



BIOMASS ENERGY.coop

Your route to a greener more efficient future.

Pioneer Share Offer

To raise funds for breakthrough testing of biofuels
for use in an innovative biomass boiler range

OFFER OPENS 6 NOVEMBER 2015 | OFFER CLOSSES 29 FEBRUARY 2016

SHARE OFFER
TARGET:
£90,000

MINIMUM
SUBSCRIPTION:
£200

MAXIMUM
SUBSCRIPTION:
£20,000

PREDICTED RETURN
ON INVESTMENT:
3%, PLUS TAX
RELIEF

Biomass Energy Coop is the trading name of Biomass Energy Technologies Ltd, a
Community Benefit Society, registered with the Financial Conduct Authority no. 31523R



“We Provide Biomass Energy Solutions that Promote the Sustainable Use of Waste Products For Heat and Micro-Power Generation”.

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1. Introduction

The purpose of this Pioneer Share Offer is to provide development funding to enable Biomass Energy Coop (BEC) to achieve exciting advances in a new green technology for the UK market. With your help, BEC plans to provide biomass energy solutions that promote the sustainable use of waste products for heat and micro-power generation.

BEC is a Community Benefit Society, founded in 2012 (originally as a worker cooperative). It has already established itself as a respected provider of biomass systems in NW England. As a social enterprise, BEC's mission is to drive forward technological advances that will benefit the community as a whole.

Over the last 18 months BEC has been working to develop a new opportunity for the business, after acquiring the sole UK rights for a game-changing addition to the market: Multibio, a range of European biomass boilers with revolutionary multi-fuel capabilities. These boilers will enable us to explore waste-as-fuel solutions.

1.1 Why are we seeking investment?

Your investment will enable us to get ready to go to market by:

- Carrying out the required testing on a range of five boilers (from domestic-sized to large factory size) for a variety of bio fuels, to prove their potential in the UK urban environment.
- Preparing and transporting the bio fuels for testing and, in the process, investigating the potential of each fuel as a viable, resilient and sustainable alternative to 'A' grade virgin wood pellet.
- Growing our social enterprise (as investors automatically become new members), and bringing new support and enthusiasm for our project.

1.2 Why is this a “pioneer” offer?

Our social investment will be sought in two stages.

The first stage (Pioneer Offer) will raise sufficient funds to cover testing costs (estimated to be approximately £90,000) to prove that our range of products can meet Clean Air Act legislation on a variety of fuels hitherto not used in the UK. This will represent a pioneering leap forward in green technology, and will give our enterprise a unique offering within the UK. If we raise the funding we need, we aim:

- To prove that certain wastes are capable of being converted to biofuel for biomass boilers within legal requirements, not just on a large industrial scale but on a smaller scale (e.g. domestic) as well.
- To identify real-world applications for these boilers which will ensure their saleability in an increasingly crowded market.
- To prepare to go to market nationally.

The second stage (Main Offer) is expected to launch in Spring 2016 and will raise the remaining capital we need to establish regional teams of installers (ideally as cooperatives), regional showrooms, develop our fuel networks and expand the markets for our range.

The shares in this pioneer stage are eligible for EIS tax relief, which means that members who are eligible UK taxpayers can claim a tax rebate of 30% of the value of the shares. In recognition of the higher risk involved in subscribing at the pioneer stage, those purchasing pioneer shares will have preference when the main share offer opens.



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1.3 Why should you invest?

Financially...

Because we have a strong product

We agree with our friends in Yorkshire that 'where there's muck there's brass'. Turning waste streams such as oat husk, cardboard, waste wood, animal bedding or even coffee grounds into heat, has the potential to be hugely beneficial and attractive for those who produce such in large enough quantities. Even more so if they have to pay for disposal or landfill costs. And whilst fossil fuel energy prices are presently lower than the previous five years or so, no-one can be sure that this situation will last or even that overseas supplies will be secure.

People want both warmth and certainty - and a boiler that utilises a variety of locally sourced waste products offers fuel security, surety against supply outages and a long-term stable, lower cost.

With your investment Multibio boilers will become the only product in the UK market to be able to provide these benefits.

Because there should be a strong return

Biomass boilers and their associated installation works are high value items. We expect that purchasers will in all cases be enticed by strong long-term savings on an expenditure item which will be one of their largest fixed assets and one that they will always need to have.

