



THE SMALL  
WIND CO-OP

# Share Offer 3

March 2017

- Join us and co-own turbines in Wales and Scotland
- Generate green power & benefit local communities
- Use the energy in your own home
- Earn a fair return on your money

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

**You can become a member for as little as £100 and you'll get a fair return on your money projected at 6.5%. We've already raised well over £1.3m in shares and bonds – come and join us!**

# Joining us

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Our previous share and bond offers raised £1.3m, enabling us to install the turbines on both sites.

This third share offer enables us to raise the final funding needed to complete the financing of the project.



If you'd like to be a member of the Small Wind Co-op, you can join us by buying 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 supply, you can tell them to source your electricity from our turbines. This arrangement is only available to members of the Small Wind Co-op who sign up within a limited period after the turbines are up and running. It means you know exactly where your energy is coming from.

You can apply for shares by using the Application Form at the end of this document - either by post or by emailing a scanned form. You can pay by bank transfer or by cheque.

# 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. Improvements for the village hall and play park in Llangeitho are top of the agenda.

The turbine at Troed y Bryn is now fully operational.



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**

<b>Turbine</b>	180 kW Vestas V27 A refurbished machine made in Denmark with an excellent network of service and maintenance providers. Hub height: 30m. Blade tip height: 47m
<b>Estimated Production/yr</b>	305,000 kWh Based on conservative wind report using state-of-the-art computer modelling
<b>Landowner</b>	Aled Davies One of a family who have been farming in the area for generations.
<b>Community fund</b>	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.
<b>Planning</b>	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.
<b>Grid</b>	Connected The turbine has a full current and paid up connection offer from Western Power.
<b>Feed-in tariff</b>	Pre-accredited at 2015 rates The turbine will receive Feed-in Tariff of 12.49p/kWh

# 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.

**The Kellybank turbines are in position and undergoing final testing and commissioning during March.**

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**



<b>Turbine</b>	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
<b>Estimated Production/yr</b>	320,000 kWh each Based on three wind reports using state-of-the-art computer modelling
<b>Landowner</b>	Alister McIntyre A family who have deep roots in farming in the area going back generations.
<b>Community fund</b>	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.
<b>Planning</b>	Full planning permission valid for twenty years. Planning permission was obtained in 2015. There are several other operational turbines in the same area.
<b>Grid</b>	Connection booked The turbines have a fully paid up grid offer from Scottish Power Networks.
<b>Feed-in tariff</b>	Pre-accredited at 2015 rates The turbines will receive Feed-in tariff of 12.49p/kWh as long as they are commissioned by April 2017

# The team

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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

# 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.

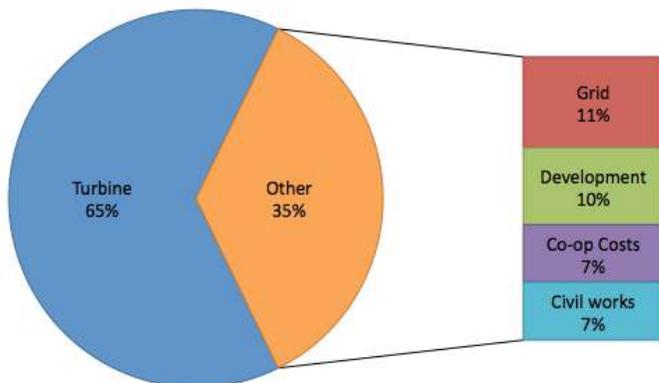
We've made provision to cover all the running costs of the turbines from servicing to metering, insurance and provision for part replacement and decommissioning. We've also planned to put aside cash every year so that we can start paying back members' capital – it's better off back in our members' hands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

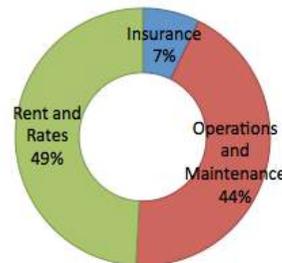
P&L and cashflow	£000	£000	£000	£000	£000	£000	£000	£000
Year	yr 1	yr 2	yr 3	yr 4	yr 5	yrs 6-10	yrs 11-20	all yrs 1-20
Operating income	170	175	179	183	187	1,006	2,404	4,303
<b>Expenses</b>								
- Operating Expenses	40	52	53	55	56	303	787	1,346
- Depreciation	74	74	74	74	74	371	741	1,483
Operating Surplus	56	48	51	54	57	332	875	1,474
+ Bank Interest	-	1	2	2	3	4	2	14
- Community fund	6	6	6	6	7	36	86	153
- Share interest	30	22	26	29	33	275	791	1,206
- Bond interest	21	21	21	21	21	25	-	129

