investment advice, tax advice or recommendations to investors.

Your payment

SELCE will acknowledge receipt of your cheque or your bank transfer and application and may cash your cheque as soon as it is received. SELCE will hold your money on trust for you until the directors consider your application, which will be after the offer closes. The directors will return your money to you (within 28 days of the board of directors meeting at which they consider your application) if they decide not to issue shares to you. If they decide to issue fewer shares to you than you applied for, they will return the balance to you (within 28 days of that board of directors meeting).

Asset lock

The assets of SELCE are protected by an asset lock that ensures that the assets of the society are used to support the aims of the society in perpetuity. This prevents disposal of assets to the sole purpose of private gain of any shareholder.

Membership rules and rights

Anyone over the age of 16 may become a member of a society provided that they meet the membership criteria and are accepted by the board.

All members agree to participate in and take an active interest in the operation and development of the society

and its business. All members will be invited to attend Annual General Meetings. Members have a duty to respect the confidential nature of the business decisions of the society and to follow the procedures contained in the rules which are publicly available on our website <http://selce.org.uk/key-documents/>.

All societies are based on the principle of one member one vote regardless of the size of investment.

Voting

All members will be invited to an Annual General Meeting (AGM) at which our annual report and accounts are considered, auditors are appointed, directors are elected, and decisions are taken on the use of profits and any resolutions to change the rules of the society. All the decisions are based on the principle of one member one vote. It is important that members attend the general meetings as the rules set a quorum for decisions to be valid. (Please see our rules for further details).

Board eligibility

The good governance of a society depends on having an active board of directors, elected by the members, to oversee the affairs of the society. In electing a board, members are delegating their sovereign powers to directors. At our AGM we will appoint a secretary, treasurer and a chair.

Investment at risk

SELCE is a society for the benefit of the community and we are allowed by law to issue withdrawable shares to the membership; however, we are not directly regulated by a statutory body. As with all risk investments, withdrawable shares could lose some or all their value and they are not protected by the Government's Financial Services Compensation Scheme or the Financial Ombudsman Service.

Risks

All investments and commercial activities carry risk. By buying shares, members should weigh up financial risk and reward as they would with any other investment opportunity. The board of directors considers that the following risks are the most material:

Failure to install by December 31st 2015

The pre-registration period for three of our four school sites on which we hope to install solar panels expires on 31st December. If installation is not complete by this date and registered with the MCS scheme a substantially reduced Feed in Tariff rate is likely to apply making the project financially infeasible. Our installers, GHG Organisation, are confident that each school installation can be completed over the course of one weekend whilst allowing a weekend contingency for each school. They allocated the following dates:

Horniman School: 14/15 & 21/22 November

Mulgrave School: 28/29 November & 5/6 December

Ashmead School: 12/13 & 19/20 December

The installation on Charlton Park Academy will take place in January; the pre-registration period on this site does not expire until August 2016

Weather variation

Solar PV relies upon the sun to generate electricity. Whilst the level of solar irradiance is largely predictable, an extended period of very low solar irradiance would reduce SELCE's income.

Failure or breakdown of panels

Solar PV is typically a low maintenance technology; however, if panels do breakdown this may reduce SELCE's income. Our panels will be covered by warranty, and insurance will be in place to cover the majority of any potential losses should this occur.

Failure or breakdown of the invertors

Invertors are typically more prone to breakdown than the panels themselves. If this were to occur it could reduce SELCE's income. Our invertors will be covered by warranty, and insurance will be in place to cover the majority of any potential losses should this occur.

Theft and damage

The installations may become damaged through vandalism, or accidental damage, or may be stolen. Our insurance will cover replacement or repair of the panels, and will cover the majority of any potential losses should this occur.

Changes to regulatory regime

If the Feed-in Tariff is retrospectively altered or scrapped, or any additional charges, taxes or levies are applied, this may reduce SELCE's income. The Feed in Tariff is guaranteed at a fixed level for 20 years under primary legislation.

Economic conditions

Whilst analysis has been conducted of "stressed" scenarios, changes to the level of economic assumptions including, but not limited to inflation, insurance costs, and operation and maintenance costs could have a material effect on the level of return to both fuel poverty fund and investors.