Because we have the team to deliver

We have four year's operational experience under our belt, qualified and able staff and many satisfied customers. We have a healthy relationship with the boiler manufacturer and supplier, we are profitable and we have long-term lucrative heat supply contracts in place.

These investments of time, building relationships and developing legal contracts and operational procedures have put us in a position where we are ready immediately after testing to begin selling and installing the range.

Our board's vast range of experience in the heating, co-operative, academic and charity sectors along with our technical skills in installation business, finance and engineering means that we have the capability and competence to expand and adjust as required in an assured manner and in accordance with our plan.

Ethically...

Because Multibio boilers can achieve carbon emission reductions that are significantly more than those gained even by conventional biomass

This is because of the following factors:

- Because Multibio can burn local waste there is a significant reduction in transportation costs in both delivering fuel and moving waste via shipping, lorries and railways which almost always burn up liquid fossil fuels.
- Multibio boilers can utilise waste that would otherwise decompose causing needless greenhouse emissions of CO₂ and methane.



- Multibio boilers can utilise crops such as Miscanthus that have an annual harvest thus creating a very short carbon in-carbon out cycle.
- Multibio boilers can burn fuels such as shells and kernels that are ready to go and need no energy usage to be dried or formed into the right dimensions (like a wood pellet).

Because Multibio boilers can help to build communities

Local energy hubs have the potential to develop and enhance community cohesion and participation. The need for heat is universal across all communities, age groups, economies and cultures. Part of BEC's strategy is to work as a catalyst to help urban and rural communities co-operate together to develop networks of fuel supply and local heat generation. These endeavours will be locally operated using a pre-tested blueprint. They will create local employment, skills and hand control of energy supply and security to these communities.



We will use surpluses to enhance and promote co-operation, renewable energy and reduce fuel poverty. We intend to utilise profit and surplus not just to provide a return to investors and build the business further but to put in place initiatives and projects that develop co-operation and community cohesion. The energy networks described above are one way to achieving those aims. Another will be the development of educational programmes with schools and higher education to promote the use of renewable energy and waste reduction.

1.4 What are our targets?

We have established that the minimum we need to raise from this Pioneer Offer, in order to prepare the biofuels and test at least four appliance sizes with five different fuels against the necessary standards to achieve our goals (i.e. not just the European norm, but against the UK Clean Air Act and UK OFGEM certification as well) is £50,000.

Ideally we would like to test a further two biofuels and an additional appliance (the matrix showing our priorities for testing can be found in our Business Plan). This would incur further costs and takes our optimum target figure to £70,000.

The maximum we need from this offer is £90,000 which would enable us to test our complete range for all the biofuels we are currently investigating. This would cover management time, fuel preparation and full laboratory testing in Europe.

1.5 Directors' message

The Directors of BEC would like to stress that this is an ambitious project that is likely to generate a good deal of publicity and high commercial and academic interest, leading to the development of multiple business networks, employment opportunities and research streams. We know this because of the amount of interest in Multibio from these sources even at this pre-test stage.



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Achieving our immediate goals means not only will we have a range of multi-fuel biomass systems unique within the UK marketplace, but we will have identified how we as a community can become more sustainable, future-proofing ourselves against the erosion of other fuel types. As we are a social enterprise, we intend to deliver long-lasting benefits to the community through carbon savings and the innovative utilisation of waste.

This is an exciting opportunity to support BEC from the very early stages when we most need your support and confidence, and we hope you will decide to become a member of our Society. Investing in us now will make the greatest possible contribution to our chances of success. Please read this document thoroughly before deciding to invest.

2. The Project

2.1 Background

The UK is committed to reducing carbon emissions as a response to global warming. Initiatives to increase solar power, carbon trading, recycling and education campaigns to reduce consumption have seen the UK government's green agenda develop significantly.

With declining North Sea gas stocks, electricity generation shortfalls, controversy over fracking and the dominance of Russia in the European gas supply chain, we can expect that the renewable energy sector will become a key constituent of the UK economy and that there will continue to be a steady increase in the take-up and development of green technologies.

As part of its green agenda, the government has initiated the non-domestic Renewable Heat Initiative (RHI), creating £860m of subsidies for buildings taking on renewable heat technologies, predominantly biomass boilers. This programme aims to kick-start the green heat revolution, just as the solar and hydro feed-in tariffs did for renewable electricity generation.

