



# Chase Community Solar Limited Share Offer Document



**November 2014**



Chase Community Solar Limited  
Registered with the Financial Conduct Authority number 32420R

# Directors letter

## Dear Prospective Investor

November 2014

We are delighted to be able to offer you the opportunity to join and invest in this ground-breaking community energy project in the Cannock Chase district of Staffordshire.

Cannock Chase is the second most deprived area in Staffordshire after Stoke on Trent, with high levels of fuel poverty. This project will help up to 400 Council tenants, many of them elderly, to reduce their energy costs at a time when they have been faced with steep rises over the last few years.

This project originated in the autumn of 2013 when Southern Staffordshire Community Energy was approached by Cannock Chase Council about the possibility of installing solar PV on Council-owned bungalows in the district. SSCE agreed to develop the project through a new Community Benefit Society which was purpose-designed and would look to involve local people – and so Chase Community Solar was born.

To our knowledge no other community energy project has sought to raise the community shares to install solar PV on individual Council-owned homes at scale – and to provide free electricity to the tenants. That makes this a particularly exciting project which we are pleased to have brought to the launchpad.

In addition to providing benefits to the tenants there will, of course, also be considerable carbon savings which will help in the important fight against dangerous climate change, and contribute to the decentralisation of our energy provision. In addition we hope to establish a community fund which would be used to provide support including energy advice to a wider group of local people

(including bungalow tenants unable to benefit from their own PV installation for various reasons including roof orientation or design).

While the financial reward for investors is not the main driver for this scheme we do believe that the 7% projected Internal Rate of Return is a fair and reasonable return for a project of this nature. In addition, we are expecting that it will be accepted for the Seed Enterprise Investment and Enterprise Investment Schemes, for which Advance Assurance has been granted, and which will offer the additional benefit of either 50% or 30% relief for UK taxpayers.

We passionately believe that if this project is successful it will blaze the way for many further similar community energy projects with Councils and other social housing providers across the UK. There are many more social housing roofs across the UK and there is very little reason why every one which is suitable should not host solar PV.

We do hope that you will find this share offer worthy of your consideration.



*Michael Kinghan  
Chair*



# Declaration

Chase Community Solar Limited and each of its Directors whose names are set out below hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Offer Document is to the best of his/her knowledge, in accordance with the facts and contains no omission likely to affect its import.

  
Bob Bell

  
Catherine Sadler

  
John Coombes

  
Andrea Simpson

  
Douglas Haigh

  
Robin Taylor

  
Michael Kinghan

  
Anthony Walters

  
Robin Powell

## Overview

- First scheme in the UK to put solar panels on council house roofs funded by community shares.
- Total investment at least £400,000 from community shares.
- Between 150 and 400 council tenants benefit from solar panels.
- Between 176 and 441 tonnes tonnes per year CO<sub>2</sub> saved.
- Between £100 and £200 p.a. estimated savings for tenants.
- Projected 7% return on shares.
- Shares expected to qualify for SEIS or EIS tax relief scheme.
- Estimated £6,000 per annum available to a community fund

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# 1. Summary of offer

This is a summary of the offer to acquire shares in the Chase Community Solar Limited ('the Society').

## 1.1. Introduction

The purpose of this share offer is to raise enough funds to install solar panels on at least 150 and up to 400 homes owned and managed by Cannock Chase Council.

*"By investing as little as £100 in Chase Community Solar people can get a fair return on their money while helping others in their community to save money on their electricity bills. This means everyone in the community can benefit from the Feed-in tariff subsidy for solar electricity which we all pay for through our electricity bills. By investing you will also help to build up a community fund to support local projects to benefit the wider community."*

Mike Kinghan, Chair of Chase Community Solar

The panels will provide free electricity to the tenants of the homes and therefore will help to mitigate the rising cost of energy for these households. The properties planned to be included in this programme are all bungalows mainly tenanted by retired members of the community.

The target internal rate of return (IRR) to investors in the project is 7%. Additionally, the directors have received advance assurance from HMRC that shares in the scheme will be eligible for tax relief under the Seed Enterprise Investment and Enterprise Investment Schemes (SEIS/EIS) which will enable investors to reclaim income tax on their investment at the rate of either 50% or 30%.

Chase Community Solar Limited (the Society) has been established by the Directors of Southern Staffordshire Community Energy Limited (SSCE Ltd) as a purpose-designed vehicle to take forward this specific project.

The project was instigated in partnership with Cannock Chase Council who are strongly supportive of the concept.

This is an exciting and innovative project. There are now many renewable energy installations in the UK owned by community benefit societies or co-operatives, but we believe this will be the first major scheme to install solar PV panels funded by community shares on local authority housing and to provide council tenants with free electricity.

## 1.2. Important Information

This document has been prepared by the Directors of Chase Community Solar Limited, who are responsible for its contents. Full details on the legal compliance of the document and the terms of the offer and how to invest are set out in the main body of the document. Technical and other words and phrases used that have a particular meaning are defined and explained in the Glossary. This summary should be read as an introduction only and any decision to invest made on the basis of the document as a whole.

## 1.3. The Project

The project is to install solar PV panels on social housing bungalows owned by Cannock Chase council. The solar panels will, when generating, provide free electricity to the tenants.

The Project will help at least 150 and as many as 400 social housing tenant households in Cannock Chase District, many of whom will be elderly people living on low incomes.

Cannock Chase district has the highest levels of deprivation of any district in Staffordshire (excluding Stoke) and is ranked 138 out of 326 LA districts nationally from the 2010 Index of Multiple Deprivation. 12% of the population fall within the most deprived 20% nationally. Fuel poverty is higher than the national average at 11.9% compared with 10.8%. Nearly half of all Cannock electoral wards experience high fuel poverty.

The estimated saving to Council tenants who have the solar PV installed is expected to be between £100 and £200 per annum, depending on their consumption of electricity during the periods when the panels are generating electricity.

The project will be managed and controlled by a local Community Benefit Society and the capital will be raised by selling shares to the public, thus ensuring that the benefits will be distributed within the local community as far as possible.

The overall number of installations achieved will be dependent on the total capital raised. The minimum target is 150 systems with an average capacity of 3kW. At this level, the internal rate of return for investors of 7% is expected to be achieved.

## 1.4. Carbon savings

It is estimated that if 150 installations of 3kW are carried out, this will displace the equivalent of 176 tonnes of CO<sub>2</sub> every year. If 400 installations are carried out (300 at 3kW, 100 at 2.5kW), this will displace 441 tonnes of CO<sub>2</sub> every year.

We are expecting the yield from each 3kW array in Cannock to be about 2,640 kWh per year (according to the data taken from the Microgeneration Certification Scheme (MCS) solar irradiation tables). The average electricity consumption for a domestic house in the UK is about 3,300 kWh p.a., so each installation will on average produce the equivalent of about 80% of the electricity consumed in the building. (In practice, the times of generation and demand will not match so electricity will be exported and imported at different times.)

## 1.5. The Offer

£34,250 has already been raised through a previous share offer. This sum covers the preparatory work necessary to take the project through to the point at which installation work can begin. In addition a grant of £1000 has been agreed by the Naturesave Trust.

This current offer is for the capital to carry out the installations now that the preparatory work has been completed.

The minimum capital required for the project to be viable and go ahead is £523,000 (including existing shares) which will finance the installation of about 150 roofs.

Of this, 25% is expected to be obtained through a loan and the balance of £403,000 would be raised from shares. Of this, £34,250 has already been raised, leaving a minimum of £368,750, which has been rounded up to £370,000 to be raised through this share offer. If more than this is raised, more roofs will be completed and this will result in higher carbon savings, more households helped, and higher community fund.

The maximum number of suitable roofs potentially available is about 400 which would require a total of approximately £1,255,000 to be raised, of which £951,000 would be raised from shares and the balance from a loan.

Shareholders should regard these Shares as a long-term investment. They may subscribe for a minimum of 100 and a maximum of 100,000 offer Shares at their £1 par value, subject to the limitation that no single shareholder (or shareholder and close family members) holds more than 30% of the value of shares at any one time. This is a requirement of being eligible for the EIS tax relief.

Once the final share offer is completed, all shares issued in all stages will have identical status. Members' eligibility for a tax rebate on the shares will depend on the individual member's tax status and at what stage the shares were purchased.

Shares will not be traded on a recognised stock exchange and shares are not transferable. Share withdrawal may be authorized at the discretion of the board. Shares cannot be withdrawn until at least three years after the date of issue of the shares as this is a condition for eligibility of tax relief.

Each shareholder, whatever the relevant stake, automatically becomes an equal society member of the Chase Community Solar Limited on a 'one member, one vote' basis.

