



**DORSET
COMMUNITY
ENERGY**

Share Offer Document November 2015



Share Offer Document November 2015



**DORSET
COMMUNITY
ENERGY**

**SHORTLISTED
SOUTH WEST
GREEN
ENERGY
AWARDS
2015**

For enquiries relating to this share offer contact:

Sharenergy
The Pump House
Shrewsbury
SY1 2DP

T 01743 277 119

E admin@sharenergy.coop

The project website with further documents is available at:

www.dorsetcommunityenergy.org.uk

This Society has been developed with support from:



Contents



Directors' Letter	4
Declaration	4
Summary of Offer	5
Business Overview	6
Financial Projections	12
Risk Factors	16
Management and Administration	17
Share Offer	20
Terms and Conditions	22
Application Form	23
Appendix	25
Glossary	27

PV solar installation
at Martinstown Village Hall

Directors' Letter

November 2015



Dear Potential Society Members,

Dorset Community Energy is your chance to directly own solar panels on schools and community buildings in Dorset. The 8 sites potentially benefitting from this share offer will receive free or low cost renewable electricity, predicted to be worth in excess of £400,000 over 20 years. Our first share offer in June 2015 supported by the Big Lottery Communities Living Sustainably in Dorset project was over-subscribed and raised £195,000 in 4 weeks. Three initial community-financed school solar panel installations and 3 village hall installations have now been successfully completed.

This 2nd share offer is more ambitious and aims to raise £352,200 of community investment to finance solar panel installations on a further 7 local schools and on the roof of Bridport Arts Centre.

You are invited to become a member of the Society. You can subscribe to this share offer for as little as £100. You will receive a fair return on your investment with an internal rate of return (IRR) of 7.4% over 20 years, with capital returned in instalments from the end of year 3 until year 20.

Because of changes to government legislation this share offer will be the last local opportunity for qualifying taxpayers to receive a 30% tax rebate on their investment through the Enterprise Investment Scheme, which will be closed to all community energy projects on the 30th November 2015.

Dorset Community Energy is a Community Benefit Society registered with the Financial Conduct Authority and our structure is based on other successful renewable energy Societies across the UK.

This Share Offer Document gives you the information you need in order to decide if this investment is right for you. We hope you do decide to join us and become a member of Dorset Community Energy.

The Directors

Declaration

The Directors hereby declare that the information contained in this Offer Document is to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Tom Burnett

Derek Moss

Tim Crabtree

Summary of Offer

This is a summary of the offer to acquire shares in Dorset Community Energy Limited ('the Society'). This summary should be read as an introduction only and any decision to invest should be made on the basis of the document as a whole.



Introduction

The purpose of this share offer is to raise £352,200 to finance solar panel installations on 7 schools and on the roof of Bridport Arts Centre. Solar panels on one of these sites, Lytchett Matravers Primary School, have already been installed using a short-term loan facility. The Society aims to be generating renewable electricity at all sites by summer 2016 under a rolling installation programme. For safety considerations school solar panel installations can only take place during holiday periods.

The Society

The Society's purpose is to generate low-carbon solar electricity, which will be provided free of charge or at low cost to each building, with any surplus going to the national grid. It is estimated the second scheme will displace the equivalent of 123 tonnes of carbon dioxide per year.

Dorset Community Energy (DCE) will generate revenue from the sale of electricity and receive income from the feed in tariff (FiT). A projected annual surplus over expenses will enable DCE to pay interest payments to members of the Society and cover operational costs including insurance.

The Offer

This Offer Document seeks to raise funds by the issue of Offer Shares at £1, payable in full on application. The offer will be opened for applications from 9th November 2015 and will close on 20th November 2015 to applications with payment by cheque to enable share offer applications to be cleared and shares issued before the end of

Enterprise Investment Scheme (EIS) eligibility for qualifying taxpayers on 30th November. Applications by BACS bank transfer can be made up to midnight on Thursday 26th November. After 20th November Share Application Forms should be completed, signed then scanned and e mailed to Sharenergy (contact details inside front cover). The signed original should also be posted to Sharenergy. Shares will be issued on 27th November.

Those applying for membership should regard these Shares as a long-term investment. They may subscribe for a minimum of 100 and a maximum of 50,000 offer shares at their £1 par value.

This share offer is designed to be eligible for EIS tax relief. At current rates of tax relief this amounts to 30% Income tax relief on investment under this share offer. Advanced Assurance of reliefs has been received from HMRC for the June 2015 Dorset Community Energy share offer, but neither the Society's nor the Members' eligibility for EIS tax relief for this 2nd share offer can be guaranteed.

Returns to Members are calculated using the assumptions stated in this Offer Document. The projected return over the expected life of the Project equates to an internal rate of return (IRR) of 7.4% over the 20 year project period. Any benefit of tax relief is in addition to this taking the IRR to 11.5%. Shares will not be traded on a recognised stock exchange and are not transferable. Members may apply to withdraw shares after the end of the third year of operation. Share withdrawal is at the discretion of the board. The Society intends to repay members' share capital over a 20-year period, subject to financial performance and available funds.

Each shareholder, whatever the relevant stake, automatically becomes an equal member of the Society on a 'one member one vote' basis.

Risks

All investment and commercial activities carry risk. Investors should take appropriate advice and make their own risk assessment whilst bearing in mind the social and environmental aspects of the Project.

Those interested in investing should do so only after reading this document in full and taking appropriate financial and other advice. This share offer is not covered by the Financial Ombudsman Service or the Financial Services Compensation Scheme.

Business Overview

This section provides details about the Project and the organisations that have put it together.



Renewable Energy Societies

The first renewable energy Society in the UK was Baywind in Cumbria, established in 1997. There are now over 100 renewable energy Societies across the UK, including many successful societies installing solar panels on schools and community buildings, just like ours. Over 1000 community energy projects were pre-registered with the regulator Ofgem during September 2015, which guarantees the Feed-in Tariff (FIT) rate for 12 months regardless of future FIT reductions or changes in government policy. All the sites to be funded through this share offer have been pre-registered with Ofgem.