But the RHI scheme has already reduced sharply and is now (October 2015) at a point where new installations will receive 50% of the tariff set when the scheme was introduced in 2011. And whilst it is still generous enough to be an incentive it is prudent to look forward to the likely market conditions after the scheme ends. By that time, we intend to have developed our boiler and heater range to burn a variety of biofuels, including locally sourced waste products as fuel stuffs.

The ever-increasing costs of waste disposal, along with the drive towards a low carbon economy, means that the facility to use waste as fuel is becoming ever more attractive. Possessing the adaptability that is the key feature of our products, and with likely increases in both fossil fuel and wood prices, means that our range will not only thrive during this current period of RHI boom-time but also outlast it to become a high value brand within the UK market.



2.2 The products

Biomass Energy Coop (BEC) is bringing a range of innovative biomass boilers to the UK market. These have significant benefits over their competition - principally that, in addition to standard wood pellets, they can burn a range of lower grade wood materials and other non-wood biomass, particularly waste streams from agriculture and industry.

“Multibio” is the trading name given to these boilers in the UK, which are manufactured by Petrojet, a small Czech engineering company. Petrojet has succeeded in developing a sales and installation capability with a host of national partners and rights owners across Europe, like ourselves. All five machines in our range have achieved the European standard; they cover all sizes from 30kw to 600kw:

- 30kw – is suitable for a home;
- 49 kw – is suitable for a pub or typical village hall;
- 100 kW – is suitable for a small apartment block or sports hall;
- 205 kW – is suitable for a small factory or a primary school;
- 600 kW – is suitable for an industrial application like a large factory.

We have already taken the 49kW model through successful testing for multiple fuels in the UK, i.e. wood and olive pit, under the UK's Clean Air Act legislation, and the Renewable Heat Incentive (RHI) grant scheme. This is highly significant for the major UK urban market, and so we intend to see the entire Multibio range tested and certified. This clearing of environmental legislation for the use of biomass fuels other than wood is the industry's Holy Grail.

The Multibio brand name was developed by Ricky Davies and Chris O'Connor, who are both founding directors of BEC. The UK Multibio trademark and domains are owned by the community benefit society, which will allow the Multibio brand name to be used by Petrojet in other territories for as long as BEC holds the sole rights in the British Isles.



“This boiler is able to do what no other boiler has achieved.”

Bengt-Erik Lofgren CEO, AF Ab, at Nextgen Expo, Stoneleigh, 7 October 2015.

Over the last 5 years in the UK and Europe there has been a number of initial tests and trial installations of Multibio boilers. Throughout this process they have proved to be exceptionally robust, easy to operate, repair, maintain and have all the technological capability of their competition, being fully automated and remotely monitored. Please see our Business Plan for a full explanation of the revolutionary technology within the Multibio range that enables this to happen.

AF Ab is a Sweden-based company and a leader in the certifying and testing biomass appliances. They provide engineering and consulting services to energy, industry, and infrastructure markets.



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2.3 Likely benefits and applications

We wish to test these remarkable machines with new fuel sources. Given that both the amount of possible fuels that can be used in a Multibio boiler and the possible applications are almost endless, we have spent time looking at the best potential fuel sources and their most marketable applications.

The challenge has been to identify the best fuels (in addition to virgin A grade wood pellet) to test the range against both EU safety and capability tests and UK smoke control legislation. We have used our own knowledge of previous testing processes (here and in Europe), actual biomass installations, and by consulting academics, European partners and waste producers/handlers. The criteria we have used to determine the best fuels are:

- Readily available in sufficient quantities to be a viable long-term fuel solution
- From a renewable, sustainable source
- Most likely to test as safe for the UK urban environment
- Represents a carbon saving against UK wood pellet use
- High enough calorie content to be an efficient fuel
- A waste product that cannot be fed into the food chain
- Able to be pelletised or granulated to a consistent size or shape.

Having selected the best potential fuels, we wanted to identify some specific commercial applications for the use of these fuels in Multibio machines, to demonstrate their operational capability, their potential to reduce waste treatment costs, and their commercial viability.