## 1.6. Tax Relief

Advance Assurance has been given by HMRC that the shares purchased through this pioneer share offer are expected to qualify for the Enterprise Investment Scheme (EIS) or Seed Enterprise Investment Scheme (SEIS) tax relief schemes.

The first £115,750 of shares will be eligible for SEIS 50% tax relief. Members that subscribed to the offer will be given first refusal on these. The remaining shares eligible for SEIS will be allocated to other subscribers in date order of receipt of applications.

It is expected that all further shares issued will be eligible for standard EIS tax relief of 30%.

## 1.7. Allocation of shares

Shares will be allocated on a first come first served basis.

Once the minimum viability level is reached, installations will begin and subscriptions converted to shares as soon as they are received. Once the maximum numbers of roofs are funded, no more applications will be processed.

There will be significant publicity within the local community of Cannock Chase to make sure that local residents have the maximum opportunity to obtain shares.

## 1.8. Rate of return

Returns to Members are calculated according to projected income and expenditure during the 20 year period during which the Feed in Tariff is being received.

The surplus income generated will be dependent on the number of roofs fitted with panels and various other variables, including the size and orientation of the roofs which are included in the final scheme and the yield (which is based on the amount of sunshine in the year).

The target return to members is a 7% Internal Rate of Return (IRR). The financial projection indicates that this should be achieved if the minimum target of 150 roofs is achieved, but this cannot be guaranteed because some factors that affect the return are outside the control of the Society.

Income above this will be distributed as a community fund.

The benefit of tax relief is in addition to the basic interest that members will receive.

For shares that are eligible for 50% tax return under SEIS, the overall return (including the tax relief) equates to an IRR of around 13%.

For shares that are eligible for 30% tax return under EIS, the overall return (including the tax relief) equates to an IRR of around 10%.

The financial model is based on a projected return on members capital over 20 years (subject to Society performance).

## 1.9. Risks

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

Those interested in investing should do so only after reading this document in full and taking appropriate financial and other advice. Members who purchase shares in this project need to be aware of the financial risks associated with the venture.

This share offer is not covered by the Financial Ombudsman Service or the Financial Services Compensation Scheme.

Offer stage	Amount	Tax relief	Purpose
The previous pioneer offer (now closed)	£34,250	SEIS (50%)	Raise the money necessary to formalise the legal agreements and to pay for the administration and marketing associated with the main share offer.
This current share offer	Minimum of £370,000	SEIS (50%) on first £115,750 [see section 1.6]	To fund the installation costs. The number of roofs will depend on the capital raised.
	Maximum of £950,000	EIS (30%) on the balance	

# 2. Background

This section provides the background to the project and the organisations that have put it together.

## 2.1. Chase Community Solar Limited

Chase Community Solar Limited was specifically founded to operate this scheme. The objects of the Society are to carry on any business for the benefit of the community by;

- a) Promoting renewable energy generation and developing, installing and operating renewable energy sources;
- b) Promoting sustainable use of energy and reductions in carbon emissions through the provision of advice on energy efficiency and the supply of energy-efficient products and services;
- c) Promoting public awareness of environmental and related issues and supporting educational initiatives related to renewable energy, energy efficiency and sustainability; and
- d) Promoting sustainable initiatives and policies which improve health, wealth and well-being of local communities, particularly those suffering from deprivation.

Chase Community Solar Limited is a Registered Society (for the benefit of the community) and was incorporated and registered with the UK Financial Conduct Authority on 20th June 2014.

It is domiciled in England, with its registered office at 3 Burns Close, Lichfield, WS14 9DW and registration number 32420R.

A Registered Society is a legal form owned by and operated by its members. Members elect the directors and each member has one vote in a members' meeting regardless of the number of shares held.

Members are protected by limited liability and are only obliged to contribute the initial cost of their shares.

A Registered Society is governed by Rules, largely in standard form, which are approved by and registered with the Financial Conduct Authority. A copy of Chase Community Solar Limited's Rules is available by application to the Society or from the website (see back of this Offer document for contact details).

## 2.2. Project Partners

**Cannock Chase Council** supports this project as an important contribution to reducing the energy costs of its tenants, reducing the district's carbon emissions and supporting community ownership and enterprise.

**Southern Staffordshire Community Energy Ltd** is a Lichfield-based Registered Society, founded in 2011, that owns and operates renewable energy resources in the Lichfield area and also develops and implements renewable energy and energy efficiency projects across Staffordshire. Through its Directors, it has been instrumental in the negotiations with Cannock Chase Council and in co-ordinating the feasibility and development work on the project.

**Pure Leapfrog** is a business-led charity that is the leading social investment provider within the community energy sector in England. They provide low cost finance to UK projects, drawing on a credit facility from Big Society Capital. Their vision is to ensure that community energy becomes a significant part of the sustainable energy mix.

**Shareenergy** is a Shrewsbury-based Co-operative which helps community groups to establish community owned renewable energy. Shareenergy are assisting with the preparation and administration of the share offer for Chase Community Solar Limited.

**Ethex** is a not-for-profit positive investment platform based in Oxford that makes positive investing easy to understand and easy to do. Ethex is managing the share offer administration and helping to market the share offer.



*Councillor Frank Allen of Cannock Chase Council with members of the board of the Society*



# 3. Business overview

The sole planned activity of Chase Community Solar Limited is the ownership and management of Solar PV panels on social housing owned by Cannock Chase Council and the distribution of any community fund arising from this.

## 3.1. Relationship between the Society and Cannock Chase Council

In the autumn of 2013 Cannock Chase Council sought interest from Southern Staffordshire Community Energy Ltd. to explore whether solar PV panels could be installed on the roofs of some of their housing stock. This discussion has led to the formation of Chase Community Solar Limited (the Society) to deliver this scheme.

For a project such as this to work, there needs to be a high level of co-operation between the landlord (Cannock Chase Council) and the installer (the Society). Constructive discussions have taken place over an extended period of time to ensure that the arrangements for the project are fair to all parties.



*Rooftops of Cannock Chase*

## 3.2. Community fund

The main benefits to the community are the free electricity received by council tenants and the environmental benefits of carbon reduction.

Members (shareholders) will receive interest which will be capped such that the 20 year IRR is no higher than 7%. Surplus above this (after all running costs and other essential commitments are covered) will be put into a community fund. The size of this community fund will depend on how many panels are installed.

At the upper end, if 400 installations are carried out, there will be a community fund of about £6,000 per year available. It will be at the discretion of the board and members of the Society to decide how this was to be distributed to community projects. However the board will consult with Cannock Chase Council and local residents about how the community fund will be spent before making decisions about its use.

*“Cannock Chase Council is delighted to be working with Chase Community Solar on this ambitious project to install solar PV on the roofs of Council bungalows in our district. Our tenants have been badly hit by rises in energy prices in recent years and through this project we can give many of them an opportunity to reduce their energy bills by getting free electricity when the sun is shining. By concentrating on bungalows we will be giving the most help to the older members of our community. And in addition to helping reduce electricity costs the project will also help to reduce the district’s carbon emissions.”*

Councillor Frank Allen, Portfolio holder for Housing

## Case Studies

Cannock Chase District Council carried out a pilot scheme in 2012 to install solar panels on 39 bungalows in Jerome Road, Jerome Drive, Yew Tree Close and High Street in the Norton Canes area of Cannock Chase district. The tenants of the bungalows are getting free electricity when the panels are generating, and the surplus electricity is fed back into the grid.



Mr and Mrs Powell had solar panels installed under the pilot scheme on their bungalow in Jerome Road in April 2012.

Since the installation, they have seen a significant fall in their electricity bills. They are very happy with the look of the panels on the roof, and have not heard any negative comments from anyone on the estate.





Mrs Jeavons, who lives in Jerome Road, had solar panels installed by Cannock Chase council in April 2012.

She says "The installation was very quick, it was finished in a couple of days, and the installers only came inside the house, into the roof for less than an hour."

Since the installation there have been no problems at all, and she is now spending £6 per fortnight less on her electricity and is very pleased to have received the panels.

### 3.3. Housing stock

The properties involved are all Council-owned, purpose-built bungalows on estates in Cannock, Hednesford and Rugeley. The great majority are traditionally built with pitched roofs mostly finished with concrete tiles. The properties were constructed between 1945 and 1985. Maintenance of the properties is the responsibility of the Council.

### 3.4. Tenant Consultation

Consultation with the tenants occupying properties on which the PV is planned to be installed will take place when the share issue has been launched. Each tenant will be approached individually following a joint letter from Cannock Chase Council and Chase Community Solar Ltd. The project will be fully explained to the tenants by the installer and every household given the choice of whether or not to be considered for PV panels.

The Society cannot guarantee an installation for all tenants that express interest, because there may be technical reasons outside the control of the Society when the detailed survey is carried out, such as shading or orientation, that rule out a small number of properties.