Community Benefit Societies are democratic structures with the legal ability to raise money directly from members of the public. With a 'one member one vote' system and a board elected from the membership, they offer a fair and transparent way to operate a community-owned renewable energy enterprise. They ensure that control over and financial benefits from renewable energy flow to people in the locality. Societies are registered with the Financial Conduct Authority (FCA).

Key aims of Dorset Community Energy are local engagement and investment in renewable energy projects that provide a community benefit- in this case free solar electricity to schools and community buildings and educational resources for school pupils.

The Project

The Dorset Community Energy directors and secretary have undertaken the preparatory work to bring this project to fruition, working closely with consultants Sharenergy and Wessex Community Assets. The Big Lottery 'Communities Living Sustainably in Dorset' project financed the initial set up costs of Dorset Community Energy and feasibility studies for the first 6 solar panel installations now completed. The Big Lottery and Dorset County Council have contributed to the development costs of this 2nd share offer.

The following work has been achieved:

- Site assessments and Energy Performance Certificate surveys have been undertaken for all 8 sites.
- All sites have been pre-registered with Ofgem to fix the Feed in Tariff payable at the September 2015 rate for installations completed by the end of August 2016.
- Cost estimates have been prepared for each site based on quoted prices for equivalent installations financed through the first share offer. Final costs will be based on 2-3 competitive quotations for each site, to be obtained in January/ February 2016 when solar panel installation costs are anticipated to be lower.
- Financial modelling has been completed with assistance of consultants Sharenergy and Tom Burnett.
- A 12 kW solar panel installation has been completed at Lytchett Matravers Primary School using a short term loan facility, to be repaid through the share offer.
- Heads of Terms have been circulated and discussed with all sites. The agreement to participate in the scheme will be confirmed for each site before the close of the share offer, i.e. the share offer will be closed when sufficient investment has been received to finance all pre-registered installations that have confirmed in principle agreement to proceed by signing the Heads of Terms.

- All sites have solar PV planning permitted development status except Bridport Arts Centre, which is a listed building. However an initial screening opinion from the local planning authority is that planning permission is likely to be granted as the solar panels will be installed on the rear of the Arts Centre building and not visible from a public road.

Dorset Community Energy will be responsible for the on-going insurance, operation and maintenance of the solar panel installations including meter reading, collection of Feed-in Tariff income and payment of interest to investors.

Dorset Community Energy

Dorset Community Energy Limited was incorporated and registered with the Financial Conduct Authority as a Community Benefit Society number 32155R on 5th August 2013. The Society has been set up with 3 founding Directors and is completely independent of any other body.

The Society's Rules are based on Wessex Community Assets' Model Rules for a Community Benefit Society. A copy of Dorset Community Energy's Rules is available from the project website or by application to the Society (see inside the front cover of this Offer Document for contact details).

The Sites

The proposed sites to be financed by this solar PV share issue will be installed in the order shown below should insufficient investment be received to finance all 8 sites. This prioritisation reflects the order that the various sites expressed interest in a Dorset Community Energy solar PV installation and the date the sites were pre-registered with Ofgem.

Please note that the new 8 sites will be grouped together with the initial 6 sites already installed into a single investment portfolio, as all sites are a similar technology, provide a similar financial return and similar risk profile. For example, if only sufficient investment was received from the 2nd share offer to finance 5 sites, the total Dorset Community Energy solar PV portfolio would be 6 existing + 5 new = 11 installations. In this case the annual income and interest payable to members would be generated from the combined total of the 11 sites.

Please see the Dorset Community Energy August 2015 Newsletter available at www.dorsetcommunityenergy.org.uk for further details of the first 6 installations.

If deemed necessary, the directors may consider a 3rd share offer in Jan/ Feb 2016, but EIS tax relief on investments would no longer be available.

SITE	SIZE (KW)	PRIORITY FOR INSTALLATION	
Lytchett Matravers Primary School (already installed)	12kW	1	£16k
Greenford C of E Primary School, Maiden Newton	30kW	2	£170k
Bridport Primary School	30kW	3	
Bridport Arts Centre	20kW	4	
Blandford School	50kW	5	
Milldown C of E Primary School, Blandford Forum	50kW	6	£350k
Holy Trinity School, Weymouth	50kW	7	
The Swanage School	50kW	8	

The Technology

Dorset Community Energy has selected high quality solar panels from established European-based manufacturers or innovative global companies already well established in the European electronics market such as LG. All of the solar panels have at least a 10- year manufacturer's warranty and a 25-year performance guarantee of 80% of the original solar electricity output after 20 years. The small annual reduction in output has been included in the Dorset Community Energy financial model.

The directors decided to install and monitor 3 models of solar PV panels in the 6 installations financed by the first share offer in order to compare performance:

- REC solar panels installed at Martinstown Village Hall which are manufactured by a Norwegian company with 12 years' experience.
- SolarWorld solar panels manufactured by a German company with 35 years' experience in the sector, including manufacturing the solar panels used in the original American space programme.

- LG mono all-black solar panels using innovative technology to increase efficiency to 17%, compared to the current average of 15%-16% efficiency for silicon-based solar panels.

All Dorset Community Energy installations have specified high efficiency inverters (the box that connects the direct current from the solar panels to the 240 Volt alternating current grid supply) manufactured by German companies SMA and Fronius, the 2 world market leaders. These inverters have an additional advantage for school installations as they can be web-linked to provide a graphic display of the solar panel output, which is accessible from any computer and used as a renewable energy teaching resource.



Remote meter reading of solar panel installation at Martinstown Village Hall.



Graphic display via SMA providing solar panel output. Accessible from any computer.

Electricity Sales

The electricity generated by the solar panels is automatically first used on site (avoiding the cost of import of grid electricity). If a school is not in use, for example during the summer holidays, surplus solar electricity is automatically exported to the grid. Solar electricity used on site by the smaller schools and Bridport Arts Centre will be provided free of charge. All sites with solar panel installations larger than 30kW will be provided with solar electricity at a cost of 3p/ kWh, around a quarter of the cost of existing grid electricity, and provide electricity savings of at least £50,000 over a period of 20 years to each of the 4 larger school installations.

The Society is not-for-profit and receives income from the government guaranteed Feed-in Tariff to pay interest on Members' investments and generate reserves to repay Members' capital and to cover insurance and future maintenance of the solar panels.