Our Business Plan lays out in detail some examples of innovative applications, such as:

- 1. Cereal and straw:** e.g. creating a localised rural fuel network for community and civic buildings and farms
- 2. Paper and cardboard:** e.g. creating a means of turning paper and cardboard waste into heat at festivals and large events

3. Coffee: e.g. generating heat from coffee shop waste

4. Miscanthus: e.g. a city council growing miscanthus on their brown field sites to fuel a chain of boilers for their buildings

5. Low grade wood: e.g. creating a means of cheaper heating for community buildings in a free boiler scheme

6. Wood waste and finings from forests, agriculture and homes: e.g. creating a means of heating a wood drying kiln

7. Olive pits: e.g. generating heating in food establishments, such as firing a biomass pizza oven

We are also developing ideas with several universities, including Lancaster, York and Milan, working on valorising waste streams and at a later stage we intend to test other likely fuels against the Multibio range such as:

- Rice husk pellets
- Fruit stones
- Brewery mash
- Nut waste.

Please see our Business Plan for more details on these prospective fuels.



2.4 The alternative scenario

The non-domestic RHI scheme is reducing. We think there will be major structural change in the market and three things will happen:

1. Take-up of biomass will fall off dramatically and the number of contractors will reduce (as has happened in the solar PV market) leaving behind lots of installations needing maintenance, repair and ongoing solutions.
2. Wood pellet fuel prices and suppliers will stabilise in line with the current levels of demand, the likely result being that prices will be pegged to RHI indexation thus precipitating upward-only increases.
3. Future biomass system sales will be restricted to those installations that enable people to make savings on their fuel bills i.e. those off the gas-grid, or with large heat requirements, and those who make purchasing decisions based on ethical factors and carbon reduction targets. This is a significant reduction in market opportunity for wood based biomass suppliers especially given the likely onward and upward price of A class virgin wood pellet.

However, by making plans now, BEC will by that time have a well-known, established range of boilers and heaters that can burn a variety of locally sourced fuel stuffs that should appeal to a much wider customer base. At that point, and especially if we see increases in both fossil fuel and wood prices, the Multibio range will be a particularly attractive proposition.

Sustainability and adaptability are key factors: we hope to prove that our biomass systems will enable people to switch from fuel to fuel according to availability and price considerations.

3. The Pioneer Phase

3.1 Priorities

We have decided that the fuels that best meet our criteria are:

- Oat waste
- Oilseed rape
- Miscanthus
- Paper/card
- Coffee waste
- Olive pits (we have certified one boiler size for olive pits, but we wish to extend this capability across the whole range).

We have created a matrix of fuels/boilers to establish the highest priority fuels to test per boiler, and which boilers to test first (see Business Plan). For example, we place highest priority on testing wood, olive, oat and coffee against the four smaller boiler sizes.

Testing for miscanthus, oilseed rape and paper waste will follow, as will testing of various fuels against the largest boiler size, as and when we raise sufficient funds.



3.2 The costs

There are effectively two stages of costs for each test:

1. Sourcing, pelletising and despatching the fuel to The Czech Republic. Testing over there is more economical, the boilers are on site, and the testing is done to ISO standards, by laboratories that have assessed the boilers through the European EN303-5 standard for wood and a smaller selection of other fuels. However the transporting of some fuels (oat, miscanthus and rape straw) from the UK becomes an additional cost.

2. Putting the boilers through the testing processes. Below is a table which demonstrates the testing costs of seven fuels on all seven appliances (i.e. 5 boilers and two air heaters) in the range in respect to the maximum share offer target.

3.3 Marketing opportunities

There are many networking, promotional and educational opportunities that can provide a targeted 'soft sell' campaign when we are ready to alert the markets:

- Academic forums that enable us to contact the bigger industrial players
- Trade associations
- Farmer's associations
- Conferences dealing with waste management, renewable energy agriculture and food industries
- Environmental campaign groups
- Community energy activities
- The co-operative sector
- Local government enterprise initiatives
- Chambers of Commerce
- Political parties

Testing costs	Facilitation			Emissions testing and certification to criteria of: EN303 -5, Clean air act (CAA), Ofgem, Microgeneration Certification Scheme ¹ (MCS)			Application fees for certification/compliance/ exemption			Final total
Appliance	Fuels	Transport ²	Other	Pre lab	Lab test ⁴	Certification	OFGEM	CAA	MCS	
600kw Boiler	£2100	£300		£1400	£4200	£600	£100	£1225		£9725
205kw Boiler	£2100	£300		£1400	£4200	£600	£100	£350		£8850
205kw Heater	£2100	£300		£1400	£4200	£600	£100	£350		£8850
100kw Boiler	£2100	£300		£1400	£4200	£600	£100	£350		£8850
50kw Boiler	£2100	£300		£1400	£4200	£600	£100	£350		£8850
50kw Heater	£2100	£300		£1400	£4200	£600	£100	£350		£8850
30kw Boiler	£2100	£300		£1400	£4200	£600	£100	£350	£6400	£13650
Management			£12228							£12228
			£4200							£4200
Totals	£14700	£2100	£16428	£9800		£4200	£700	£3325	£6400	£87053 ⁵

Footnotes:

- 1 This is the scheme for domestic boilers, so is more stringent and thus more costly.
2 Transporting to test house in The Czech Republic.
3 Preliminary testing at the factory site to ensure basic combustion and handling is sufficient
4 Emissions testing seven fuels at £600 each.

