

**Share offer
extended until
22 August
2016**



THE SMALL
WIND CO-OP

Share Offer Document June 2016

- Join a wind co-op owning turbines in Wales and Scotland
- Generate green power and benefit local communities
- Use the energy in your own home or business
- Earn a fair return on money you invest



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The Small Wind Co-op is a new energy co-operative set up by the team at Sharenergy. We've been working with community energy groups in the UK for the last seven years, helping people set up over 30 successful renewable energy organisations from Somerset to Shetland.

We decided that we wanted to start a new co-operative building on the things people have told us they want from an energy company. The result is the Small Wind Co-op, and we'd like to invite you to join us.

We know that people don't trust the big energy companies, which is why we are a small co-operative, which is completely owned and run by its members - no fat cats here.

We know that people want to directly support renewable energy in the UK, so we are starting off by building 3 medium-scale wind turbines on 2 farms in Scotland and Wales.

And we know that people want a fair deal on energy. As a member of the Small Wind Co-op, you'll be able to use the energy you generate in your own home or business.

You can invest for as little as £100 and you'll get a fair return on your investment - from 4.5% to 6.5% depending on how you choose to invest.

Because we're a co-operative, we'll also be creating community funds for the areas around the turbine sites.

Joining us

	Bonds	Shares
Projected return	4.5%	6.5%
Type of return	Fixed over 6 years	Variable, figure is annualised return over 20 years. Returns will be lower in early years.
Voting rights	✗	✓
Use electricity in your own home	✗	✓
Maximum holding	None	£100,000
Minimum holding	£100	£100

There are two ways you can join us.

If you would simply like to invest in the Small Wind Co-op for a short-term fixed return, we have a limited number of bonds available. The bonds pay 4.5% interest a year and will be paid back at the end of 6 years. The minimum bond-holding per person is £100. There is no maximum.*

If you'd like to be a member of the Small Wind Co-op, you can buy shares. Shares entitle you to an equal vote in the running of the co-operative, and to a return projected at 6.5% over 20 years. The minimum shareholding is £100 and the maximum is £100,000. You don't have to stay as a member for the whole 20-year period, but the returns improve over time so it's best to think of this as a long-term investment.

There's another key benefit to membership, which is that you can use the electricity we generate yourself. Of course, we can't plug the turbines directly into your house. And the restrictive UK electricity regulations stop us selling electricity directly to our members. Instead, we have hooked up with Co-operative Energy. Small Wind Coop will sell all its electricity to Co-operative Energy. If you sign up with Co-operative Energy for your home or business supply, you can tell them to source your electricity from our turbines - it's like having your own green electricity tariff, which is only available to members of the Small Wind Co-op.

You can apply online at www.crowdfunder.co.uk/smallwind (for shares only) or by using the Application Form at the end of this document (shares or bonds)

* Previous maximum of £5000 per person lifted on 21/07/16

Site 1: Troed y Bryn



Troed y Bryn is a farm in Mid-Wales, run by the Davies family who have lived in the valley for generations. The farm is mainly a sheep farm although the family has a proud tradition of rearing prize-winning horses and sheepdogs.

The community fund at Troed y Bryn will be managed by Grannell Community Energy, a new group set up to develop, encourage and promote renewable energy projects and other pathways to the development of a robust, sustainable, local economy within and around Lampeter. Improvements for the village hall and play park in Llangeitho are top of the agenda.



We wanted a wind turbine on the farm to keep us going for the next generation. A community-based turbine will generate income for the farm, for the village and everybody who becomes a member.

Aled Davies, Farmer, Troed y Bryn

Turbine

180 kW Endurance X35Q

A well-proven machine made in the UK with a good network of service and maintenance providers. Hub height: 30m. Blade tip height: 48m

Estimated Production/yr

349,000 kWh

Based on conservative wind report using state-of-the-art computer modelling

Landowner

Aled Davies

One of a family who have been farming in the area for generations.

Community fund

est. £3,000/yr

The aim is to use turbine funds as match funding to carry out energy efficiency measures in village hall including replacing old windows and doors & to improve village play park with new equipment.

Planning

Full planning permission valid for twenty years.