Capital

The overall cost of the project installation phase is estimated at £352,200 - the target sum to be raised through this share offer. This sum includes a provision of £327,000 required for capital investment in the solar panels and accessories at the 8 sites (total 284kW installed capacity). The balance of £25,200 will finance project management of the solar PV installations, grid connection costs and legal costs for the necessary 'roof lease' agreements with schools etc.

A contribution of £4000 'at risk' project development and feasibility study costs has been provided by Dorset County Council and a similar sum by the Big Lottery Communities Living Sustainably in Dorset project towards pre-installation project development costs.



Martinstown Village Hall
10kW of solar panels installed
on 7th March 2015.

Project Stages and Timeline

The following timeline is indicative only:

9th November – 27th November 2015	<p>Current share offer is open for applications, by cheque until 20th November and by BACS bank transfer and scanned application forms until midnight 26th November.</p> <p>Shares will be issued to Members by 27th November to enable qualifying taxpayers to benefit from 30% Enterprise Investment Scheme (EIS) tax relief on their investment.</p>
January – February 2016	<p>Possible 3rd share offer without EIS eligibility if the November 2015 share offer is under-subscribed.</p>
February – August 2016	<p>Solar panel installations completed in a rolling programme during school holidays.</p>
November / December 2016	<p>AGM: first interest payments to members for the period to 31st August 2016 to be approved by Members at the AGM and paid to Members shortly after the AGM. In year 1 interest will be less than in future years due to the shorter interest period and delay before the first income from Feed-in Tariffs is received. Phase 1 shares and Phase 2 shares will receive the same IRR rate of interest and interest payments at the same time following member approval at the 2016 AGM.</p>

Community Benefit

Dorset Community Energy as a Community Benefit Society will provide the participating schools and village halls with free or low cost electricity from the solar panels, predicted to be worth a total in excess of £400,000 over a period of 20 years. There is a high level of interest from both school staff and pupils in using the solar panels and real-time internet monitoring as a teaching resource. In addition, the Dorset County Council Schools Energy Officer has offered support for energy saving activities to schools participating in the Dorset Community Energy programme.

Schools may also choose to use a percentage of the electricity cost savings to fund additional environmental educational activities. The directors particularly wish to encourage community cohesion by promoting the investment opportunity to local people. For example, local shareholders will be able to view the solar panels on schools and community buildings in the knowledge they are part owners of the installation through membership of Dorset Community Energy. However investment from further afield will also be welcome, as there is a growing national demand for ethical investment opportunities and support for renewable energy. In all cases the solar electricity cost savings will benefit local schools and community buildings.

Legal Agreements

The Dorset Community Energy directors have agreed terms for solar panel installations in order to clarify the legal responsibilities of the Society and the owner of the building hosting the solar panels. The legal agreements are in 2 parts, an initial 'Heads of Terms' which provides a concise summary of the full roof lease agreement (which is signed shortly before, or at the time of, the solar panel installation). The roof lease agreement for schools is based on a template developed by Dorset County Council's legal department for solar panels on schools financed by commercial organisations or Community Benefit Societies, such as Dorset Community Energy.

The lease agreement has been designed to protect the interests of the site owner, whose responsibility is limited to ensuring that trees do not grow to shade the solar panels. Dorset Community Energy accepts all costs of insurance and maintenance of the solar panels and the cost of removal and replacement of the solar panels should the roof of the building need repair or maintenance for any reason. Following the advice of installers, Dorset Community Energy has obtained independent roof structural surveys in cases where there has been any doubt of the roof suitability. The roofs of 7 sites included in the current share offer are all less than 25 years old. The directors have negotiated a bespoke roof rental agreement for the 8th site, Bridport Arts Centre, which has an older roof. In this case the Bridport Arts Centre Trustees are responsible for obtaining a roof structural survey and the cost of solar panel removal and replacement should roof repairs be required.

The Dorset Community Energy insurance policy includes damage to the solar panels from storm, fire and theft, including loss of income whilst the solar panels are repaired or replaced. However, the cost of solar panel removal and replacement for ordinary roof repairs is not insured and therefore presents a risk to shareholders which may result in lower returns (except in the case of Bridport Arts Centre). Provision has been made in the financial model for removal and replacement of solar panels for roof repairs on two sites over a period of 20 years.

A photograph of a single-story brick building with a gabled roof, covered in solar panels. The building has several arched windows and a central entrance. It is surrounded by green grass and some trees in the background.

Salway Ash Village Hall
16kW of solar panels installed
on 8th April 2015.

Financial Projections



EIS Tax Relief

The Society intends to apply for Enterprise Investment Scheme (EIS) tax relief for this share offer. This can be a significant benefit to taxpayers, irrespective of the amount of shares subscribed for or the rate at which Income Tax is paid.

Income Tax relief is a percentage of the value of the shares, which qualifying Members can claim back against income tax for the financial year in which the shares were issued (or the previous year). Shares qualifying for EIS attract 30% tax relief but must then be held for 3 years.

If shares lose value then members can set this loss (minus the initial relief) against income for tax purposes in that year (or the previous year). Funds invested in an EIS scheme can also provide significant relief of Capital Gains Tax if you have recently sold an asset.

Advanced Assurance of eligibility for Seed Enterprise Investment Scheme (SEIS) has been provided by HMRC for the June 2015 first Dorset Community Energy Share Offer. However, the directors are not in a position to absolutely guarantee Enterprise Investment Scheme (EIS) eligibility of this 2nd share offer. Investors should take their own advice as to whether they are eligible for EIS tax relief.

A further more detailed explanation of EIS in relation to community energy investments is provided in Appendix 1.

Budget

£352,200 is required to cover the installation of the new eight sites. The installation costs have been estimated from similar quotes received for the 6 installations in DCE's first share offer.

Other implementation costs are for items not included by the installers' quotes (e.g. Energy Performance Certificates, grid connection costs, legal costs, project management). All the share offer development, printing and promotional costs are covered by other existing funding sources and hence aren't included in the funding required from the share offer.

