



THE SMALL
WIND CO-OP

BOND OFFER November 2018

- Ethical and low carbon bond issue.
- Generate green power and benefit local communities.
- Earn fair interest fixed at 4.5% per year (from year 2).



About this offer

Time is running out to tackle climate change and prevent dangerous temperature rises occurring globally. UK Government policy has turned against renewables, and onshore wind in particular, so that it's much harder to put up new turbines.

We're the Small Wind Co-op - a 100% member-owned co-operative which already owns and runs two wind turbines in Scotland and one in Wales. We're offering new bonds to raise the funds to buy an operational turbine at Hownsgill in County Durham.






By adding existing wind sites like Hownsgill to our portfolio we will put ourselves in a stronger position to build new turbines in the future – we're already working on the next generation of community-owned wind turbines.

We've designed this bond offer to be simple and flexible.

You can invest between £100 and £100,000. We will pay you back your capital in annual installments over a 10-year period. Each year we will pay you interest on your remaining capital at the rate of 2% in 2019 and 4.5% every subsequent year. If you want to cash in

your bonds early we will make it as easy as possible.

You can apply online at www.smallwind.org.uk or by using the form on the back page of this offer document. You can pay for bonds by bank transfer, by cheque, or by credit or debit card if using the online form.

-  **Our Sites**
-  **The Team**
-  **Financial Projections and Risks**
-  **Terms and Conditions**
-  **Application Form and Contact details**

Our sites:



We operate a 180kW turbine at **Troed y Bryn**, a farm in Mid-Wales.

Income from the turbine will contribute to a local community fund with planned improvements for the village hall and play park in nearby Llangeitho.



We operate two 100kW turbines at **Kellybank**, near Wemyss Bay in Scotland.

The local community fund will be split between three local organisations.

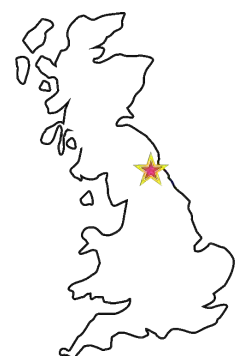


The turbine we are buying is at **Hownsgill** near Consett in County Durham

It is a 225kW NEG Micon turbine. Originally made in 1996, it was originally installed outside the NEG factory in Denmark as a demonstration machine. The turbine was completely overhauled in 2010 and since 2015 has been installed at Hownsgill. The turbine has performed well, producing 270 MWh in 2016 and 329 MWh in 2017.

As part of our background investigation we commissioned a condition report, which concluded that the turbine is in good working order. Spare parts for this turbine including gearbox, blades and generator are available from the original manufacturers. The turbine benefits from a Feed-in Tariff of over 20p/kWh which is valid for a further 16 years.

Our financial model is based on an analysis of the real data from the turbine including operational costs. We have built in a substantial annual contingency to ensure we can keep the turbine running well. In an average year we expect the turbine to generate over £80,000 of income.



The team

The Small Wind Co-op Board is made up of founding members and members elected at our AGMs.



Alistair McIntyre is a farmer and member of SWC. He is the landowner at Kellybank in Wemyss Bay, Scotland where our two Norvento turbines are sited.

David Linsley-Hood is an engineer specialising in renewable energy. He was previously Senior Lecturer at the Centre for Alternative Technology.



Alex Hartley has fourteen years of experience in managing sustainability initiatives at senior level in business and the third sector. She is a Director of Co-operatives London.

Jeremy Thorp heads Sharenergy's development team supporting a range of community energy projects. He is a founding director of the Small Wind Coop.



Eithne George is a co-founder of Sharenergy and the Hub, a global network of social enterprise workspaces. She is a founding director of the Small Wind Coop.

Jon Hallé is a co-founder of Sharenergy and has been working in community energy since 2003. He is a founding director of the Small Wind Coop.



Stephen Billington is a renewable energy and environmental impact specialist. He is a Chartered Engineer with nearly forty years of professional engineering and business management experience working across the UK and internationally.

The Small Wind co-op was founded by Sharenergy team members and continues to be closely supported by Sharenergy. 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.