Planning permission was obtained in 2015 after demonstrating the site's suitability to host a turbine, including ecology surveys and noise reports.

Grid

Connection booked

The turbine has a full current connection offer from Western Power with deposits fully paid.

Feed-in tariff

Pre-accredited at 2015 rates

The turbine will receive Feed-in Tariff of 12.19p/kWh as long as it is commissioned by April 2017

Site 2: Kellybank



The Kellybank site is just above the town of Wemyss Bay, which sits east of the Clyde estuary where the winds blow in from the islands to the west. Much of Inverclyde is socially disadvantaged after the loss of large employers over the years. The community fund from the Kellybank turbines will be targeted to support initiatives which improve employment prospects, and which grow a sense of community in the area.

We already have one small turbine on the land. It makes sense to use the resource that we've got and that's wind. If the wind stops blowing, we stop living!

**Alister McIntyre, Farmer,
Kellybank**



Turbine

2 x 100 kW Norvento ned100*

The Norvento machines bring large-scale technology to medium-scale turbines with a no-gearbox design and backing from a strong, established business in Spain. Hub height: 22m. Blade tip height: 36m

Estimated Production/yr

320,000 kWh each

Based on three wind reports using state-of-the-art computer modelling

Landowner

Alister McIntyre

A family who have deep roots in farming in the area going back generations.

Community fund

est £3,000/yr

The aim is to use turbine funds to support local community trusts that are already helping people in this deprived area.

Planning

Full planning permission valid for twenty years.

Planning permission was obtained in 2015. There are several other operational turbines in the same area.

Grid

Connection booked

The turbines have a fully paid up grid offer from Scottish Power Networks.

Feed-in tariff

Pre-accredited at 2015 rates

The turbines will receive Feed-in tariff of 12.19p/kWh as long as they are commissioned by April 2017

* note: Final turbine contract still subject to negotiation at time of this document - a similar model from Northern Power is also under consideration.

The team

The founding Small Wind Co-op Board is made up of Sharenergy team members. At the first AGM new members will be invited to stand for the Board – anybody who buys shares becomes a member and is eligible to stand.

Sharenergy has no long-term control of the Small Wind Co-operative – we are just there to help get the project off on the right foot.

It's a role we are well prepared for. Sharenergy was founded in 2011 and has worked on over 30 successful community energy projects across the UK. These include hydro, solar PV and the UK's first heat co-op, as well as several community-owned wind turbines in Scotland: Dingwall Wind Co-op, Wester Derry Wind Co-op and Heartland Community Wind.



Eithne George is a co-founder of Sharenergy. She currently fronts up Sharenergy's Administration service, providing essential backend support to over 20 community energy Societies. Eithne is also a co-founder of the Hub, a global network of social enterprise workspaces

Jon Hallé is the other co-founder of Sharenergy. He has been working in community energy since 2003 with Goldenfuels, Energy4All and Sharenergy. Previously Jon worked as a internet company CTO and for campaign group The Land Is Ours. He was awarded Community Energy Champion in 2015



Jeremy Thorp is a renewables expert working across the technologies. With a background in electricity grid modelling, he now fronts up Sharenergy's rural grid research project while supporting a range of community energy projects and championing electric bicycles

Leila Sharland is the main project worker for Small Wind Co-op. Leila has a background in medium, farm-scale wind turbines having worked for Dulas and Digital Engineering before joining Sharenergy in 2014.



Financial Projections

We've prepared simplified profit & loss and cashflow projections, starting at yr 1 of operation (2017). They show that the project is expected to have a healthy cashflow – paying shareholders a projected 6.5% return (IRR) and bondholders 4.5% for 6 years.

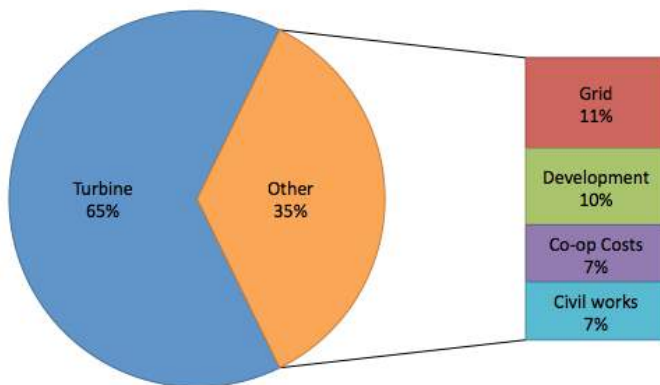
We've made provision to cover all the running costs of the turbines from servicing to metering, insurance and provision for part replacement and decommissioning. We've also planned to put aside cash every year so that we can start paying back members' capital – it's better off back in our members' hands than sat in a bank.