	£
1. Capital cost of installations	327,000
2. Other implementation costs	22,690
3. Contingency on implementation	2,510
	352,200



EIS Income Tax Relief Example

Mary is a qualifying taxpayer who invests £1,000 in EIS qualifying shares. The EIS relief available is £300 (£1,000 at 30%). If her income tax liability for the current or previous tax year (before EIS relief) was, for example, £3,000, she could reduce it to £2,700 as a result of her investment. For more details see www.hmrc.gov.uk/eis/

Please also read the EIS briefing note in Appendix 1.

Assumptions

The Projections are based on the following principal assumptions:

1. That annual energy production of the Installations will be in line with the estimates made. In the event that the predicted energy production falls below the projected levels the revenues of The Society will be reduced. In the case of a technical fault, the Society will endeavour to make sure that this is covered by warranties and/or insurance, including for losses of income incurred as a result.
2. Current expectations relating to the global energy market, the UK electricity industry, UK Government policy, and the desirability for and promotion of electricity from renewable sources, will remain reasonably consistent and reasonably favourable to the Installation over the next 20 years, resulting in continuing demand for electricity and related Environmental Attributes produced by the Installations.
3. Prices for insurance etc at a reasonably similar level to those currently obtainable will be achieved through the life of the Installations (after allowance for annual inflation).
4. Operation and maintenance costs will be incurred from the start of operations. Maintenance costs may rise as the equipment gets older. An allowance for maintenance including replacement of the inverters once at each site has been allowed for in the business case financial modelling. However, it is assumed that operations and maintenance costs will rise no faster than the income.

Projections and assumptions such as these are inherently less reliable over longer time spans.

Minimum Share Offer Funding Requirement to be Viable

The minimum investment to be raised for the share offer to be viable is £15,660 which is the amount for the smallest installation (Lyttchett Matravers Primary School).

Lyttchett Matravers Primary School
12kW of solar panels installed



DCE 20-year Income and Expenditure Projections

	£	£	£	£	£	£	£	£
Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Summary Yrs 6–10	Summary Yrs 11–20	Summary Yrs 1–20
Profit and Loss								
Operating Income	59,011	60,101	61,208	62,332	63,475	335,145	766,672	1,407,944
Operating Expenses	16,395	16,805	17,225	17,655	18,097	97,501	235,122	418,799
Gross Profit	42,617	43,296	43,983	44,677	45,378	237,644	531,550	989,145
Depreciation	24,360	24,360	24,360	24,360	24,360	121,800	243,600	487,200
Add interest on cash in bank	-	731	1,462	150	150	750	1,500	4,742
Net profit for distribution	18,257	19,667	21,085	20,467	21,168	116,594	289,450	506,688

Cashflow								
Operating cashflow	24,360	24,360	24,360	24,360	24,360	121,800	243,600	487,200
Less capital repaid to members	-	-	68,080	24,360	24,360	121,800	248,600	487,200
Opening cash	-	24,360	48,720	5,000	5,000	5,000	5,000	-
Closing cash	24,360	48,720	5,000	5,000	5,000	5,000	-	-

Example of Members Cashflow	£	£	£	£	£	£	£	£
A £1,000 (EIS) Member receives	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Summary Yrs 6–10	Summary Yrs 11–20	Summary Yrs 1–20
Interest on investment	37	40	43	42	43	239	594.11	1,040
Capital repayment	-	-	140	50	50	250	510	1,000
Income Tax refund	300	-	-	-	-	-	-	300
Total	337	40	183	92	93	489	1,104	2,340
Cumulative	337	378	561	653	746	1,236	2,340	2,340

	No EIS	EIS	
Members Projected Return	7.4%	11.5%	IRR

Notes on the Financial Projections

1. The projections in this offer document are based on a financial model prepared by Thomas Burnett and Sharenergy and are aligned with industry best practice.
2. The financial modelling covers all 14 Dorset Community Energy sites (i.e. the 6 in the first share offer and the 8 in the second). The IRR for the first share offer in June 2015 (6.5%) and the current share offer are broadly similar, therefore for ongoing ease of administration the costs and income from the 14 solar panel installations have been combined. In future years annual interest will be payable on all shares at the same rate, based on total performance of the 14 sites. i.e. there will not be 2 classes of shares. The figures are based on actuals, quotes or estimates received by the Society.
3. The return to members without EIS tax relief is 7.4%, or 11.5% with EIS tax relief and this is calculated as an internal rate of return (IRR). A further more detailed explanation of interest rate payable is provided in Appendix 1 to this Share Offer Document.
4. Total amount of capital is £487,200 of which £352,200 is for the second share raise and £135,000 from the first share raise (and already successfully raised).
5. The combined total amount of installed capacity is 407kW, of which 292kW is for the second share offer and 115kW that has already been installed and is fully operational.
6. Annual operating surplus, subject to the maintenance of a contingency reserve, is paid to members as interest. Capital is repaid to members from the end of year 3 with all capital paid back by year 20.
7. Income is based on the relevant 20 year FiT period, the current Feed-in tariff export rate of 4.85 p/kWh and the market export rate of 4.67p/kWh. All sites get free electricity with the exception of Holy Trinity, Blandford Secondary, Milldown Primary and Swanage School, which are charged a small kWh fee.
8. All generation yield is based on the Microgeneration Certification Scheme solar PV production data for Dorset, cross-referenced with actual production data from the initial 6 Dorset Community Energy solar panel installations. On-site usage amount is based on system size and data on existing grid electricity consumption of similar sites. An annual degradation factor of 0.7% is applied to all generation as per the performance guarantee of the solar panels.
9. Service, maintenance and inverter costs are assumed at £14/kW per annum and workmanship and equipment is warrantied for the first ten years. A provision has been made that two roofs will need repairing in the 20 years.
10. Business rates are set according to the nationwide valuation for solar PV. Insurance costs are set at £100 per site based on actuals from the first share offer.
11. Administration costs of the Society are budgeted at £6,000 per year.
12. Depreciation of equipment is straight-line over the 20-year period and creates a fund to pay back Members' capital. Capital is here modelled as being returned to Members annually from the end of year 3.
13. The projections are based on a default position where the panels are decommissioned at the end of 20 years operation and have no residual value. In practice it is expected site owners will wish to take over ownership.
14. Inflation is set at 2.5% per annum over the 20-year period and all income streams and costs are inflated by this with the exception of the income from the exported electricity that increase in-line with electricity inflation at 3.5%.