Tenants will be given full instructions on the operation of the system and how to maximise the benefits of savings on their electricity bills, as well as other advice on energy efficiency. A 24 hour helpline will be provided to report faults and deal with queries.

### 3.5. Proposed PV panel specification

The size of each installation will depend on the space available on the roof, the maximum size will be limited to 3.6kW to simplify the cost of connecting to the electricity network. The average size is anticipated to be about 2.8kW.

To ensure reliability, the solar panels will be sourced from a Tier 1\* equipment supplier.

Similarly a high quality inverter will be chosen to ensure reliable and efficient performance.

The financial projections assume that all inverters are replaced at current prices from reserves during the 20 year lifetime of the project. This is expected to be conservative as many of the inverters will be repaired rather than replaced, and the cost of replacement is likely to fall as the technology matures and improves.

Remote metering will be installed so that manual meter data collection will not be required. Remote monitoring of performance will also be incorporated so that malfunctions can be quickly identified and remedied.

\* In order to help in the selection and specification of PV panels, a classification system has been established where panels are classified as "Tier 1", "Tier 2" or "Tier 3". The system was put in place by Bloomberg New Finance. This is now the most respected international measure of panel "bankability". Tier 1 is the top rating, tier 3 is the bottom rating.

### 3.6. Panel installer

Stage One tenders were received from seven contractors for a typical 3kW installation. The most competitive bid was received from J Tomlinson Ltd, a Nottingham based contractor with extensive experience in working with social housing providers and installing PV systems on dwellings and elsewhere. Following a review of their bid and detailed discussions with them about their capabilities, the proposed components and the implementation process, the Society have confirmed to J Tomlinson that they are the preferred contractor and that it is our intention to enter into a contract with them. J Tomlinson have nominated their team for the project and have been working with the Society and the Council on the project. Following the share launch we will agree the final contract details with them (based upon their Stage One tender) and sign the contract for the works. We have been very pleased with their positive and helpful approach and have every confidence in their ability to deliver it successfully.

### 3.7. Planning Permission

As long as certain conditions are complied with, roof mounted solar panels are treated as a "permitted development" and as such, an application for planning permission is not needed. The Society will ensure that all the installations will comply with "permitted development" conditions.

# 3. Business overview

## 3.8. Grid connection

The District Network Operator (DNO) that covers the whole of the area where the properties are located is Western Power Distribution (WPD). The Society is in discussion with WPD to ensure that the grid connection process can progress smoothly.

It is anticipated that there may be some grid constraints that may limit the volume of panels that can be installed in certain areas within the district. The Society is working with WPD to identify these constraints so that detailed surveys are not carried out on properties where grid constraints apply.

From discussions with Western Power to date it appears very likely that it will be possible to connect at very least the minimum number of 150 properties

## 3.9. Microgeneration Certification Scheme

In order to be eligible for the Feed in Tariff, the equipment that is installed and the company that carries out the installation must be certified under the Microgeneration Certification Scheme (MCS).

The Society will make certain that all requirements are met to ensure that the installations will be eligible for the Feed in Tariff.

## 3.10. Panel Performance

The Microgeneration Certification Scheme (MCS) have recently produced a report on the installation and performance of roof mounted solar panels. This report has gathered data on the generation output of roof mounted solar panels across the UK. This has been tabulated to form a resource for estimating the output of roof mounted PV panels according to the location across the UK.

This data has been used in the estimation of generation and hence income for the installations proposed for this Society.

The report can be found on the internet at <http://s.coop/mcspv>

This document provides look-up tables for 21 geographic zones around the UK. Cannock lies in zone 6 (Birmingham).

The output for an optimal installation (facing due South and at 38° inclination) would be 937 kWh per kW installed.

Not all installations would be facing exactly south and at 38° inclination. If the average is taken for all roofs between South East and South West, and on roof angles between 20° and 45° the average output is 913 kWh per kW installed.

If only the minimum number of installs (150) are carried out, they will be installed on the roofs that are most suitable and that would give the highest yield. As more installations are added, roofs oriented further from South would be added, so the average yield will reduce.

There will be a yield reduction as a result of disconnections due to prepayment meters being out of credit, and when properties are empty (voids). The properties being considered are bungalows predominantly occupied by retired residents, or residents with

some form of disability, and these are considered less likely to be on pre-paid meters, or to be subject to rapid changes of tenant, so these risks are considered to be low, but an allowance of 1% reduction of yield has been included to allow for this.

To model all these factors, the following assumptions on yield reduction are used, compared to the 937kWh/kW from the MCS table above.

150 installs	6% reduction to 881 kWh/kW installed
250 installs	7% reduction to 871 kWh/kW installed
400 installs	8% reduction to 862 kWh/kW installed

## 3.11. On-site use of electricity

When the panels are generating electricity, tenants will be able to use this generated power free of charge. Any electricity they use in excess of the electricity produced by the panels will be imported from the grid and paid for by the tenant according to the terms they have with their normal electricity supplier.

If the solar PV panels should fail for any reason, they would continue to take electricity from the mains with no interruption of supply.

The income that the Society receives from sale of electricity to the grid is based on "deemed" export, which means that the actual export is not metered and is assumed to be 50% of the power generated by the panels.

For this reason, the income received by the Society is independent of how much or little is used by the tenants, even though they do not pay for the electricity generated by the panels.

Tenants will benefit financially by using electricity at times when the panels are generating, as far as possible. For example, they could choose to run washing machines, dishwashers and other appliances when the sun is shining.

They should be given information booklets by the installers on how to maximise their benefits and the Society will provide additional support to help them to obtain the most benefit from the solar electricity, and also to help them to make their homes more energy efficient in other ways.

## 3.12. Legal issues

### 3.12.1. Decommissioning

The lease negotiated with the council specifies that, at the end of the lease, and unless the option to extend is taken up, the ownership of the panels would be gifted to the owner of the buildings (currently Cannock Chase Council).

There is no requirement in the lease for the Society to remove or decommission the panels at the end of the lease or any time in the future other than for roof maintenance when they would be re-instated once the roof work is completed.

Under this arrangement the tenants will continue to benefit from reductions in their electricity bills and the building owner will be

able to continue to use and benefit from the panels until the end of their useful life which is expected to be far in excess of the length of the lease.

### 3.12.2. Roof Lease

A template lease has been negotiated between the Society and Cannock Chase Council. This will be completed for each property where panels are going to be installed.

The lease will include rights to install and maintain solar photovoltaic equipment, to connect to the mains grid and to take an income from the FIT payments and export tariff.

The lease is for a term of 21.5 years, at a peppercorn rent. There is an option to extend by 8.5 years.

The principal terms of the lease have been agreed and it is presently at an advanced stage of drafting.

There will be a separate lease for each property but the contractual terms will be identical. The leases for each individual property will not be completed until installation is ready to commence.

### 3.12.3. Right to Buy

Right to buy – Under Government 'Right to Buy' legislation Cannock Chase Council tenants have the opportunity to purchase their properties at a discounted rate.

If the resident wants to retain the panels, the Council will transfer ownership to the new purchaser who can then sign up to a lease with the Society on the same terms.

If after the sale of a property under Right to Buy, the new owner defaults on a mortgage secured on the value of the property, the mortgagee in possession can break the lease without compensation. These cases are expected to be rare.

If the resident does not want to retain the panels, the Council will require us to remove the panels and will reimburse the reasonable cost of removal. They will also make an Early Termination Payment representing the depreciated cost of the panels and installation plus 10%.

### 3.13. Project timeline

This is an indicative timeline showing planned progress along a realistic path – but can and will change as required.

4th November 2014	Main share offer launched
13th February 2015	Share offer closed unless extended by the directors
March 2015	Installations begin
May 2015	Installations completed
June 2015	First Annual General Meeting. Board Elections



# 4. Financial projections

Financial projections are based on estimates of expenditure and income that have been calculated for the project. These are described below.

## 4.1. Expenditure

### 4.1.1. Development costs

The development costs have been covered by a previous pioneer share offer which raised £34,250 and an additional £1000 awarded as a grant by the Naturesave Trust.

There will be an additional £5,000 development costs which will be covered by the main share offer and only payable on successful completion of the main share offer. This payment is to cover intellectual property and templates used by Sharenergy for the share offer.

An 8% contingency allowance has been built into the total project costs. This fee will be used in the first instance to cover any unexpected capital project costs. If this is not all required, a fee will be paid to Southern Staffordshire Community Energy Ltd out of the unused portion for use in the development of future community energy projects. This fee will be capped at 5% of the project costs.

### 4.1.2. Installation costs

The installation costs will be funded by this main share offer. This will cover the cost for a contractor to install panels, inverters and monitoring and metering equipment, on the properties identified for the project.