You can see below how the capital and operating costs break down. Our projections are based on quotes from suppliers and a good deal of experience in building and running turbines at a similar scale.

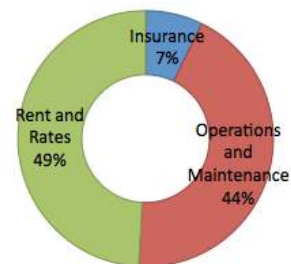
P&L and cashflow	£000	£000	£000	£000	£000	£000	£000	£000
Year	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6-10	yr 11-20	all yrs 1-20
Operating income	182	186	190	195	200	1,071	2,562	4,586
<u>Expenses</u>								
- Operating Expenses	52	53	55	56	58	310	790	1,374
- Depreciation	80	80	80	80	80	398	795	1,591
Operating Surplus	50	53	56	59	62	364	976	1,621
+ Bank Interest	-	1	1	2	3	4	4	14
- Community fund	6	6	6	6	7	36	86	153
- Share interest	28	32	35	39	43	316	893	1,387
- Bond interest	16	16	16	16	16	16	-	94

Cashflow	£000	£000	£000	£000	£000	£000	£000	£000
Operating cashflow	80	80	80	80	80	398	796	1,591
- Share capital repaid	12	12	12	25	25	323	831	1,241
- Bond capital repaid	-	-	-	-	-	350	-	350
Opening Cash	-	67	134	201	256	311	36	-
Closing Cash	67	134	201	256	311	36	-	-

Capital costs



Operating Costs



Outputs

There are three main aims of the Co-operative:

1. To generate low-carbon electricity.

Our three turbines are projected to generate just over 1000 MWh of electricity a year – a gigawatt-hour. That's enough to:



drive an electric car 4 million miles



make ten million cups of coffee



power the entire UK for 2 minutes



reduce CO₂ emissions by 450 tonnes

2. To enable members to use the energy generated

Members get exclusive access to the Co-operative Energy's User Chooser tool so you can buy back the energy we sell to them at reasonable rates. Taking advantage of this offer is entirely up to you - in order to do so you would have to change supplier to Co-operative Energy. They are an ethical supplier owned by the fully-mutual Midcounties Co-op. For tariffs in your area see <https://www.cooperativeenergy.coop/compare/>

3. To contribute to local community funds

We aim to put at least £3000 per site per year back into the local community – that's more than three times the 'best practice' commercial community funds rate from big windfarms. See the site summaries for the current plans to spend the first funds.

The Small Wind Co-op is a real co-operative and is not set up just as an investment vehicle. But we are very serious about providing a good return on funds subscribed by our shareholders and bondholders.

We aim to make share interest payments from year 1, building up over time:

A £1000 Shareholder gets	yr 1	yr 2	yr 3	yr 4	yr 5	yrs 6-10	yrs 11-20	all yrs 1-20
Share interest	23	26	28	31	34	255	720	1,118
Capital repayment	10	10	10	20	20	260	670	1,000
Total	33	36	38	51	54	515	1,390	2,118
Cumulative	33	68	107	158	213	728	2,118	2,118

The internal rate of return is projected at 6.5%. Returns will be lower if members choose to withdraw funds before the end of the 20-yr project period.

Bonds are projected to give a steady 4.5% return over their 6 year life:

A £1000 Bondholder gets	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6
Bond interest	45	45	45	45	45	45
Capital repayment	-	-	-	-	-	1,000
Total	45	45	45	45	45	1,045
Cumulative	45	90	135	180	225	1,270

Interest from both shares and bonds will be tax free for many members under the new Personal Savings Allowance scheme- see <http://tinyurl.com/PSAfacts>



Risks

All commercial activities carry risk – and community energy projects are no exception.