Risk Factors

All investment and commercial activities carry risk, and investors should take appropriate advice and make their own risk assessment whilst bearing in mind the social and environmental aspects of this investment opportunity.



Attention is drawn to the following:

General Investment Risks

- The value of shares can fluctuate with the value of the underlying business.
- Offer Shares will not be transferable or traded on any stock exchange.
- Members wishing to withdraw their share capital will be able to apply to the Board for this purpose after the third year of operation. However withdrawal of share capital is at the discretion of the Board.

Renewable Energy Industry Risks

- Government policy support for renewable energy is predicted to change. However throughout the operation of the FiT and previous similar schemes such as ROC and NFFO, the Government has maintained the commitment to the process of 'grandfathering' which ensures that whatever tariff a project is registered for at the commencement of operation, will remain the same for the duration of the FiT period. Therefore, revenue from FiTs for the Society should not be affected by any future changes to the FiT. This payment is also index linked to RPI.

- Long-term changes to weather patterns could result in lower levels of production. However, there is no evidence that the Society is aware of that this will affect energy production at these sites. A typical short-term weather conditions could affect expected levels of generation, although overall patterns outside anticipated parameters are unlikely.

Risks Specific to the Society

- The projections are based on the predicted energy yield of the project based on MCS industry standard solar data for Dorset, cross-referenced with actual performance data from the initial 6 Dorset Community Energy solar panel installations. If it were to be lower on average over the project period then members' return would reduce. This risk has been partially mitigated by combining the total generation from 14 sites (i.e. due to local micro-climates and other factors some sites may perform better and some worse than predictions based on MCS data).
- Equipment failure due to exceptional circumstances would increase maintenance costs and this would impact on Society income. However, warranties and insurance will be in place in the event of breakdown of the equipment and will cover loss of income for associated periods of business interruption. Accidental and malicious damage will also be covered under insurance and £5m public liability insurance is provided. All sites will be fitted with total generation meters which can be remotely monitored online, therefore any equipment failure can be identified at an early stage.
- All projects not yet installed have been pre-registered with Ofgem at the September 2015 FIT rate, which is fixed until the end of August 2016. There is a small and unlikely possibility that installations will not be completed and registered for Feed-in Tariffs by the end of August 2016, which would cause a financial loss, as solar PV Feed-in Tariffs are likely not to be available (or set at very low level) in September 2016.

Management & Admin

This section provides details on the Board and the running of The Society.



The Board



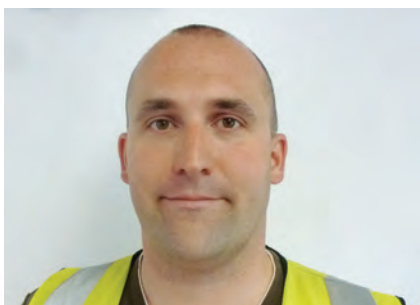
Tom Burnett – Director

Tom spent 10 years at Shell in projects, technology and commercial roles including in Alternative Energy. Since 2011 he has been an independent consultant specialising in Renewable Energy with clients including start-ups, installers, site owners and project developers.



Tim Crabtree - Director

Tim Crabtree lives in Bridport and is a Senior Lecturer at Schumacher College, teaching on Masters programmes run in partnership with Plymouth University. Tim has 30 years experience in the third sector, working in policy development and business advisor roles. Tim has previously worked for the New Economics Foundation and for South West based organisations the Bristol & Avon Community Enterprise Network, Dorset Community Action and Wessex Reinvestment Trust group.



Dr. Derek Moss – Director

Derek is a PhD Astrophysics graduate from the University of Southampton. He is from a Dorset family farming background. Derek has worked for 6 years as a renewable energy and sustainable building consultant. He now project manages the installation of mid-scale anaerobic digesters (biogas plants).



Pete West – Secretary

Pete has 15 years previous experience in the renewable energy sector including 9 years employment as Renewable Energy Project Manager at the West Wales EcoCentre and Severn Wye Energy Agency. He has been employed as Dorset County Council Renewable Energy Development Officer since 2008. He has previous experience as Secretary of Gloucestershire Woodfuels Co-operative and as Company Secretary of Dorset Flexicars Car Club.

Current and Intended Shareholdings of Directors

Directors and their direct family members invested £3,500 in the June 2015 share offer and do not intend to invest in the current 2nd share offer, although may potentially invest £20,000 in a 3rd non-EIS eligible share offer early in 2016 if the current share offer is under-subscribed.

Disclosure

None of the directors of Dorset Community Energy have, for at least the past five years, received any convictions (for any fraudulent offence or otherwise), or been involved in any bankruptcies or receiverships, or received any public reprimand or sanction by a statutory or regulatory authority or designated professional body, or been disqualified from any function by any court.

Conflicts of Interests

The Big Lottery 'Communities Living Sustainably in Dorset' project has provided financial support to Dorset County Council to enable the Renewable Energy Development Officer, Pete West, to provide technical and administrative support to Dorset Community Energy, including Secretary and financial administration services. A Memorandum of Understanding has been signed by Dorset Community Energy and Dorset County Council, which specifies that Pete West and his family are not permitted to invest in Dorset Community Energy shares, be appointed as directors or receive any financial gain from the Society whilst he is employed by the County Council.

Remuneration

The Society may employ service providers to carry out specific paid work. Service providers may also be Directors. Any payment in this case will be made for services provided and not in their capacity as Directors.

Each Director will be entitled to claim fees and/or expenses not exceeding £50 p.a. in addition to travel expenses. Directors' share applications will be met in full, but there are no pension schemes, share option schemes and except for the reimbursement of expenses, there are no other benefits for Directors.

Board Practices

Directors serve in accordance with the Rules. There are no service contracts for them or the Secretary. The Society will have no employees and the business is not dependent on key individuals. Day-to-day operations will be managed by the Society, under the supervision of the Board.

As a Community Benefit Society, Dorset Community Energy complies with statutory requirements and those of the Financial Conduct Authority. As the Shares will not be listed, Dorset Community Energy is not obliged to comply with The Combined Code on Corporate Governance.