The main share offer will also cover the individual cost of completing a lease on each property. The legal costs include £2,500 already committed on establishing the template lease, plus £100 legal costs and the £40 Land Registry cost for applying the lease to each property.

### 4.1.3. Ongoing costs

Once the panels are installed, there will be ongoing costs that will be incurred throughout the life of the Society.

#### Monitoring

Monitoring equipment will be installed with every array to identify any malfunction, but the output will need to be read on a regular basis. A commercial service provider, Orsis, have provided a quote for the equipment and software and the costs have been incorporated in the projections.

#### Bookkeeping and administration

The Society will need to keep accounts, to communicate with members and pay interest on shares, and to fulfil all the regulatory requirements of HMRC and the FCA. These functions will be contracted with Sharenergy at a cost of approximately £5000 per year (the actual figure depends on the eventual number of members that subscribe for shares). In addition, an independent accountants report will need to be obtained on each annual set of accounts.

#### Maintenance and inverter replacement

Inverters have an expected lifetime of between 10 and 15 years and therefore we would expect them to require replacement before the end of the 20 years. An accumulating fund has been set up in the projections that allow for all inverters to be replaced during the 20 year lifetime of the project.

It is not expected that much other maintenance will be needed but the panels will be carefully monitored and repairs carried out promptly where malfunctions are detected.

Because of the slope of the panels the rain should keep them clean and it is anticipated that manual cleaning will not be necessary.

#### Insurance

The Society will identify risks that could affect the panels and the income from them, and take out appropriate insurance designed for this type of PV installation. Costs in the projections are based on estimates that have been obtained from Naturesave, a reputable insurer who specialise in insurance of renewable energy installations.

## 4.2. Income

Income for the Society will come from the following sources:

### 4.2.1. Feed in Tariff

Income from all electricity generated will come from the Feed in Tariff. It is anticipated that the panels will be installed after December 2014 and hence the tariff rate will be 12.49 p/kWh because of the 3.5% reduction (degression) that will occur at the end of December 2014.

The tariff received for generated electricity will be indexed with RPI and will continue for 20 years (see [www.ofgem.gov.uk](http://www.ofgem.gov.uk))

### 4.2.2. Sale of exported electricity

Because the electricity exported from the homes will not be separately metered, OFGEM regulations assume that half of the generated electricity will be used on site, and half will be exported. The Society will therefore receive the export tariff of 4.77p/kWh for half of the generated electricity.

The export tariff is fixed by OFGEM and will increase annually with RPI.

### 4.3. 20 year income and expenditure projection scenarios

#### Option 1: 150 roofs installed at 3kW each

Year	0	1	2	3	4	5	yrs 6 - 10	yrs 11 - 20	yrs 1 - 20
Generation (kWh)		396,351	393,848	391,344	388,841	386,338	1,894,141	3,600,536	7,451,399
<b>Profit/Loss</b>									
Feed in Tariff income		49,999	51,174	52,374	53,600	54,853	294,013	698,585	1,254,598
Income from electricity sales		9,661	9,888	10,119	10,356	10,598	56,808	134,977	242,408
<b>Income</b>		<b>59,660</b>	<b>61,062</b>	<b>62,494</b>	<b>63,957</b>	<b>65,451</b>	<b>350,821</b>	<b>833,562</b>	<b>1,497,006</b>
Depreciation over 20 years		26,183	26,183	26,183	26,183	26,183	130,916	261,832	523,665
Operating and admin costs		16,311	16,800	17,304	17,823	18,358	100,390	251,295	438,283
<b>Expenditure</b>		<b>42,494</b>	<b>42,984</b>	<b>43,488</b>	<b>44,007</b>	<b>44,541</b>	<b>231,306</b>	<b>513,128</b>	<b>961,947</b>
Operating surplus		17,166	18,078	19,006	19,950	20,910	119,514	320,434	535,059
Interest on cash in bank		0	382	635	864	595	3,353	8,273	14,103
Pure Leapfrog loan interest		-7,855	-6,919	-5,927	-4,876	-3,761	-3,907	0	-33,246
Interest to members		-9,311	-11,541	-13,714	-15,938	-17,744	-118,960	-328,707	-515,916
<b>Surplus for distribution</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cashflow</b>									
Bank opening balance		10,000	20,587	30,237	20,000	20,000			
Capital expenditure	-523,665								
Surplus for distribution		0	0	0	0	0	0	0	0
Add back depreciation		26,183	26,183	26,183	26,183	26,183	130,916	261,832	523,665
Pure Leapfrog loan capital	130,916	-15,597	-16,533	-17,524	-18,576	-19,690	-42,996	0	-130,916
Community fund		0	0	0	0	0	0	0	0
Share capital (receipt and repayment)	402,749	0	0	-18,896	-7,607	-6,493	-87,920	-281,832	-402,749
<b>Bank closing balance</b>	<b>10,000</b>	<b>20,587</b>	<b>30,237</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>			
Member IRR (no tax relief)	7.0%								
Member IRR (30% tax relief)	10.1%								
Member IRR (50% tax relief)	12.8%								
Community fund		£ nil	£ nil	£ nil	£ nil	£ nil	£ nil	£ nil	£ nil

#### Option 2: 400 roofs installed, 300 at 3kW, 100 at 2.5kW

Year	0	1	2	3	4	5	yrs 6 - 10	yrs 11 - 20	yrs 1 - 20
Generation (kWh)		991,346	985,085	978,824	972,563	966,301	4,737,590	9,005,596	18,637,305
<b>Profit/Loss</b>									
Feed in Tariff income		125,057	127,995	130,997	134,064	137,197	735,380	1,747,287	3,137,978
Income from electricity sales		24,163	24,731	25,311	25,903	26,509	142,087	337,603	606,306
<b>Income</b>		<b>149,220</b>	<b>152,726</b>	<b>156,308</b>	<b>159,968</b>	<b>163,706</b>	<b>877,466</b>	<b>2,084,890</b>	<b>3,744,284</b>
Depreciation over 20 years		64,038	64,038	64,038	64,038	64,038	320,188	640,375	1,280,750
Operating and admin costs		37,782	38,916	40,083	41,286	42,524	232,540	582,092	1,015,223
<b>Expenditure</b>		<b>101,820</b>	<b>102,953</b>	<b>104,121</b>	<b>105,323</b>	<b>106,562</b>	<b>552,728</b>	<b>1,222,467</b>	<b>2,295,974</b>
Operating surplus		47,401	49,773	52,187	54,644	57,144	324,739	862,422	1,448,310
Interest on cash in bank		0	574	1,192	1,752	733	4,586	13,005	21,841
Pure Leapfrog loan interest		-19,211	-16,923	-14,496	-11,925	-9,199	-9,556	0	-81,310
Interest to members		-22,189	-27,244	-32,518	-37,915	-41,925	-282,840	-782,988	-1,227,619
<b>Surplus for distribution</b>		<b>6,000</b>	<b>6,180</b>	<b>6,365</b>	<b>6,556</b>	<b>6,753</b>	<b>36,928</b>	<b>92,439</b>	<b>161,222</b>
<b>Cashflow</b>									
Bank opening balance		10,000	35,892	59,495	20,000	20,000			
Capital expenditure	-1,280,750								
Surplus for distribution		6,000	6,180	6,365	6,556	6,753	36,928	92,439	161,222
Add back depreciation		64,038	64,038	64,038	64,038	64,038	320,188	640,375	1,280,750
Pure Leapfrog loan capital	320,188	-38,146	-40,434	-42,860	-45,432	-48,158	-105,158	0	-320,188
Community fund		-6,000	-6,180	-6,365	-6,556	-6,753	-36,928	-92,439	-161,222
Share capital (receipt and repayment)	970,563	0	0	-60,672	-18,606	-15,880	-215,030	-660,375	-970,563
<b>Bank closing balance</b>	<b>10,000</b>	<b>35,892</b>	<b>59,495</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>			
Member IRR (no tax relief)	7.0%								
Member IRR (30% tax relief)	10.1%								
Member IRR (50% tax relief)	12.9%								
Community fund		£6,000	£6,180	£6,365	£6,556	£6,753	£36,928	£92,439	£161,222

# 4. Financial projections

## 4.4. Notes on the Financial Projections

The Projections are based on the following principal assumptions:

- Current expectations relating to the global energy market, the UK electricity industry, UK government policy, and the desirability for and promotion of electricity from renewable sources, will remain reasonably consistent and reasonably favourable to the PV panels over the next 20 years, resulting in continuing demand for electricity produced by PV panels.
- Electricity yield has been based on the data published by the Microgeneration Certification Scheme, adjusted to take account of the fact that some roofs will not be facing due south or at the optimal slope, and there will be small number of disconnections due to pre-payment meters being out of credit and voids (breaks between tenancies). See section 3.10 for more details.
- If any of the assumptions prove not to be correct this is likely to result in adjustments to the projections in the Project plan. Projections and assumptions such as those above are inherently less reliable over longer time spans.
- The total cost is based on the prices in the tender received from the preferred installer.
- Inflation on all income and expenditure is set at 3% per annum over the 20 year period.
- Income is based on the Feed in Tariff, and on the electricity being exported at the Ofgem Export tariff rate. Note that the Feed in Tariff is guaranteed for the full 20 years.
- Depreciation of equipment is straight-line over the 20 year period and creates a fund to pay back members capital. Capital is modeled as being returned to members each year as cashflow allows, subject to maintaining a contingency reserve within the Society and subject to maintaining EIS eligibility (i.e. no capital withdrawal within the first 3 years).
- Insurance costs are set at £6/year/kW – this is based on insurer's estimates.
- Administration costs of the Society are set based on the standard 'small co-ops' package from Shareenergy which covers maintenance of membership database, phone, email and postal support of members, preparation of AGM papers and annual return, annual audit, FCA and other regulatory fees. the Society will produce annual accounts and as a small business will apply for the exemption from audit.
- Interest on cash in bank is set at 2.5%.
- All profits are allocated to depreciation charge or distributed to members or distributed to the community fund and so the projections do not predict any liability for Corporation Tax. Note that members are likely to be liable for Income Tax on their returns from investment.
- Normal monthly cash expenditure is expected to be small and will be amply covered by the generation and FIT income. The Projections anticipate that Chase Community Solar Limited will be cash positive each year from the commencement of operations.
- Abortive visits – The installer will call on each prospective property to assess whether panels can be installed. Some of the visits will result in a conclusion that panels cannot be installed, and the Society will be responsible for covering the cost of these abortive visits. An assumption has been made that for each 10 successful visits, there will be one abortive visit. The installer has quoted a fee for each abortive visit of £97 to cover the time spent.
- Projections are based on a 20 year timescale. After this time, income will reduce significantly as the FIT payments will cease. The lease will include an option to extend for an additional 8.5 years. Members will decide whether to exercise this option nearer the time, when the costs and income in 2035 are known with more certainty. At the end of the project, the panels will be gifted to the then building owner, and no decommissioning will be carried out. Therefore no decommissioning costs are included in the financial model.



#### 4.5. Profile of capital and interest returns to members

The target return to members is 7% IRR, and surplus above this will be placed in a community fund. The annual interest rate will vary across the 20 years, increasing over time so will be less than 7% in the early years and more than 7% in later years.

Capital cannot be returned for 3 years as this is a condition of being eligible for tax relief. After year 3, assuming financial performance is as projected, members will be given the option of withdrawing capital in annual instalments over the remaining 17 years, such that all capital is returned by the time the leases on properties have expired. Capital available to return to members will be lower while the Pure Leapfrog loan is being repaid, and will increase once this is fully paid off after year 7.

To help give an understanding of the rate at which a member will receive interest and capital through the 20 year lifetime of the scheme, the following table shows the projected cashflow for a member subscribing for 1000 shares.

The numbers represent a purchase of 1000 shares in year 0, then receipt of interest, capital and tax relief over the subsequent 20 years.

Year	-	1	2	3	4	5	6	7	8	9	10	11	12
Cashflow (no tax relief)	-£ 1,000	£ 21	£ 27	£ 88	£ 57	£ 58	£ 60	£ 63	£ 124	£ 127	£ 129	£ 132	£ 134
With 30% tax relief	-£ 1,000	£ 321	£ 27	£ 88	£ 57	£ 58	£ 60	£ 63	£ 124	£ 127	£ 129	£ 132	£ 134
With 50% tax relief	-£ 1,000	£ 521	£ 27	£ 88	£ 57	£ 58	£ 60	£ 63	£ 124	£ 127	£ 129	£ 132	£ 134

Year	13	14	15	16	17	18	19	20	Year 1-20 total	IRR
Cashflow (no tax relief)	£ 137	£ 140	£ 142	£ 145	£ 148	£ 150	£ 153	£ 188	£ 2,222	7.0%
With 30% tax relief	£ 137	£ 140	£ 142	£ 145	£ 148	£ 150	£ 153	£ 188	£ 2,522	10.3%
With 50% tax relief	£ 137	£ 140	£ 142	£ 145	£ 148	£ 150	£ 153	£ 188	£ 2,722	13.4%

Note especially:

- 1) Tax relief received in year 1
- 2) Low interest in early years balanced by high interest in later years.
- 3) No capital return for 3 years to comply with EIS conditions

#### 4.6. Community Benefit

Each of the households that has panels installed will benefit from reduced electricity bills. This will form a real and direct financial boost at the heart of the local community and will benefit a large number of people.

Part of the surplus will be set aside to form a community fund. The level of this will depend on the scale of installation achieved.

It will be the responsibility of the Society in consultation with the Council to decide how this should be disbursed.

Early indications suggest that if the minimum target of 150 roofs is achieved, the community fund will be minimal, but if 400 roofs are achieved, the community fund will be in the region of £6,000 per year, rising with inflation through the life of the project.



# 5. Tax relief

The Society has applied for and received advance assurance from HMRC that this scheme is eligible for Enterprise Investment Scheme tax relief (EIS and SEIS).

## 5.1. Income tax relief

Advance Assurance has been received from HMRC that shares in the scheme are expected to qualify for the EIS and SEIS tax relief schemes.

SEIS will apply to the first £150,000 of shares that are issued (including the £34,250 already issued). The relief is equivalent to 50% of the value of the shares.

EIS will apply to shares that are issued above the £150,000 threshold and is equivalent to 30% of the value of the shares.

Both EIS and SEIS can be claimed back by qualifying taxpayers against income tax for the financial year in which the shares were issued (or the previous year). Shares must be held for at least 3 years.

Members who bought shares in the pioneer offer will be given first refusal on the shares that qualify for SEIS, and any remaining shares that qualify for SEIS will be offered to all applications on a 'first come, first served' basis based on the date the applications are received.

In order to comply with the terms of the EIS and SEIS conditions set by HMRC, once applications reach the minimum target for the project to proceed, the SEIS qualifying shares will be issued and spent on qualifying project expenditure before the remaining share applications are processed.

Please note that you cannot claim more tax relief than you have paid in income tax. The relief is given by way of a reduction of tax liability, providing there is sufficient tax liability against which to set it.

If, when investors eventually withdraw their shares, they are worth less than their purchase price, the loss incurred (minus the initial relief) can be set against income for tax purposes in that year (or the previous year). For further details about the EIS and SEIS schemes you are advised to consult the HMRC website.

The Board will endeavour to ensure that this share offer qualifies for SEIS and EIS tax relief and advance assurance has been received from HMRC that the shares will be eligible for qualifying taxpayers. However, the Directors are not in a position to guarantee this. Investors should take their own advice as to whether they are eligible for SEIS tax relief.

Capital gains tax relief is available if capital gains are re invested in SEIS or EIS shares. More information can be obtained from the HMRC website at <http://www.hmrc.gov.uk>.

### EIS Example

Jenny invests £20,000 in EIS qualifying shares. The EIS relief available is £6,000 (£20,000 at 30%). If her overall tax liability for the year (before EIS relief) is £15,000 she can reduce this to £9,000 as a result of her investment.

For full details see [www.hmrc.gov.uk/eis/](http://www.hmrc.gov.uk/eis/).

### SEIS Example

Jenny invests £20,000 in SEIS qualifying shares. The SEIS relief available is £10,000 (£20,000 at 50%). If her overall tax liability for the year (before SEIS relief) is £15,000 she can reduce this to £5,000 as a result of her investment.

For full details see [www.hmrc.gov.uk/seedeis/](http://www.hmrc.gov.uk/seedeis/).

## 5.2. Failure to raise sufficient capital

In the event that the scheme fails to raise sufficient capital to fund the minimum viable number of installations, the project will not go ahead.

Members who have applied for shares through this offer will have their application returned in full.







# 6. Risk factors

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

## 6.1. General investment risks

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

## 6.2. Renewable energy industry risks

- Government policy towards renewable energy may change. Throughout the operation of the FIT and previous similar schemes such as ROC and NFFO, the Government has maintained the commitment to the process of 'grandfathering' which ensures that whatever tariff a project is registered for at the commencement of operation, will remain the same for the duration of the FIT period, (which is 20 years in the case of PV panels). Therefore revenue from FITs for the Society should not be affected by any future changes to the FIT. This payment is also index linked to RPI.
- New technology inventions and developments may render existing technologies and equipment obsolete though such applications require long lead times and are unlikely to render existing renewable energy projects redundant.
- Long-term changes to weather patterns could result in lower levels of production. However, there is no evidence that the Society is aware of that this will affect PV panel output.
- Abnormal short-term weather conditions could affect expected levels of generation, although overall patterns outside anticipated parameters are unlikely.
- Operational costs may rise faster than anticipated during the life of the Project.