If the co-operative has a bad year, you may receive less interest than projected. Bond interest payments take precedence over shares but cannot be guaranteed under all circumstances.

If something goes wrong on a longer-term basis, then your capital may be at risk. Our shares are withdrawable shares - meaning they can't be traded but you can apply to withdraw at any point if you need to. We've made a substantial provision to cover this but ability to withdraw cannot be guaranteed.

We have made every effort to minimise risks to our share and bond holders. On the right we summarise key assumptions and risks, along with measures we have taken to minimise them.

Financial assumptions. We assume an inflation rate of 3% on electricity prices and 2.5% on everything else, and interest on longterm bank deposits of 1%. Lower inflation rates would lower performance (although would also likely reduce returns from alternative investments). **We have used conservative figures reflecting current low values with a small adjustment for historic trends on the 20-year timescale.**

Wind. Wind projections are based on computer modelling using conservative values. Lower wind would affect performance. **Rental to landowners drops to lower level if windspeed is lower than a specified figure. We have built in small provision for wear and tear reducing turbine efficiency over time (0.25% per year).**

Feed-in tariff. If the FiT is reduced, income reduces accordingly. However successive Governments have affirmed commitment to retaining FiT at levels contracted, despite any reduction for subsequent projects joining the scheme. **Our FiT is pre-accredited: guaranteed by Ofgem to be at the rate modelled (12.19p/kWh) as long as turbines operational by April 2017.**

Electricity price. The projections assume an electricity price of just over 5p/kWh in total. If wholesale prices drop, income drops. **As electricity prices are currently very low, we have negotiated an indexed Power Purchase agreement so that any rise in the market is passed on to us.**

Turbines. Major outages for maintenance would reduce income. **Turbines selected are proven machines with good service provision in the UK. We have factored in cost of warranty with manufacturers guaranteeing 95% uptime, and insurance against loss of income.**

Operational costs. Higher costs for service, admin, insurance and rates would reduce performance. **Where possible we have tied in 5-year contracts with credible suppliers to minimise risk.**

Small Print: The Co-operative

Directors' shares

The Directors intend to take up 10,000 shares in the Small Wind Co-operative ('the Society').

Board Practices

Directors are unpaid and except for the reimbursement of expenses, there are no other benefits for Directors. Day-to-day operations will be managed by the Society, under the supervision of the Board.

Conflicts of Interest

All founding directors are staff members of Sharenergy Co-operative, which provides development and on-going admin services to the Society.

Development Handover

The previous project developers will be reimbursed for development costs incurred before and in relation to the Offer, and for the risk taken in developing the project from its earliest stage. Following this reimbursement the previous project developers will relinquish all ownership of the project to the Society. The Society will then pay an annual land rent to the landowners under the Leases at each site.

Administration

Sharenergy will provide an on-going administration and management service for the Society for an annual fee, which is set at £10,000, rising with RPI as a fixed contract for 5 yrs.

Legal Proceedings

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

Accounts

The Small Wind Co-operative was incorporated on 3 January 2014. Its financial year-end is 31 December. At the time of this share issue the Society has not previously traded.

Minimum Raise

If this offer raises less than £700,000 the Directors do not intend to extend it further following the extension on 21 July 2016. If the minimum is still not raised then funds subscribed will be returned to members. If only this minimum is raised, the Directors will seek subscriber approval to go ahead with one site, providing that returns to members can be safeguarded.

Future Developments

The Society will seek opportunities to develop future wind projects if opportunities become available subject to members approval

Further information

Other documents mentioned in this Offer including the Society's Rules are available from the Society – see contact details at the end of this document.

Disclosure

None of the directors of the Society 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 recrimination or sanction by a statutory or regulatory authority or designated professional body, or been disqualified from any function by any court.

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

The Small Wind Co-operative complies with statutory requirements and those of the Financial Conduct Authority. As the Shares will not be listed, the Society is not obliged to comply with The Combined Code on Corporate Governance.

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.

Small Print: Shares and Bonds

The Share Offer

1,241,000 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. The proceeds of the share offer will be used to defray costs incurred in the development and installation of farm-scale wind turbines in the UK.