Borrowing

The directors identified the benefit of short term borrowing to allow flexibility to finance solar panel installations between share offers and to cover temporary cash flow issues, for example awaiting VAT repayments on installation costs. A relative of the secretary Pete West has been willing to offer a personal unsecured loan of £20,000 @ 1% p.a. interest for a period of 6 months to 30th May 2016, which has been accepted by the directors.

The Dorset Community Energy solar PV business model is cashflow positive each year and no additional borrowing requirement is anticipated.

Administration

It is anticipated that the basic administration of the society including financial management and Member support services will be undertaken on a voluntary basis by the directors, secretary or by volunteers drawn from the membership. Annual accounts will be prepared and submitted to HMRC by a qualified professional. The Directors have made provision in the business model for £6,000 of income per year (£2,000 from revenues from the first share offer and £4,000 from annual revenues from the current share offer) to be retained to cover the costs of professional accountancy, directors travel expenses and as contingency for the cost of business administration should volunteers not be available.

Accounts

Dorset Community Energy was incorporated on 5th August 2013. Its financial year-end is 31st August. A bank account was opened in February 2015. Therefore the annual accounts for the first year since start of trading are due to be submitted to the FCA before 31st March 2016 and to HMRC before 31st August 2016. Draft accounts will be submitted to the AGM to be held on 1st December 2015.

Interest Policy

Interest on members' shares is paid out of profits generated and paid annually in arrears. Interest will vary through a number of factors including the hours of sunshine each year and the indexation increase in the Feed-in Tariff (in line with the increase in the Retail Price Index). The 20 year IRR average is 7.4% without EIS or 11.5% with EIS tax relief. See the cashflow summary and Appendix 1 for details.

Legal Proceedings

There have been no governmental, legal or arbitration proceedings relating to the Project or Dorset Community Energy and none are pending or threatened which could have a significant effect on the financial position or profitability of the Society.

Rules of the Society

Community Benefit Societies are governed by Rules approved by the Financial Conduct Authority. A copy of the Rules is available from the Society or from the Society's website (see contact details inside the front cover of this Offer).

Future Development of the Society

Following recent changes to government policy for support of renewable energy at all levels, including proposed very large reductions in Feed-in Tariffs (FITs) from January 2016 for non pre-registered sites, the future of the UK renewable energy industry looks at the best uncertain. The Directors are committed to community action to tackle current environmental challenges including climate change. In the short-term future the Society may need to re-focus on community-scale energy saving initiatives or technologies such as woodfuel heating which are not dependent on FITs.

Further information

Other documents mentioned in this Offer are available from the Society (see contact details inside the front cover of this Offer).

General information sourced from third parties in this Offer Document has been accurately reproduced. As far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.



Share Offer



Reasons for the Offer and Use of Proceeds

This Offer is being made so that:

- Dorset Community Energy and its Members are able to install Solar PV panels on schools and community buildings in Dorset and benefit the participating sites financially through providing free or low cost solar electricity.
- The community of Dorset may benefit from Dorset Community Energy owning the Solar Installations and retaining income in the local economy.
- Members may be as far as possible drawn from the local community.

Offer Shares

352,200 (Three hundred and fifty two thousand and two hundred) ordinary Shares of £1 are offered at par and payable in full on acceptance of an application on the Terms and Conditions of this Offer Document. The Shares, which will not be traded on any stock exchange, have been created under the Co-operative and Community Benefit Societies Act 2014.

Successful applicants will receive notification of shares issued by 29th November 2015 and their details and holdings will be recorded in a share register to be kept by the Dorset Community Energy secretary. The funds so subscribed will then be available to the Society. Share certificates will be issued to members.

Each person or organisation issued with Shares becomes a Member of the Society, with membership rights defined in the Rules. The principal rights are:

- One vote per holding on resolutions of the Members, including in relation to the appointment of Directors.
- The right to receive an annual interest payment as a return on the investment in shares (subject to available surplus).
- The right to the return of the original investment over years 4- 20 of the Installation (subject to available surplus assets and any new business of the Society).
- As a Member, eligibility for election to the Board.

Interest payments

Interest will be paid on the balance of each Member's account at rates reflecting annual financial performance. Interest will be payable for the financial year ending 31st August 2016 and annually thereafter. It is envisaged that any interest unclaimed for a period of 7 years will be cancelled for the benefit of all Members. The directors will recommend for approval by Members at the AGM the level of interest forecast for the year ahead. The interest paid may be reduced if operating surpluses are lower than expected.

Voting Rights

Each Member has one vote, regardless of the number of Shares held. There are no pre-emption rights.

Rights to Share in Profits/Surpluses

All Members are entitled to share in interest declared out of annual profits, such payments to be divided equally between the total Shares in issue. This means that a Member with 10,000 shares has a single vote but will receive interest on all 10,000 shares. When the Installation comes to the end of its life Members may choose to liquidate the Society, in which case assets will be realised and the net proceeds applied in repaying any outstanding Members' share capital. Any surplus will be not be paid to Members but will be transferred to another body with similar aims as required by the Society's Rules.

Withdrawal of Share Capital

Members can apply for withdrawal of share capital after the end of the 3rd year of trading or after the third anniversary of the date the shares were issued, whichever is the later. In addition, the Board has the power to return capital to Members at any time after this date at its discretion.

Taxation

Interest payments made to Members will be subject to United Kingdom taxation. It is expected that payments will be made gross and investors will be responsible for declaring this income on their tax returns.

Provisions on Death of a Member

In accordance with the Society's Rules, on the death of a member of the Society, their personal representative can apply for withdrawal of the share capital. Return of share capital under this provision will be prioritised by the Board over any other return of members' capital.



Blandford School has a number of south-facing roofs suitable for installation of solar panels.

Terms & Conditions



Eligibility

The Offer is open to any person (over 16 yrs old) or organisation meeting the membership requirements.

Application Procedure

- Shares shall be applied for using the Application Form following the Guidance Notes.
- By delivering an Application Form an Applicant offers to subscribe, on the Terms and Conditions contained in this Offer Document, for the number of Shares specified, or such lesser number as may be accepted.
- An Applicant who receives Shares agrees to automatic membership of Dorset Community Energy and to be bound by its Rules.
- An application once made cannot be withdrawn.
- Multiple subscriptions will be admitted providing that they do not result in a Member (other than a Registered Society) holding more than the maximum amount.