Bond Projections

In buying bonds you will be joining our members who have invested £1.3m in shares, and our existing bondholders who have invested £450,000 on a 6-year term. The terms of this new bond offer are different from the existing Small Wind Co-op bonds in that the bond capital will be repaid gradually over the term of the bond rather than in a single payment at the end.

We aim to repay your bond capital over a 10-year period, returning between 8 and 12% of your capital every year, and to pay you a fixed rate of 4.5% on your remaining capital every year from 2020. In the first year the projected interest rate is lowered to 2% to cover startup costs and the fact that we will not take over the Hownsgill turbine until spring 2019.

The planned bond repayment and interest schedule for a £1000 bond investment is:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Capital repayment (£)	80	80	80	80	80	120	120	120	120	120	1,000
Interest payment (£)	20	41	38	34	31	27	22	16	11	5	245
Total cashflow (£)	100	121	118	114	111	147	142	136	131	125	1,245

In each case the interest payment will be made in the January following the year to which it relates. The capital repayment schedule shown above is not fixed and may vary slightly from that shown.

We want to make the bonds as flexible as possible so you can apply to withdraw funds at any time before the end of the 10-yr period and we will aim to meet any such request (subject to available capital).

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

SWC Financial Projections

In adding a new turbine to our fleet the Small Wind Co-op is strengthening its finances overall and reducing its risk. This will enable us to meet our existing and new commitments to members and community funds, and to create a stable base to develop new projects. We are actively working both to acquire operational turbines and to develop new turbines.

Projections for SWC as a whole are given below for the period 2017-2036:

INCOME & EXPENDITURE	£000	£000	£000	£000	£000	£000	£000	£000
Year	2017	2018	2019	2020	2021	2022-2026	2027-2036	All years
Income	70	125	253	258	264	1,412	3,104	5,487
- Operating Expenses	31	52	79	81	83	450	1,052	1,829
- Depreciation	58	72	100	100	100	500	943	1,872
Operating Surplus	-19	2	73	77	81	462	1,109	1,785
+ Bank Interest	-	-	-	-	-	-	-	-
- Community fund	-	-	5	6	7	35	82	136
- Share interest	-	-	31	30	35	274	906	1,276
- Bond interest	21	21	30	39	38	125	36	308
Net Surplus	-39	-19	8	1	2	27	85	65

CASHFLOW	£000	£000	£000	£000	£000	£000	£000	£000
Year	2017	2018	2019	2020	2021	2022-2026	2027-2036	All years
Operating cashflow	19	53	108	101	102	527	1,029	1,937
- Share capital repaid	-	-	10	20	20	154	819	1,024
- Bond capital repaid	-	-	36	36	36	513	288	909
Opening Cash	-	19	72	133	178	223	83	-
Closing Cash	19	72	133	178	223	83	4	4

SWC made a loss in 2017 and is predicted to do so again in 2018. This is due to startup costs and teething issues at our Kellybank and Troed y Bryn sites. Both sites experienced downtime and have seen lower windspeeds than projected. Despite this, bond interest payments were made in full in 2017 and will also be made in full for 2018. Share interest payments will commence once SWC is in surplus.

With the addition of the Hownsgill turbine from Spring 2019 SWC will be on track to meet its overall target for share returns and community fund payments over the 20-yr period. Both of these payments are subject to performance and bond payments will continue to be prioritised – existing 6-yr bonds first, and then the 10-yr bonds issued through the current offer.

Risks

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

This Bond Offer will finance the purchase of the Hownsgill turbine. However, if performance is below expectations on any or all of Small Wind Co-operative's sites and/or higher costs are incurred than projected, you may receive less interest than projected. Bond interest payments take precedence over share interest but cannot be guaranteed under all circumstances. Payments on existing bonds will be prioritised over payments on bonds issued under this offer

If something goes wrong on a longer-term basis, then your capital may be at risk.

We have made every effort to minimise risks to our share and bond holders. This is a summary of key assumptions and risks, along with measures we have taken to minimise them across all our sites including Hownsgill:

★ **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 resource.** Wind projections are based on estimations combining observed performance and wind models. Lower winds over time would affect performance. **Rental to landowners drops to lower level if windspeed is lower than a specified figure. We have built**

in a small provision for reducing turbine efficiency over time (0.25% per year). SWC has modified the financial model to make more conservative wind resource assumptions.