5 This total is the maximum sum required to test the full range of 7 boilers and heaters with 7 fuels each. The lower optimum target would enable the testing of 7 fuels in 5 boilers (i.e. excluding the air heaters). This reduces the overall cost down to £67,753. As for the minimum required, this is for 5 fuels in 4 boilers and only 3 fuels in the domestic 30kw boiler for a total of £49,896.



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3.4 Likely markets

We have identified (and have experience in) many potential market sectors, including:

- **Buildings off the gas-grid:** In certain regions of the UK the dependence on LPG and heating oil is very high. These fuels are much more expensive than gas.
- **Care homes and hospices:** These sites have a high heat and hot water requirement all year round.
- **Hotels and guest houses:** Like care homes, they have high energy requirements.
- **Leisure facilities and clubs:** Often off grid or high users of heat (especially in the case of swimming pools).
- **Public buildings, office blocks and apartments:** These are usually managed or planned by specialists such as architects, surveyors and property agents and are easy to identify and market to.
- **Farms and orchards:** This industry generate large quantities of woody and biomass waste and possesses the inclination and co-operative experience to work together to create solutions.
- **Stables:** Could potentially dry and use their own shavings, manure and straw to create heat for themselves.
- **Industrial and manufacturing:** In particular those businesses handling organic produce such as wood, paper, cardboard, food or requiring steaming or drying heat; they will have very high refuse and energy bills, both of which could be turned into income through fuel production and RHI.

3.5 Past performance

BEC is already working within several of these sectors and our experience to date has enabled us to generate our business plan and financial predictions, based on past performance. We have been supplying Multibio boilers both via direct sale, and through heat supply contracts (HSCO) where the boiler itself is free to user.



4. The Future

We have worked up a strategy and projections for the next three years in our business plan, which covers the post-development phase and the business as a whole. The figures in these forecasts reflect the purchase of stock and the acquisition of showrooms; they also include staffing costs. Profits will be generated from the sales and installations of boiler systems initially in non-domestic settings such as retail, offices, community buildings, industrial units, leisure and wider manufacturing. In addition there will be an opportunity to realise sales of ancillary biomass hardware and small pelletisers (which enable fuel production to be local to fuel use). National coverage will be achieved through regional sales and maintenance centres and a strong internet presence.

Overall, following successful testing of the range of boilers and their launch on to the market, we expect sales and interest to be brisk. There are two obstacles; firstly the lack of knowledge of even the theory and possibility of multifuel biomass in urban areas (people have only just learnt about wood). Secondly, the need to grow our business nationally from our North West base. Our business plan reflects these realities. Sales in Year 1 will gain pace as knowledge grows and increase again in Year 2 as reputation and coverage increases, with Year 3 delivering the sales and profits that you would expect from a business bedded in and with national scope and a truly game-changing product. In summary the financial figures are as follows:

Profit and Loss	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)
Income	£1,062k	£3,521k	£4,642k
– Revenue from sales	£23k	£71k	£127k
– RHI Tariff			
Total income	£1,085k	£3,592k	£4,769k
Direct costs	£775k	£2,570k	£3,389k
Overheads and depreciation	£323k	£632k	£788k
Net Profit	- £13k	£389k	£592k



5. The People

BEC is a community benefit society, registered with the FCA. It is a membership organisation and part of the purpose of this share offer is to widen the membership and participation by the community. It is operated by a Board of seven members, who believe passionately in the work that the Society is doing, and it is the Board that is making this Offer. Four members of the board work in an executive capacity and form the operational management team. Elections of board members take place annually at the Society's AGM.

Executive Directors



Ricky Davies, Managing Director

As co-founder of BEC, Ricky has extensive knowledge and experience of emissions legislation, multifuel experimentation and technical testing of biomass boilers and their ancillary components. Ricky has worked for 25 years as Operational Director in some of the Catholic Church's largest businesses, and has a working knowledge of business management, social enterprise and charity law.