## 6.3. Risks specific to Chase Community Solar Limited Long Term operation

- FIT degression – the government operates a system called "degression" whereby the Feed in Tariffs (FITs) are gradually being reduced over time as the costs of installation go down.

It is certain that a degression will occur at the end of December 2014, and this has been included in all the financial modeling. It is possible, but considered unlikely, that there will be a degression at the end of March 2015, in which case those installations carried out after this date would get a reduced FIT tariff. This has been modeled in one of the scenarios (see section 6.4)

- Loss of tax relief – we are expecting that the scheme will be eligible for tax relief through EIS, however, the government can review this at any point and it is possible therefore for the situation to change before we issue the shares. The tax relief is not therefore guaranteed.
- Right to buy – under Government 'Right to Buy' legislation Cannock Chase Council tenants have the opportunity to purchase their properties at a discounted rate. The lease has been constructed to ensure that this does not place a significant financial risk on the Society, see section 3.12.
- Pre-payment meters and voids – in circumstances where the tenant has a pre-payment meter, or there are voids in the tenancy there could be interruptions to the operation of the generation meter and thus to the recorded level of PV output with consequent losses in FIT and export payments. This risk has been considered (see section 3.10) and an adjustment made to the anticipated yield and income.
- Warranties and insurance will be in place. Accidental and malicious damage will be covered and public liability insurance will be in place. However, equipment failure due to exceptional circumstances would increase maintenance costs and this would impact on Society income.

## 6.4. Scenario sensitivity

There are several factors that will affect the overall return of the shares and constitute a risk to the investment. Two factors that have been identified are:

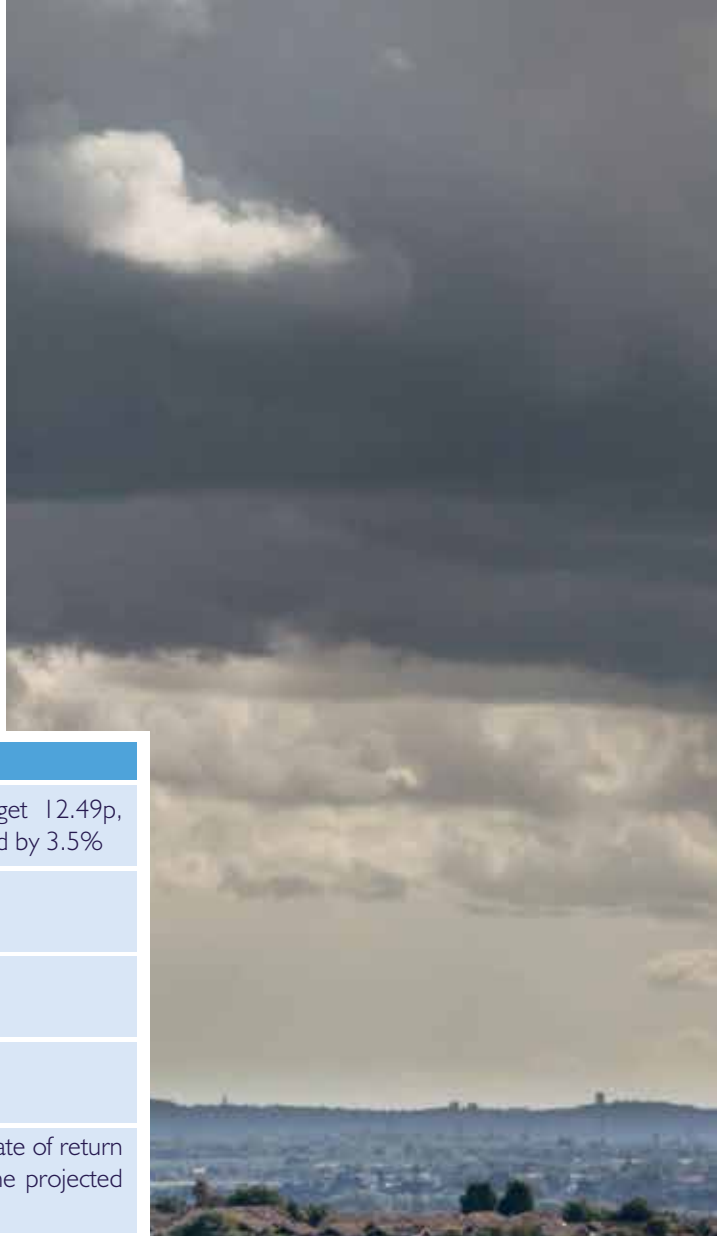
- 1) The number of installations,
- 2) Whether there is a FIT reduction at the end of March 2015

In order to demonstrate the sensitivity of the return to potential risks, scenarios have been run under different assumptions to identify the variation in return under these scenarios.

The table below illustrates these variations for three different levels of installation.

	FIT tariff	
	All systems get tariff of 12.49p/kWh	Half of installations get 12.49p, half get a tariff reduced by 3.5%
150 @ 3kW	7.0% <i>£0</i>	6.7%* <i>£0</i>
200 @ 3kW, 50 @ 2.5kW	7.0% <i>£2,900</i>	7.0% <i>£1,500</i>
300 @ 3kW, 100 @ 2.5kW	7.0% <i>£6,000</i>	7.0% <i>£4,500</i>
	In each box, the top number is the projected rate of return to members, the number below in italics is the projected annual community fund.	

\* In this scenario, there are only 150 installations. The FIT assumption here is that half get installed before 31st March and half are after 31st March with a reduced tariff. As the number of installations is low, it is likely that a lot more than half would be able to be carried out before 31st March so this scenario is considered as not very likely.



# 7. Management & administration

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

## 7.1. The Board

The current board is a transitional board, for the purposes of setting up the Society, running the share issue and overseeing the installation of the Solar PV panels. Board elections from the new membership will be held at the first AGM following the pioneer share offer. The Transitional board are all also Board members of Southern Staffordshire Community Energy (SSCE) which has operated a community energy solar PV scheme successfully for the past 3 years.



**Bob Bell** is a Chartered Director, Chartered Electrical Engineer & Chartered Building Services Engineer with 40+ years of senior experience in sustainable energy & energy utilisation. Responsible for many pioneering developments in energy management that we use today, Bob's proven philosophy is that good environmental practice should generate profits for all, not costs. An example was his pioneering of commercially successful waste-to-energy. He has advised governments & enterprises in over 50 countries on energy programmes that cut costs, & improved human well-being. He has been Chairman, VP, CEO and MD of various successful sustainable energy companies.

Living in Armitage, Bob is semi-retired with his own energy consultancy.



**John Coombes** graduated in architecture in 1973 following which he worked as a project architect and project manager until retiring in 2010. He has lived in Lichfield since 1978 and joined the board of SSCE in 2013 having invested in the their PV schemes in Whittington and with an interest in promoting other community energy projects.



**Doug Haig** is a retired Chartered Valuation Surveyor, principally engaged, over a 40 year career, in buying selling and managing mainly commercial, retail and industrial property for public and private sector clients. He has lived in Lichfield for 33 years and joined the board of SSCE in 2013, having been an shareholder and with a keen interest in environmental matters particularly as they affect the construction industry.



**Mike Kinghan** is an experienced economic regeneration professional who has worked in senior positions in local authorities and regeneration agencies as well as running his own consultancy business for several years. He was Chairman of the national award-winning Whittington and Fisherwick Environment

Group for six years, leading the Group in devising a series of energy-saving programmes. In 2012 he was awarded the status of a regional 'Green Leader' in recognition of his work with WFEG and advocacy of low carbon communities and in June 2012 was awarded the MBE for services to sustainability and biodiversity in Staffordshire and the West Midlands region.



**Robin Powell** is a Chartered Mechanical Engineer who has worked on power station equipment, off road vehicles and defence material. Since retiring his family has invested in two community wind farms, Westmill and Fenland, and a Future Energy Prospects Community Fund as well as a domestic solar thermal system.

His family lives near Stafford and is engaged with growing Miscanthus (elephant grass) near Lichfield for biomass electricity generation at Ely and Drax power stations'.



**Kate Sadler** graduated with a BSc (Hons) in Environmental Biology and went off to become a primary school teacher. She has a longstanding interest in environmental issues and was a founding member of Low Carbon Lichfield, through which she organised a home energy auditing scheme to help

residents take practical action to reduce their adverse effect on the environment. She has recently completed a M.Sc. in Architecture: Advanced Environmental and Energy Studies.