★ **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 we have used in our financial models.**

★ **Electricity price.** The projections assume an electricity price of just over 5.8p/kWh in total. If wholesale prices drop, income drops. **Electricity prices are currently at historic high but we have used long-term price averages for financial modelling.**

★ **Turbine Reliability.** Major outages for maintenance would reduce income. **Turbines selected are models with a good track record and good service provision in the UK. We have factored in insurance against loss of income and warranties where available.**

★ **Operational costs.** Higher costs for service, admin, insurance and rates would reduce performance. **Where possible we have tied in 5-year service contracts. We have made higher provision for servicing of refurbished turbines.**

★ **Due Diligence.** SWC is conducting final checks on documentation and regulatory compliance at Hownsgill. **In the event that we discover any serious unexpected problem we will delay or cancel the purchase and will return subscribers funds if it does not go ahead.**

Terms & Conditions: the Co-operative

Incorporation

The Small Wind Co-operative ('the Society') was incorporated on 3 January 2014. Its financial year-end is 31 December.

Directors' bonds

The Directors intend to take up a total of 10,000 bonds from this offer.

Board Practices

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

Conflicts of Interest

Eithne George, Jon Halle and Jeremy Thorp are directors or staff members of Sharenergy Co-operative, which provides services to the Society. Alistair McIntyre is the landowner at our Kellybank site.

Administration

Sharenergy provides an on-going administration and management service for the Society for an annual fee of £14,000, 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.

Future Developments

The Society continues to actively seek opportunities to develop or acquire future wind projects.

Further information

Other documents mentioned in this Offer 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 reprimand 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 Bonds 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 bond offer is not covered by the Financial Ombudsman Service or the Financial Services Compensation Scheme.

Terms & Conditions: the Bonds

The Bond Offer	450,000 Bonds of £1 are offered at par and payable in full on acceptance of an application on the Terms and Conditions of this Offer Document.
Allocation	Bonds will be allocated on a first come first served basis. No bonds will be issued until the minimum raise is achieved.
Minimum raise	The minimum raise is 420,000 – if not reached then all funds subscribed will be returned without deduction.
Interest rate	Interest will be paid on all bonds held during a year. The interest rate will be 2% in year 1, 4.5% annually thereafter.
Term	The bond term is 10 years unless redeemed beforehand. Bond capital will be repaid in annual instalments during the term.
Taxation	Interest payments are made gross of tax.
Interest calculation date	Interest will be calculated on an annual basis from the issue date onwards.
Interest payment	Interest for each year ending on 31 December will be paid by the last day of the following January. The first interest payment will be made in January 2020
Capital	The Society intends to make

repayments	annual repayments of capital to bondholders. The amount of capital repaid may vary from year to year.
Redeeming bonds	Bondholders may apply for early redemption of all or part of their bond holding. There is no right to early redemption but the Society will seek to facilitate this by issue of new bonds if necessary. Interest will be paid pro-rata if bonds are redeemed mid-year.
Priority of bonds and shares	Bond interest payments and provision for bond capital repayments take priority over share interest and capital repayments. 10-yr Bonds rank below the 6-yr Bonds already issued by the Society.
Trading	Bonds are not tradeable on any market.
Bondholder s rights	For the avoidance of doubt, bondholders do not have a right to vote at Small Wind Co-op AGMs or any other form of formal representation, except where they are also shareholding Members of the Society.
Provisions on death of bondholder	On the death of a bondholder, their personal representative can apply for withdrawal of the bond capital. Return of capital on death of bondholders or members will be prioritised by the Board over any other return of capital.

Terms & Conditions: Application

Eligibility

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

Application procedure

Bonds shall be applied for using the Application Form. You can apply online at www.smallwind.org.uk or by using the paper form in this document.

By making an Application an Applicant offers to subscribe, on these Terms and Conditions, for the number of Bonds specified, or such lesser number as may be allocated.

An application once made cannot be withdrawn.

The price of each bond is £1. The minimum number is 100. The maximum per application is 100,000.

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. Bond certificates will be issued to successful applicants within one month after the end of the offer period.

Pricing, trading and dealing arrangements

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

Applying for Bonds

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.

Contacting us

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**

Photo credits: Small Wind Co-op, Norvento.
Front cover: Hownsgill turbine.