As MD, Ricky is responsible for overseeing all other roles and the execution of the business plan. Ricky will also manage marketing, bid writing and will fulfil the Finance Director role until filled.



Chris O'Connor, Technical Director

Our other Co-founder Chris is a fully qualified HETAS heating engineer. He previously operated his family construction company. He oversees all the biomass installation projects and is conversant with planning and contract law. Along with Ricky, Chris has extensive knowledge and experience of emissions legislation, multifuel experimentation and technical testing of biomass boilers and their ancillary components.

As Technical Director, Chris is responsible for the installation programme, to develop install capacity and manage relationships with suppliers. He will also research and introduce improvements to current components, products and ancillary equipment.





Daniel Price, Business Development Director

Dan has a wide-ranging process engineering background and has most recently worked for a multinational pharmaceutical manufacturer as one of their Engineering Specialists. Dan offers both technical expertise and the industry knowledge needed to succeed in biofuels. Dan is also a councillor at Warrington Borough Council.

As Business Development Director, Daniel is responsible for the development of policy including relationships and strategic partnerships with government, local authorities and the community energy sector. He will also manage the sales teams, marketing initiatives, website and internet presence.



Angela Davies, Projects Director

Angela has a sound understanding of the co-operative sector. As a manager in The Co-operative Group, she developed The Co-operative Enterprise Hub which supported the growth of co-ops and social investment projects.

As Projects Director, Angela is responsible for the management of projects within the business plan including the community education programme; work with LEPs on chosen fuels; expansion and set up of new offices and centres.



Non-Executive Directors



Nick Crofts

Nick is the President of the Co-operative Group, the nation's largest member-owned business. Nick has been actively involved in the Co-op movement for over 10 years. An experienced non-executive, Nick is also a Liverpool City Councillor.



Phillip Neary

Phillip is Business Development Manager at Balfour Beatty Engineering Services. As an industry technician he has extensive expertise in winning contracts and developing business opportunities.



Nigel Blandford

Nigel is an independent biomass consultant dealing with industrial application of biomass for heat and power. He was previously responsible for The North West Development Agency's Biomass project which investigated the possibilities of alternative fuels including those from waste streams.



Pauline Morgan

Pauline is Head of Faculty Finance and Director of Operations for the National Graphene Institute. She brings her excellent business operational skills to the Board.



6 The Offer

The shares being offered for purchase are known as community shares. Community shares are shares in enterprises serving a community purpose. This type of investment has been used to finance shops, pubs, community buildings, renewable energy initiatives, local food schemes, along with a host of other community based ventures.

For more information on the implications of investing in community shares, please visit the website www.communityshares.org.uk The Community Shares Programme has been funded by the Department for Communities and Local Government and delivered in partnership by Locality and Co-operatives UK.

6.1 Society membership

By purchasing shares you will become a member of the Society known as Biomass Energy Technologies Ltd (trading name Biomass Energy Coop).

The mission of the Society is to offer biomass energy solutions that promote the sustainable utilisation of waste products to deliver heat and micro-power generation. We intend to apply the benefits of our innovations and enterprise to promote the localised provision of energy solutions that in turn will create skilled employment, promote low carbon economies and engender community cohesion.

As a member of the Society you will have voting rights at all General Meetings, including election of the Board, and you will be kept up to date with important developments in our work.

6.2 Share offer timetable

We are seeking to raise £90,000 in community shares, at a face value of £1 per share. This is a time-bound share offer commencing on 6 November 2015. The deadline for applications is 29 February 2016.

6.3 Predicted returns

We strongly encourage investors to view this as a long term investment for the environmental and social benefit of the community. These shares can be withdrawn in accordance with BEC's rules, but not transferred (except on death or bankruptcy) or sold, and their face value will not increase.

BECL does, however, anticipate paying interest on these shares but a return on your investment can never be guaranteed. The predicted financial returns on these pioneer shares based on the current business plan is that interest will be paid at 3% per annum. This rate of return has been assessed according to the Society's projected income and expenditure calculated over the next three years. This is in addition to anticipated tax relief on shares (see below).

The Board retains the right to adjust this figure or suspend interest payments if the business performance does not justify paying interest.





Tax is paid gross on interest received and is taxable. It is your responsibility to declare these earnings to HMRC.

Members can opt to waive their interest payment (i.e. to invest entirely for social return). This alternative would serve to improve the financial position of the Society.