Cashflow	£000	£000	£000	£000	£000	£000	£000	£000
Year	yr 1	yr 2	yr 3	yr 4	yr 5	yrs 6-10	yrs 11-20	all yrs 1-20
Operating cashflow	74	74	74	74	74	371	742	1,483
- Share capital repaid	-	-	-	10	10	256	747	1,024
- Bond capital repaid	-	-	-	-	-	459	-	459
Opening Cash	5	79	153	227	291	355	11	5
Closing Cash	79	153	227	291	355	11	5	5

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 under 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 CO<sub>2</sub> 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	yr 6-10	yr 11-20	all yrs 1-20
Share interest	29	22	25	28	32	269	772	1,177
Capital repayment	-	-	-	10	10	250	730	1,000
Total	29	22	25	38	42	519	1,502	2,177
Cumulative	29	51	76	114	156	675	2,177	2,177

The internal rate of return is projected at **6.5%**. Your returns are likely to be lower if you choose to withdraw funds before the end of the 20-yr project period.

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

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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 long-term 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 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 (12.49p/kWh) as long as turbines operational by April 2017. One site is commissioned, the other will be commissioned during March.

★ **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. We have made higher provision for servicing of refurbished turbine.

# Small Print: The Co-operative

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## **Directors' shares**

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

## **Board Practices**

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

## **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 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 of £10,000, rising with RPI and fixed 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 issued both share and bond capital but has not traded electricity. Accounts are under preparation for 2016.

## **Minimum Raise**

There is no minimum raise – all funds subscribed will be converted to shares in the Society.

## **Future Developments**

The Society will seek opportunities to develop future wind projects if opportunities become available, subject to members approval. The Society is actively developing other wind projects at the time of this offer.

## **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 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

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## **The Share Offer**

100,000 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 interest payments**

All Members are entitled to share in interest subject to annual surplus, 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.

## **Priority of loans, bonds and shares**

Bond interest payments and provision for bond capital repayments take priority over share interest and capital repayments.

## **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.

## **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.

## **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

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## Eligibility

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

## Application procedure

- Shares shall be applied for using the Application Form.
- By making an Application an Applicant offers to subscribe, on these Terms and Conditions, for the number of Shares 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 per application is 100,000.
- 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 fully subscribed. 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.
- Share certificates will be issued to successful applicants within one month after the end of the offer period.

## 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. Shares 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 'total amount'. You may also pay by bank transfer.

# Application Form

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**SHARES.** I wish to buy a total amount of  shares in The Small Wind Co-op at £1.00 per share. (minimum: £100, maximum: £100,000).

Title (Mr/Mrs/Ms/other): \_\_\_\_\_

Forenames: \_\_\_\_\_

Surname: \_\_\_\_\_

Email:

please do provide your email address if at all possible to keep admin costs down.

Postal Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Post code: \_\_\_\_\_ Day-time Telephone: \_\_\_\_\_

If applying on behalf of an organisation please also provide:

Organisation name: \_\_\_\_\_

Organisation address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Type of organisation: \_\_\_\_\_

Registration number: \_\_\_\_\_

Your Position within Org.: \_\_\_\_\_

(you must be authorised to sign on behalf of the organisation)

If you would like payments **from the Society to you** to be made by bank transfer, please provide your bank details:

Bank Account number: \_\_\_\_\_ Sort Code: \_\_\_ - \_\_\_ - \_\_\_

Please tick both boxes to confirm:

I have read the Share Offer Document and am not relying on any other source of information about the Society. I am over 16 and eligible to Apply for Shares. I have considered whether I need to take financial advice or other advice. I authorise the Society to make enquiries to confirm the eligibility of this Application if required.

I understand 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.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**CHEQUE.** If paying by cheque make payable to **Small Wind Co-operative Ltd** and cross a/c Payee.

**TRANSFER.** If paying by transfer please use these details:

**Small Wind Co-operative Limited.** Sort code: **60-83-01** Account no.: **20365932**

Please use the Applicant name as the reference attached to the transfer.

Send this completed form to **Small Wind Co-op, The Pump House, Coton Hill, Shrewsbury, SY1 2DP** or sign, scan and email to **info@smallwind.org.uk**

# Contacting us

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For all enquiries contact Sharenergy on **0800 0434133** or via **info@smallwind.org.uk**

Our website can be found at **www.smallwind.org.uk**

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: Kellybank turbines February 2017