**Andrea Simpson** is passionate about environmental issues, and after a 30 year career in telecommunications, now devotes her time to charitable and environmental causes as well as caring for her daughter. Andrea is a director and Company Secretary of Southern Staffordshire Community Energy

Limited, as well as a founder member and Honorary Secretary of Low Carbon Lichfield, and Chair of a national charitable support group. She brings her organisational and administration skills and experience to the position of director and company secretary of Chase Community Solar.



**Robin Taylor** has a professional background in human resources, learning and economic development and area regeneration, working in the private, voluntary and public sectors. This included Birmingham City Council, the Learning and Skills Council and two regeneration zones in the West Midlands.

He is a founder director of two social enterprises and also a director of Cherry Orchard Gardening Services (COGS).



**Anthony Walters** has marketing, sales and general management experience in 11 businesses in 6 corporations in 13 countries in the consumer goods and energy sectors.

His passion for the environment and sustainability started in Germany 25 years ago while working in one of the pioneer companies in the Green Point recycling scheme and later in Brazil developing sustainably sourced coffee and cocoa and most recently pioneering the use of waste fruit to create fully nutritional powders for people living off less than £1/day.

He subsequently led Honeywell's UK energy business saving 330,000 tonnes of CO<sub>2</sub> and £2.2 million for his customers and is now running two businesses in the food and supply chain/cost consulting arenas. He is also Chair of Low Carbon Lichfield.

## 7.2. Current and intended shareholdings of Directors

The directors are intending to take up 31,000 shares in the Society.

## 7.3. Disclosure

None of the directors of Chase Community Solar Limited have, for at least the past five years, received any convictions (for any fraudulent offence or otherwise), or been involved in any bankruptcies, receiverships or liquidations, 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.

## 7.4. Conflicts of Interests

The directors are not aware of any current conflicts of interest.

## 7.5. Remuneration

No remuneration has been paid by the Chase Community Solar Limited to the Directors. When the PV installations are generating electricity, each Director will be entitled to claim fees and/or expenses not exceeding £50 p.a. in addition to travel expenses. Directors' share applications will be met in full, but there are no pension schemes or share option schemes. Directors may receive

remuneration for work done for the Society that does not come under their duties as a Director.

## 7.6. Board Practices

Directors and the Company Secretary serve in accordance with the Rules. They have no service contracts. Chase Community Solar Limited will have no employees and the business is not dependent on key individuals. Day-to-day operations will be managed by the Society under the supervision of the Board. The Board will bear ultimate responsibility to the Members.

As a Registered Society, Chase Community Solar Limited complies with statutory requirements and the regulation of the Financial Conduct Authority. As the Shares will not be listed, Chase Community Solar Limited is not obliged to comply with The Combined Code on Corporate Governance.

## 7.7. Accounts

Chase Community Solar Limited was incorporated on 24th June 2014. Its financial year-end is 31st December. At the time of commencing the current share issue, 34,250 shares have been issued through the pioneer share offer and one share to each of the founding directors. No other transactions have taken place.

## 7.8. Interest Policy

Members' Shares will attract a payment of interest annually in arrears. Interest rates will vary according to the Society's financial performance.

## 7.9. 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.

## 7.10. Rules of the Society

Registered Societies, such as Chase Community Solar Limited, are governed by Rules approved by the Financial Conduct Authority (not by Memorandum and Articles of Association). A copy of the Rules is available from the Society (see contact details on back page of this Offer).

## 7.11. Further information

Other documents mentioned in this Offer are available from the Society (see contact details on back page of this Offer).

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

# 8. Share offer

## 8.1. Reasons for the Offer and use of proceeds

This Offer is being made so that:

- Chase Community Solar Ltd and its Members are able to make a contribution to reducing tenants' fuel bills, promoting renewable energy and reducing the negative effects of reliance on non-renewable energy.
- PV panels can be installed on council houses owned by Cannock Chase District Council.

## 8.2. Offer Shares

A minimum of 370,000 (Three hundred and seventy thousand) ordinary Shares of £1 are offered at par and payable in full on acceptance of an application on the Terms and Conditions of this Offer Document. The Shares, which will not be traded on any stock exchange, have been created under the Co-operative and Community Benefit Societies Act 2014.

Successful applicants will receive share certificates and their details and holdings will be recorded in a share register to be kept by Sharenergy, on behalf of the Society, at The Pump House, Coton Hill, Shrewsbury, SY1 2DP, or any successor business address. Each person or organisation issued with Shares becomes a Member of the Society, with membership rights defined in the Rules. The principal rights are:

- One vote per holding on resolutions of the Members, including in relation to the appointment of Directors.
- The right to receive a proportionate annual interest payment as a return on the investment in shares (subject to available profits).
- The right to the return of the original investment at or before 20 years from the time that the Society starts to trade (subject to available surplus assets and any new business of the Society).
- As a Member, eligibility for election to the Board.

## 8.3. Interest payment

Interest will be paid on the balance of each Member's account at rates which will reflect annual financial performance. The date on which entitlement to interest arises will be announced each year. It is envisaged that any interest unclaimed for a period of 7 years will be cancelled. There are no restrictions on interest payments and no special procedures have been established for non-resident holders.

## 8.4. Interest profile

The surplus income after deduction of expenses and other essential payments will be distributed as interest to members and, if sufficient surplus is generated, as a community fund. It is projected that members will receive interest that will deliver 7% IRR (Internal Rate of Return) over the 20 year lifetime.

## 8.5. Voting rights

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

## 8.6. Rights to share in profits/surpluses

All Members are entitled to a share in interest declared out of 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 PV scheme comes to the end of its life Members may choose to liquidate the Society, in which case assets will be realized. Any surplus, after return of any remaining capital to members, will be added to the final distribution of the community fund.

## 8.7. 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. Members can apply for withdrawal of share capital after the third year of operation.

## 8.8. Taxation

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

## 8.9. Provisions on death of a Member

On the death of a member, the shares would be transferred to the personal representative (executor), who can request withdrawal of the shares, the proceeds of which would then be added to the estate of the deceased.

# 9. Terms and conditions

## 9.1. Eligibility

The Offer is open to anyone, over 16 years of age, who meets the membership requirements of the Rules.

## 9.2. Minimum and maximum holdings

The minimum number of Shares which can be applied for in respect of the Share issue is 100 and the maximum is 100,000.

## 9.3. Application procedure

- Anyone interested in responding to this Offer is strongly advised to take appropriate independent financial and other advice.
- Shares shall be applied for via the online application form on the Ethex website [www.ethex.org.uk](http://www.ethex.org.uk), or by using the Application Form following the Guidance Notes.
- By delivering an Application Form an Applicant offers to subscribe, on the Terms and Conditions contained in this Offer Document, for the number of Shares specified, or such lesser number as may be allocated.
- An Applicant who receives Shares agrees to automatic membership of Chase Community Solar Limited and to be bound by its Rules.
- Once an application has been made it cannot be withdrawn.
- Multiple subscriptions will be admitted providing that they do not result in a Member holding more than 100,000 shares.

## 9.4. The Offer timetable

The Offer will open on November 4th 2014. The share offer will close on February 13th 2015 but can be extended at the discretion of the directors.

A more detailed timetable is provided in section 3.13.

## 9.5. Consequences if the share Offer is unsuccessful

If a sum less than the minimum target is raised the Board may not proceed with the development of the PV installations. Application Monies will be returned in full to the Applicants as soon as is practical. None of Chase Community Solar Limited, 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.

## 9.6. Commitments and confirmations by Applicants

Each Applicant, on submitting an Application Form, confirms that he/she/it:

- Meets the eligibility criteria.
- Is not making multiple applications for a total of more than 100,000 Shares.

- Is not relying on any information or representation in relation to the Offer Shares, Chase Community Solar Limited, or the PV installations which is not included in this Offer Document.
- Shall provide all additional information and documentation requested by Chase Community Solar Limited in connection with their application; including in connection with taxation, money laundering or other regulations.

Any person signing an Application Form on behalf of another person undertakes that they are authorised to do so.

## 9.7. Procedures on receipt by Chase Community Solar Limited of Applications

- Offer cheques/bankers' drafts will be presented on receipt and may be rejected if they do not clear on first presentation.
- Surplus Application Monies may be retained pending clearance of successful Applicants' cheques.
- Applications may be rejected in whole, or in part, or be scaled down, without reasons being given.
- Application Monies in respect of any rejected or scaled-down Applications shall be returned by crossed cheque or bank transfer, no later than one month after the end of the Offer Period.
- No interest is payable on submitted Application Monies which become returnable.
- Applications on incomplete or inaccurate Application Forms may be accepted as if complete and accurate.
- The Society reserves the right not to enter into correspondence with Applicants pending the issue of share certificates or the return of Application Monies.
- Results of the Offer will be published to members within one month following closure of the Offer.
- Share certificates will be issued to successful Applicants within one month of being allocated.