6.4 Tax relief on shares

These shares are eligible for tax relief under the Enterprise Investment Scheme (EIS). We have received advanced assurance from HMRC that this share issue qualifies for EIS. Once the shares are issued HMRC will supply certificates to enable eligible investors to claim tax relief of 30% against their income tax bill.

To qualify for EIS, the shares cannot be withdrawn for three years starting from the date of issue. If they are withdrawn, then the tax refund must be repaid to HMRC. EIS is not available to employees of (or other persons connected to) BEC.

6.5 Purchasing shares

Investors may apply for a minimum of 200 shares per individual or company in this offer, with shares valued at £1 each. The board has decided on a maximum individual shareholding of 20,000 shares in this pioneer offer. If the offer is oversubscribed (by which we mean it achieves subscriptions above £90,000, which is our maximum development funding requirement), shares would be allocated on a first come first served basis. However, there will be a second opportunity to invest in BEC in Spring 2016, and those who apply for shares under this pioneer offer will be given first option in the second offer.

Details of how to invest and an application form are given at the end of this document. Before filling out the application, please read our Business Plan and the rules of the Society (available on our website) and please ensure you have read and understood the terms and conditions of this offer.

6.6 Withdrawing shares

In order to ensure the continuity of BEC's plans during the phases of testing, development and implementation, the Board requests that these shares cannot be withdrawn for three years and no more than 10% of the issued share capital as at the start of each financial year shall be withdrawn during the ensuing year. It is also a condition of receiving EIS tax relief that the shares remain invested for three years.

The right to withdraw may be suspended by the Board at any time.

The society's reserves policy takes account of the potential requirement for individuals to withdraw shares; we also anticipate "member churn", i.e. as new members join and invest, their capital investment enables prior investors to withdraw.



7 The risks

Risks associated with this offer, as with any community share offer, include:

- The Society may not be in a position to pay interest
- The Society may have to suspend your rights to withdraw shares
- You may lose all the money you pay for your shares

As BEC is incorporated with limited liability, each Member's liability is limited to the amount paid for their shares. This means that whatever happens, all you could possibly lose is the value of your shares.

This share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman. The Society is registered with, but not authorised by the Financial Conduct Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the whole of your investment could carry a risk, please consider it carefully, and if needed seek independent financial advice.

If BEC is wound up, its assets will first be used to meet its liabilities; next to repay members for their shares; finally any surplus remaining will be passed onto a charity, society or other body with similar objectives.

As a potential investor you need to ask yourself, can you afford to be without the money you would pay for these shares? If not, PLEASE do not invest.



Terms and Conditions of this Share Offer

The shares being offered for purchase are shares in Biomass Energy Technologies Ltd (BETL), a Community Benefit Society registered in England with the Financial Conduct Authority (no. 31523R) under the Cooperative and Community Benefit Societies Act 2014. The registered address of the Society, whose trading name is Biomass Energy Cooperative, is 5 Westbourne Avenue, Whitefield, Manchester, M45 7RY.

The Society is owned and controlled by its members. Each member has one vote irrespective of the number of shares held.

The purpose of this Pioneer Share Offer is to fund the testing of a variety of biofuels and thus support the development of a range of innovative multi-fuel biomass boilers.

The optimum fundraising target for this Pioneer Share Offer is £70,000. The minimum level of investment from this offer, below which the funding plans will need to be restructured, is £50,000. The maximum level, beyond which share subscriptions will be suspended, is £90,000.

The share offer period is from 6 November 2015 to 29 February 2016 .

This Offer Document has been prepared by the BEC directors supported by professional advice, and the Board takes full responsibility for its contents. Due care has been taken to ensure that all information and opinions contained within it are fair and accurate at the time of issuing the Pioneer Share Offer.

The value of the shares is £1. They are not transferable, so the value of shares is not subject to speculation and the shares remain at their paid-up value. The Directors may decide to write down the value of shares in order to protect the financial stability of the Society.

The Board retains the right to refuse any applications for shares and retains the right to allocate a set number of shares per individual or company should the Offer be over-subscribed.

Interest payable on shares is voted on at the annual general meeting (AGM), following a recommendation by the Directors. The interest rate recommended by the Directors will depend on the financial performance of the Society. Interest is paid gross and is taxable. It is your responsibility to declare these earnings to HMRC. The Board anticipates the returns on Pioneer shares to be 3%.