Share allocation

Shares will be allocated on a first come first served basis. Successful applicants will receive share certificates and their details and holdings will be recorded in a share register to be kept by the Society.

Membership

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.
- Each Member has one vote, regardless of the number of Shares held
- The right to receive a proportionate annual interest payment as a return on the investment in shares (subject to available surplus).
- The right to the return of share capital at the end of the life of the Installation (subject to available surplus assets and any new business of the Society).
- As a Member, eligibility for election to the Board.

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 Members' share capital.

Share Redemption provisions

Redemption of Shares may take place in accordance with the Rules. Members do not have the right to withdraw share capital but the Board of the Society has the power to permit Shares in the Society to be withdrawn by agreement between the Board and the Member. In addition, the Board has the power to return share capital to Members at its discretion.

The Bond Offer

350,000 Bonds at £1 are offered. The Bonds have a 6 yr term and attract a fixed rate of interest of 4.5%.

Bond Repayment Provisions

Bond capital will be repaid following the 6th AGM at par value. Bond-holders can apply for bond repayment before that date and it is the intention of the Society to prioritise any such request.

Interest payments

All interest payments are paid annually after the AGM.

Share Interest will be paid on the balance of each Member's account at rates reflecting annual financial performance. The rate of share interest is agreed by Members at the AGM. Bond Interest is made at a fixed rate of 4.5% .

Taxation

Interest payments will be made gross and subscribers will be responsible for declaring this income on their tax returns except where they are exempted from doing so by Personal Savings Allowance or any similar scheme.

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 or for transfer of the shares to another person. Return of share capital under this provision will be prioritised by the Board over any other return of Members' capital.

Small print: Terms and Conditions

Eligibility

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

Application procedure

- Shares or Bonds shall be applied for using the Application Form. Shares can be applied for online at www.crowdfunder.co.uk/smallwind
- By making an Application an Applicant offers to subscribe, on these Terms and Conditions, for the number of Shares or Bonds specified, or such lesser number as may be allocated.
- An Applicant who receives Shares agrees to automatic membership of The Small Wind Co-operative and to be bound by its Rules.
- An application once made cannot be withdrawn.
- The price of each share is £1. The minimum number is 100. The maximum is 100,000.
- The price of each bond is £1. The minimum number is 100. There is no maximum.
- Multiple subscriptions will be admitted providing that they do not result in a Member holding more than the maximum.

The Offer timetable

The Offer will remain open until 22 August 2016 unless fully subscribed earlier, following a share offer extension on 22 July 2016. The Directors reserve the right to extend the share offer if required. 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 application receipt

- Any cheques/bankers' drafts will be presented on receipt and may be rejected if they do not clear.
- Surplus Application Monies may be retained pending clearance of cheques.

- Applications may be rejected in whole, or in part, or be scaled down.
- Monies in respect of any rejected or scaled-down Applications shall be returned no later than one month after the end of the Offer.
- No interest is payable on submitted Application Monies which become returnable.
- Incomplete or inaccurate Application Forms may be accepted as if complete and accurate.
- In case of oversubscription, Directors shall, at their discretion, determine the allocation of Shares and/or Bonds
- Share and Bond certificates will be issued to successful Applicants within one month after the end of the Offer Period.

Pricing, trading and dealing arrangements

Shares and Bonds are offered at their par value of £1. The underlying asset value of each Share or Bond is likely to remain at £1 and any Share or Bond redemption will take place at par. Shares and Bonds are not tradable or transferable.

Applying for Shares

Before completing an Application you should consider taking appropriate financial and other advice. 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

If applying using the paper form, 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. You may pay by direct debit or by credit /debit card if applying online.

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Contacting us

For all enquiries contact Leila Sharland at Sharenergy on **01743 277119** or via **info@smallwind.org.uk**

Our website can be found at **www.smallwind.org.uk** and our Crowdfunder page is at **www.crowdfunder.co.uk/smallwind**

The Small Wind Co-operative is a Registered Society (Co-operative) Registered with the Financial Conduct Authority. Our Registered number is **32279R**

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Front cover photo courtesy of Heartland Community Wind.