## 9.8. Pricing, trading and dealing arrangements

The Board has resolved to offer Shares at their par value of £1. The Society intends paying interest on Members' shares each year from the time when electricity generation begins, such that retained profits will not accumulate. The underlying asset value of each Share is likely to remain at £1 and any Share redemption will take place at par.

## 9.9. Governing Law

Terms and Conditions of the Offer are subject to English law.

# 10. Guidance notes

## 10.1. Applying for Shares

The Offer is open to individuals, Registered Societies and other organisations. It is only possible to purchase Shares in Chase Community Solar Limited by submitting an online application or completing the Application Form.

Ethex is managing the share administration of this share offer for the Society.

The preferred paperless and efficient method of investing is by:

- Submitting an online application through the website [www.ethex.org.uk/ChaseSolar](http://www.ethex.org.uk/ChaseSolar) and pay by any of the methods permitted by the site - BACs, Cheque, or Direct Debit (via Go Cardless)

Or:

- If you prefer, you can submit a paper application by post to Ethex with a cheque or bank transfer and they will process your investment. (See application form at the back of this booklet for more details).

If you have any problems or if you need help then please call Ethex on **01865 403304**.

Before completing your application you should consider taking appropriate financial and other advice, particularly in relation to any aspect of the Offer Document which is not clear to you. Your attention is particularly drawn to:

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

If there is a discrepancy between the payment and the amount on the application form, or if the cheque is not honoured on presentation, your application may be rejected without further communication.

## 10.2. Amount to invest

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

## 10.3. Personal details

You may apply as an individual, or as long as you are properly authorised, on behalf of a Registered Society or other organisation. Persons under 16 years of age cannot become Members.

## 10.4. Priority Application

Shares will be allocated on a first come first served basis.

## 10.5. Declaration

In signing the Application Form, as an individual, you are personally making an irrevocable offer to enter into a contract with Chase Community Solar Limited. If you are signing on behalf of an organisation or on behalf of another individual you are personally representing that this is in accordance with due explicit authorisation.

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. 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. You should note that if the Offer is unsuccessful, it will become necessary to return money to investors.



# Application form

**This share offer opens on 4th November 2014 and closes on 13th February 2015 unless extended at the discretion of the directors.**

**You can also apply online at [www.ethex.org.uk/ChaseSolar](http://www.ethex.org.uk/ChaseSolar)  
Chase Community Solar Limited Share Issue, November 2014**

Important: before completing this Application Form you must:

- Read the accompanying Share Offer Document
- Pay special attention to the Risk Factors set out in this Offer Document
- Consider where you need to take financial advice or other advice in relation to the Terms and Conditions of the Offer contained in the Offer Document
- Read the Rules of Chase Community Solar Limited available on the project website at [www.chasesolar.org.uk](http://www.chasesolar.org.uk) or from the Society (contact details on back of this Offer)

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

## Amount to invest

I wish/my organisation wishes to invest a total amount of £       .00 in Chase Community Solar Limited on the Terms and Conditions of the Offer Document at the price of £1.00 per Share.

*(You may invest not less than £100 and not more than £100,000).*

## Applicant details

Title (Mr/Mrs/Ms/other):..... Forenames:.....

Surname:.....

Address:.....

.....

Postcode:..... Daytime telephone:.....

Previous addresses: *(if you have been living at this address for less than 3 years, please also give your previous addresses)*

.....

.....

Date of birth:..... Email:.....

*Please provide your email address if possible to keep costs of administrating the Society to a minimum*

## If the Applicant is applying as a private individual

Please tick if you intend to claim tax relief through EIS or SEIS

## If the Applicant is applying on behalf of an organisation please also complete the following

Organisation name:.....

Type of organisation:.....

Registration number:.....

Name of authorised signatory signing this application:.....

Position of authorised signatory:.....

## Payment of interest

If you would like your interest payments to be paid by bank transfer, please provide bank details in the box below, otherwise interest will be paid by cheque.

**Name on account:**

**Sort code:**

**Account number:**

*Please continue to sign the Declaration overleaf.*

# Declaration

## I confirm my understanding that:

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

## I confirm that:

- I have read the Offer Document (including the Risk Factors and the Guidance Notes to this Application Form) and the Rules of the Society.

- I am over 16 and the Applicant meets the Offer eligibility criteria.
- the Society is hereby authorised to make such enquiries as are deemed necessary to confirm the eligibility of this Application.
- The Applicant is not making an application or multiple applications for a total of more than 100,000 Shares.
- The Applicant is not relying on any information or representation in relation to the Offer Shares or the Society which is not included in the Offer Document.
- The Applicant shall provide all additional information and documentation requested by the Society in connection with this Application, including in connection with money laundering, taxation or other regulations.
- If signing this Application on behalf of any person/organisation I am doing so with explicit authority.

I understand that the cheque supporting this application (if enclosed) will be presented for payment upon receipt and I warrant that it will be paid on first presentation.

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

**Date:**

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

Cheque	Transfer
Please attach a single cheque or banker's draft for the amount shown above, payable to Chase Community Solar Limited and crossed A/c Payee.	Please transfer to the following account: Chase Community Solar Limited Sort code: 086001 Account number 20335315 Please use the applicant name as the reference attached to the transfer

If we need to return any or all of your monies because of oversubscription or cancellation of the project, please indicate whether you would like this returned by cheque or by bank transfer to your account specified overleaf.

Please return any monies by cheque:  bank transfer:

Send your completed Application Form and payment to: Ethex, The Old Music Hall, Cowley Rd, Oxford, OX4 1JE

**We would be grateful if you would inform us how you first heard of this Share Offer:**

This application form can be photocopied and additional application forms are available. For all enquiries use the contact details on the back of this Offer document.

Thank you for considering investing in and joining Chase Community Solar Limited.



# Glossary

**Applicant** - An applicant for Offer Shares through submission of an Application Form.

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

**Application Monies** - The total gross sum realised by this Offer.

**Board** - The Board of Directors of Chase Community Solar Limited.

**Chase Community Solar Limited** - Chase Community Solar Limited Ltd. Principal Office: 3, Burns Close, Lichfield, WS14 9DW (Registered Society number 32420R).

**Chase Community Solar Limited Shares** - Ordinary shares of £1 in Chase Community Solar Limited.

**Climate Change** - The phrase widely used to describe changing weather patterns as a direct result of global warming, including an increase in the incidence and intensity of storms and droughts.

**CO<sub>2</sub>** - Carbon dioxide, a natural gas emitted during the burning of fossil fuels and regarded as the main cause of global warming.

**Directors** - The directors of Chase Community Solar Limited.

**FIT (Feed in Tariff)** - Incentive for micro generation up to 5MW introduced by HM Government on 1st April 2010 under powers from the Energy Act 2008.

**IRR** - Internal rate of return received by members on the shares issued to them.

**kW (kilowatt)** - A unit that measures power and is equal to 1 thousand Watts.

**kWh (kilowatt hour)** - A unit that measures energy and is equal to the energy that can provide the power of 1 kW for the period of one hour.

**MWh (megawatt hour)** - A unit that measures energy and is equal to 1000 kWh (see above).

**Offer** - The Offer of Shares in Chase Community Solar Limited contained in this Offer Document.

**Offer Costs** - The expenses incurred by or on behalf of Chase Community Solar Limited in issuing this Offer Document.

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

**Offer Shares** - New shares of £1 in Chase Community Solar Limited, offered at par on the Terms and Conditions and payable in full on application.

**Project** - The proposed ownership and operation by Chase Community Solar Limited of rooftop PV systems on housing owned by Cannock Chase Council.

**Projections** - The financial projections for Chase Community Solar Limited set out in this document.

**Rules** - The Rules of Chase Community Solar Limited, available on demand by using the contact details set out on the back of this Offer document.

**Shareenergy** - Shareenergy Co-operative Limited. A Registered Society (registered no. 31237R), registered at The Pump House, Coton Hill, Shrewsbury, SY1 2DP.

**The Society** - Chase Community Solar Limited.

**Terms and Conditions** - The terms and conditions of the Offer contained in and constituted by this Offer Document.

**The PV installation** - in this Offer Document refers to the PV panels, inverters and all associated equipment that are being installed on the roofs of the council properties.





Chase Community Solar Limited is a Registered Society  
registered with the Financial Conduct Authority (reg no. 32420R )

For enquiries relating to  
this share offer contact:

Sharenergy,  
The Pump House,  
Coton Hill,  
Shrewsbury, SY1 2DP

**01743 277119**

Or visit the website

**[www.chasesolar.org.uk](http://www.chasesolar.org.uk)**

For enquiries relating to  
the share application  
specifically contact:

Ethex

**01865 403304**

The project has been developed in association with



November 2014

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