Shares are withdrawable upon application to the Board. Withdrawal of shares is only at the Directors' discretion, which would also be subject to your giving three months' notice of your intention to withdraw.

Anyone can invest (over the age of 16), with a minimum investment of £200 and a maximum of £20,000. However, the minimum can be subscribed for in instalments over 12 months by arrangement. Shares subscribed for by instalments will be issued once payment is complete.

You are able to hold shares on behalf of children; you may also nominate a person to whom you wish your shares to be transferred on your death.

All members will have one vote regardless of how many shares they hold.





Your liability through this investment is limited to the value of your shares.

An investment of this type carries risks and you may lose the value of your investment. Before deciding to invest you may want to seek independent advice.

In the event of dissolution or winding up of the Society, if the dissolution is solvent then shareholders will have no financial entitlement beyond payment of outstanding interest approved by the Board; if the dissolution is insolvent shareholders must rank behind unsecured creditors who must be fully paid before shareholders receive any return of share capital.

This Share Offer is exempt from the Financial Services and Markets Act 2000, or subsidiary regulations. This means you have no right of complaint to an ombudsman. The Society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Prospective investors should read the whole of this Share Offer and be aware of the risks involved in making an investment. You should also read the Society's business plan which is available on the website www.biomassenergy.coop along with the Rules (the Governing Document) of the Society.



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BIOMASS ENERGY COOP

SHARE APPLICATION FORM

YOUR DETAILS

I apply to become a shareholder member of Biomass Energy Technologies Ltd (trading as BIOMASS ENERGY COOPERATIVE)

Name

Address

..... Postcode

Email address
.....

Phone number
.....

If you are applying on behalf of an organisation, please give the name of the organisation here:

.....

Please indicate the amount of £1 shares that you are applying for (minimum £200, maximum £20,000):

£

In the event that this share offer is oversubscribed and/or we are unable to offer you any or all the shares you have applied for, we will refund the difference by cheque to the address above.

DECLARATION

Please tick the boxes below to indicate that you agree with the statements:

- ☐ I confirm that I am 16 years old or older
- ☐ I have read the share offer document and understand and accept the terms of the share offer and the Rules of Biomass Energy Technologies Limited (all documents available at our website biomassenergy.coop).

Signature Date



Your route to a greener more efficient future.

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PAYMENT

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

Cheque: payable to Biomass Energy Co-op Ltd. Please attach this application form and ensure your address is written on the back of your cheque, and please also provide an email address to receive acknowledgement of receipt. Send your application by post to arrive no later than 29 February 2016, to: Biomass Energy Coop, 5 Westbourne Avenue, Whitefield, Manchester, M45 7RY.

Transfer: to Biomass Energy Co-op Ltd Sort code: 309101 Account no.: 15802560 Please use the Applicant name as the reference, and mail or email the completed application form by 29 February 2016.

PAYMENT OF INTEREST

The Management Board propose a maximum 3% return on shares, and this will be clarified at the next AGM. Under the terms of Society legislation, interest payments are set at the minimum level considered necessary to attract and retain share capital. Members may elect to waive their interest payments for the benefit of the Society.

Please indicate your preference on interest:

- ☐ I would like to receive interest payments at 3% or the amount set by the Board
☐ I waive my right to interest and am investing for Social Benefit only

TAX RELIEF

These shares qualify for 30% tax relief under the Enterprise Investment Scheme (EIS). This means that 30% of the value of purchased shares may be set against the shareholder's tax liability (provided there is sufficient tax liability against which to set it). This tax relief is applicable to UK taxpayers only. To be in compliance with EIS legislation, the shares purchased through this offer must remain invested for three years.

- ☐ I understand this share offer is eligible for tax relief; please send me information.

HOW YOUR INFORMATION WILL BE USED

The data provided by you will be stored on a print and an electronic database. This data will be used for Biomass Energy Technologies Limited purposes only, and will not be disclosed to any third party. It is a condition of the offer to ensure compliance with the Money Laundering Regulations 2003 that Biomass Energy Technologies Ltd may at its absolute discretion require verification of the identity of any person wishing to invest.

We would like to send you information about our activities and services by post and email. We would also like to send you formal notices by email. Please indicate your consent to being contacted in this way by ticking the relevant boxes.

- ☐ I consent to receiving formal notices by email
☐ I consent to receiving information about Biomass Energy Coop's activities by post and email



Your route to a greener more efficient future.