Whilst the board of directors has endeavoured to minimise the above risks, potential members should be aware of the potential impact of these risks on the ability of SELCE to repay share capital.

If you are uncertain whether investing in SELCE is right for you, you should consult an Independent Financial Advisor.

Contingency outcomes

Contingency arrangements

A failure to complete the installation, commissioning, and registration of solar arrays on those sites for which the pre-registration period expires on Dec 31st represents the most substantial risk to the project. Should this occur, the contingency arrangement will entail installation of panels only on Charlton Park Academy since the pre-registration period for this site extends to August 2016. SELCE are currently working to develop a second project that entails installing solar PV on 5 sites in South East London and to pre-register these. A second contingency response would be to use any funds raised to install on those sites currently under development.

If we raise more than we are ultimately able to spend on the aforementioned solar PV systems then we will return the capital on a last in-first out basis.

The future of SELCE

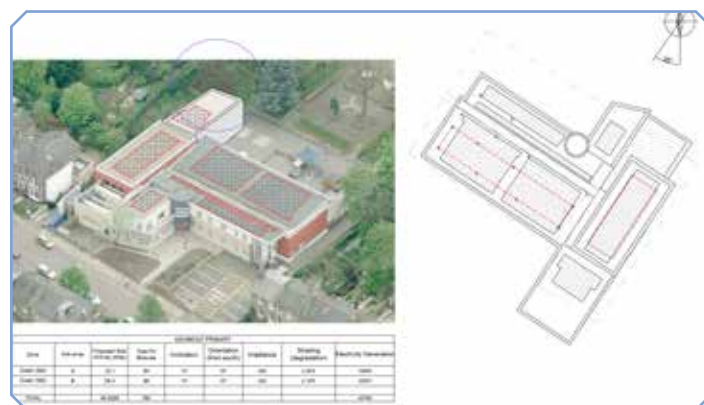
The Feed in Tariff constitutes a significant portion of the revenue stream for our community financed solar PV projects. On 27th August the Department of Energy and Climate Change announced the government's intention to review the Feed in Tariff scheme. The proposed reductions in the Feed in Tariff proposed are substantial, and reductions of this magnitude may make new solar PV installations financially unfeasible. Given the considerable public opposition to proposed changes in Feed in Tariff rates, and that the community sector is lobbying for a community tariff, we remain optimistic that future changes in the subsidy system will allow SELCE to continue to develop solar PV projects. Community Benefits Societies are currently allowed to pre-register sites for solar PV installation under development. Pre-registration is a relatively simple process that effectively allows SELCE to install solar PV, and receive the Feed in tariff rate that applies on the date of application, and for that tariff to be guaranteed for one year following application. However, this pre-registration facility will be removed from October 1st 2015. At the time of writing, SELCE is working to develop and pre-register installations on a number of sites. We believe that it is feasible to pre-register four of these sites before the Oct 1st deadline. We hope that the future for SELCE therefore involves one further solar PV project.

There are a number of viable alternative business models that we intend to explore. These include:

- Installing Community Financed Renewable Heat.
- Low energy lighting projects for schools and other community buildings.
- Water Efficiency projects for schools and other community buildings.
- Anaerobic digestion using waste materials from breweries.
- Collective purchasing on energy efficiency measures for residents of Greenwich and Lewisham.

Members of SELCE will be consulted on any new projects and proposals for future community share offers.

SELCE have worked hard to create a community investment opportunity that balances risk and reward, and that also meets our ambitious social aims. We will continue to do so, albeit using different technologies or business models. Please keep in touch via our newsletter for information about future share offer opportunities. SELCE will continue to strive towards a future where everyone has access to the energy they need at an affordable price and has a voice in how it is produced. The future is bright (or at the very least, lit by a low energy lightbulb, powered by renewable electricity, produced by a cooperatively owned energy company that caters for the needs of the community it serves).



The Community Shares Standard Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice. These standards ensure that:

- The offer document and application form are easy to understand
- You are provided with all the facts you need to make an informed decision
- The facts are supported by the annual accounts and/or business plan for the society
- Nothing in the documents is purposefully incorrect, confusing or misleading

Societies are asked to sign a Code of Practice requiring them, among other things, to give the public a right of complaint to the Community Shares Unit.

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: communityshares.org.uk





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