The Offer Timetable

The Offer will remain open from 9th November 2015 until 20th November 2015 for share applications with payment by cheque and 26th November 2015 for payments via BACS bank transfers (with emailed scanned Share Application Forms). None of the Society, its Directors or advisors will be responsible for loss of interest or any other benefit suffered by Applicants during the period the monies are held by the Society.

Procedures on Receipt of Applications

- Offer cheques/bankers' drafts will be presented on receipt and may be rejected if they do not clear on first presentation.
- Surplus Application Monies may be retained pending clearance of successful Applicants' cheques.
- Applications may be rejected in whole, or in part, or be scaled down, without reasons being given.
- Application Monies in respect of any rejected or scaled-down Applications shall be returned no later than 15 days after the end of the Offer.
- No interest is payable on submitted Application Monies which become returnable.
- Applications on incomplete or inaccurate Application Forms may be accepted as if complete and accurate.
- The Society reserves the right not to enter into correspondence with Applicants pending the issue of share certificates or the return of Application Monies.
- Results of the Offer will be published on the Project website within one month after the Offer has been closed.
- In the case of oversubscription, Directors' applications will be met in full and the Directors shall, at their discretion, determine the appropriate allocation of Shares. Larger applications may be scaled -down and Application Monies refunded.

Pricing, Trading and Dealing Arrangements

Shares are offered at their par value of £1. The underlying asset value of each Share is likely to remain at £1 and any Share redemption will take place at par.

Applying for Shares

Before completing the Application Form you should consider taking appropriate financial and other advice. Your attention is particularly drawn to:

- The Risk Factors section which describes risks relating to an investment in the Offer Shares.
- Terms and Conditions of the Offer. By completing the Application Form you will make an irrevocable offer which may be accepted by the Society.
- The Rules of the Society. In buying Offer Shares you will become a Member of the Society and will be bound by those Rules.

Amount to Invest

The price of each share is £1. The minimum number is 100. The maximum is 50,000. Annual interest payments will be based on the number of Shares you hold, but you will only have one vote, regardless of the number of Shares you hold.

Allocation

The number of Offer Shares you apply for will not necessarily be the number of Shares you will receive. If the Offer is over-subscribed your application may be scaled down, or even rejected in its entirety.

Declaration

In signing the Application Form you are making an irrevocable offer to enter into a contract with the Society. Under Money Laundering Regulations, you may be required to produce satisfactory evidence of your identity and it is a condition of the Offer that you do so as requested. Non-UK residents must take responsibility for ensuring that there are no laws or regulations in their own country that would prevent them from investing in or receiving income from a UK Society.

Payment

Please attach a cheque or bankers draft, drawn on a UK bank or building society, for the exact amount shown in the box under 'Amount to invest'. You may also pay by bank transfer.

Due to the very short share offer open period, if possible payment by bank transfer would be a significant help to the share offer administrators, Sharenergy.

Dorset Community Energy Share Application Form

Before completing this Application Form you should:

- Read the accompanying Share Offer Document
- Pay special attention to the Risk Factors set out in this Offer Document
- Consider where you need to take financial advice or other advice
- Read the Rules of Dorset Community Energy available from the Society

PLEASE USE CAPITALS AND BLACK INK AND COMPLETE BOTH PAGES OF THE FORM

I wish/my organisation wishes to invest a total amount of £ .00 in Dorset Community Energy on the Terms and Conditions of the Offer Document at the price of £1.00 per Share. You may invest not less than £100 and not more than £50,000.

Please tick one of the following two boxes:

I wish to be allocated shares eligible for 30% EIS tax relief ☐

I do NOT intend to claim EIS tax relief ☐

Individual Applicant Details

Title: (Mr/Mrs/Ms/other):			
Forenames:		Surname:	
Address:			
Post Code:		Day-time Telephone:	

Please provide your email address if possible to keep admin costs down:

[illegible]

If you would like interest payments from the Society to be paid by bank transfer and not by cheque, please provide bank details. Payment of interest by bank transfer helps to reduce Dorset Community Energy's admin costs.

Name on Account:	
Sort Code:	Account Number:

If the Application is an organisation please fill in the contact details above and also:

Organisation Name:	
Organisation Address:	
Type of Organisation:	Registration Number:
Position of Authority Signatory:	

Please continue to and sign the Declaration overleaf.

Declaration

I confirm my understanding that:

- This Application may be withdrawn if a supplementary Offer Document is issued, but not otherwise and if and when accepted by the Society forms a contract in law on the Terms and Conditions of the Offer Document.
- An Applicant who/which is not UK resident is responsible for ensuring that this Application complies with any laws or regulations applicable outside the UK to which he/she/it is subject.
- If the Offer is oversubscribed it is possible that an otherwise eligible Application will not be accepted in part or in whole.

I confirm that:

- I have read the Offer Document (including the Risk Factors and the Guidance Notes to this Application Form) and the Rules of the Society.
- I am over 16 and the Applicant meets the Offer eligibility criteria.
- The Society is hereby authorised to make such enquiries as are deemed necessary to confirm the eligibility of this Application.
- The Applicant is not relying on any information or representation in relation to the Offer Shares or the Society that is not included in the Offer Document.
- The Applicant shall provide all additional information and documentation requested by the Society in connection with this Application, including in connection with money laundering, taxation or other regulations.
- If signing this Application on behalf of any person/organisation I am doing so with explicit authority.

I understand that any cheque supporting this application will be presented for payment upon receipt and I warrant that it will be paid on first presentation.



Signature (Applicant/on behalf of Applicant organisation as applicable):	Date:
--	-------

Payment

I wish to pay by: **Cheque** ☐ **Bank Transfer** ☐ (tick as appropriate)

Cheque	Bank Transfer
Please attach a single cheque or banker's draft for the amount shown above, payable to Dorset Community Energy Limited and crossed a/c Payee.	Please transfer to the following account: Dorset Community Energy Limited Sort code: 16-58-10 Account no: 20584016 Please use the Applicant name as the reference attached to the transfer.

Please send your completed Application Form and payment to:

Sharenergy
The Pump House
Shrewsbury
SY1 2DP

T 01743 277 119

E admin@sharenergy.coop

Note: If payment has been made by BACS bank transfer a signed copy of the application form should also be posted to Sharenergy at the address above.

Please note that share applications between 21st and 26th November **must** be made by BACS Bank Transfer and application forms scanned and emailed to the share offer consultants Sharenergy. A signed original should follow in the post. The Share Application Form may be photocopied. The Share Offer closes at midnight on Thursday 26th November.

Thank you for applying to join Dorset Community Energy.

Appendix 1

EIS Tax Relief and Interest



EIS Tax Relief

The Society intends to apply for Enterprise Investment Scheme (EIS) tax relief on these shares. Advance assurance has been received on the previous share offer (launched on 5th June 2015) run by DCE for its first six installations, and the directors of DCE have made their best endeavour to set out the present share offer on the same terms as the previous offer so that it is similarly eligible but cannot guarantee this. The timescales imposed on the Society (see below) prevented Advance Assurance being applied for and received for this present share offer.

Shares in community energy schemes (such as this scheme prepared by DCE) have had an explicit exemption until now that allows them to apply for EIS tax relief. HM Treasury has however just issued a statement (27th October 2015) explaining that this exemption is being withdrawn from 30th November 2015, and only shares issued before this date will qualify for EIS tax relief.

The directors have taken advice and have decided on the following course of action. This present share offer will run until 20th November for share application payments by cheque and 26th November for payments by BACS transfer and will close on that date. This will allow for all applications to be validated and payments to be reconciled so that shares can be issued before 29th November, protecting eligibility for EIS tax relief. The money raised will be used to construct as many of the installations as possible. If the full amount of £352,200 is not raised it will not be possible to complete all installations.

The directors retain the discretion to launch a new share offer post 30th November to raise monies for any installations that could not be funded by the present share offer. Any shares issued through any new offer after 30th November would not be eligible for tax relief, but would receive the same rate of interest as other shares in DCE.

EIS tax relief is set at 30%, this means that a shareholder who also pays UK income tax (either through PAYE or through self-assessment) can recover 30% of the value of the shares as a rebate on their income tax, subject to the limitation that the total amount of tax relief received (through these shares and any other EIS investments) cannot exceed the amount of income tax paid. The tax relief can be set against income tax paid either in the financial year the shares are issued (2015/16) or the previous tax year (2014/15).

Payment of Interest and Repayment of Capital on Shares

Interest will be paid on shares throughout the 20 years of operation of the Society. Interest payments will be paid out of the surplus income received by the Society after payment of all running costs and provision for repayment of capital.

Capital will also be returned to shareholders each year (except that to comply with rules around EIS, we cannot return any capital before the third anniversary of the date the shares were issued, or trading started, whichever is later).

This means that each year, members will receive a payment which will be partly interest, and partly (after the third year) repayment of capital.

The amount of surplus income the Society generates will increase throughout the 20 year period. This is primarily because our income will be steadily increasing (because the Feed in Tariff is indexed to RPI) whereas the provision for capital repayments stays constant (1/20th of the total capital costs is set aside each year of the 20 year lifetime to ensure that all capital is repaid by the time that the Feed in Tariff payments terminate).

This means that the interest payment each member will receive will increase steadily over time and that, because capital will be returned steadily, the amount of retained capital each shareholder has in the Society will be steadily decreasing.

Because the amount of retained capital is not staying constant, it is not meaningful to calculate a simple “average” annual interest rate. Instead, a different measure is normally used for investments such as this to indicate the overall benefit that a shareholder will receive. This is called the IRR (Internal Rate of Return). If the amount of retained capital were constant, this would equal the simple “average” interest rate. It is however more able to cope with interest payments and retained capital that are not constant.

In practice, the interest payments that a shareholder will receive will start small (anticipated to be 4% in 2017) and increase, with the “average” (IRR) of 7.4%, but the low payments in the early years will be enhanced by the tax relief, which will be received as a 30% lump sum at the start. The returns are therefore considered to be reasonable, both as a short term and a long term investment.

Glossary

Applicant

An applicant for Offer Shares through submission of an Application Form

Application Form

The form in this Offer Document which must be completed to be returned in accordance with the Terms and Conditions of this Offer and the Guidance Notes.

Application Monies

The total gross sum realised by this Offer.

Board

The Board of Directors of Dorset Community Energy.

Climate Change

The phrase widely used to describe changing weather patterns as a direct result of global warming.

Community Fund

A fund endowed by the Society which is to be distributed to local organisations.

Dorset Community Energy (or the Society)

Dorset Community Energy Ltd. A Community Benefit Society Registered with the FCA No. 32155R

Dorset Community Energy Shares

Ordinary shares of £1 in the Society.

Directors

The directors of the Society.

FiT (Feed in Tariff)

Incentive for electricity generation introduced by HM Government on 1st April 2010 under powers from the Energy Act 2008.

Installations

In this Offer Document refers to the Solar panels, any civil works and ancillary equipment at the project Sites.

kW (kilowatt)

A unit that measures power and is equal to 1 thousand watts.

kWh (kilowatt hour)

A unit that measures energy and is equal to the energy that can provide the power of 1 kW for the period of one hour.

MWh (megawatt hour)

A unit that measures energy and is equal to the energy that can provide the power of 1 MW for the period of one hour.

Offer

The Offer of Shares in the Society contained in this Offer Document.

Offer Costs

The expenses incurred by or on behalf of the Society in issuing this Offer Document.

Offer Period

The period during which the Offer will remain open (including any extension) as set out in the Offer timetable in this document.

Offer Shares

New shares of £1 in the Society, offered at par on the Terms and Conditions and payable in full on application.

PPA

Power Purchase Agreement for the sale of electricity.

Project

The proposed ownership and operation by the Society of solar PV Installations.

Projections

The financial projections for the Society set out in this document.

Rules

The Rules of the Society, available on demand.

Shareenergy

Shareenergy Co-operative Limited. A Registered Society (registered no. 31237R).

Sites

the locations of the proposed solar panel installations.

Terms and Conditions

The terms and conditions of the Offer contained in and constituted by this Offer Document.



**DORSET
COMMUNITY
ENERGY**

Share Offer Document November 2015

