Teign Energy Communities Ltd.

Community Share Offer
for
Rooftop Solar PV Project at Teign School

Investment Target: £60,000
Maximum Individual Investment: £6,000

Launch date : 1st March 2016
Closing date: 15th April 2016

Contact: Fuad Al-Tawil (TECs Secretary)
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Community Shares STANDARD

The Community Shares Standard Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice.
For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: www.communityshares.org.uk

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SUPPORTED BY:

DIRECTOR'S FOREWORD

Community energy has never been more important and I am delighted to bring this pioneer project to Teignbridge.

Community energy means a shift away from commercial ownership of the production and distribution of energy. It is the transition from a fossil fuel based energy system to a system of distributed energy generated from renewable sources.

As part of a wider community energy movement in the UK and in Europe we are bringing ownership of the generation and distribution of energy under the local and democratic control of those who consume it. We are supported by a growing community energy sector here in the Southwest, providing us with a wealth of experience in delivering community energy.

Teign Energy Communities (**TECs**) will develop, own and operate renewable energy systems and importantly promote the use of renewables and energy education in our area. We have now completed the first installation, a solar photovoltaic system on the roof of Teign School in Kingsteignton. We did this using short-term loan investments, so that we could install it at half term, when pupils are not in school. In this community share offer, TECs is seeking the capital needed to pay back the short-term loan investments which enabled us to do this.

By investing you will receive a financial return, and, just as importantly, support our work to spread awareness of energy issues, and reduce energy use throughout the community in Teignbridge.

I would encourage you to read this document and the TECs website thoroughly, and I hope you will then decide to invest.

Iain Freeland
Chair, Teign Energy Communities Ltd.

SECTION 2 - INTRODUCTION

THE PROJECT

The 50kW solar PV system was installed on the Teign School Sports Hall roof during the February 2016 half-term school break. The majority of the energy generated by this installation is being used to meet the school's base load electricity demand.

The system is owned by TECs, and was installed under a 20 year Licence Agreement with the Trust which owns the school. The system meets all planning and other regulatory requirements, has been commissioned, and is generating electricity. It was installed by a local firm using high quality guaranteed equipment, and will receive an initial feed in tariff rate of 11.71 pence per kilowatt hour (which is index-linked and guaranteed for 20 years).

This solar PV system will not only cut energy bills; it will also provide a fantastic opportunity for students to find out first-hand about the benefits of renewables and energy saving. Geography and Science subjects have syllabus units on these topics, and the school will have a live example on its doorstep. Tony Dolan, Head of Sixth Form, also plans for his sixth-formers to gain work experience with TECs. Teign School has identified one of its science teachers, Kate Ball, as the school's Energy Champion.

With this project, TECs is supporting the Templer Academy Schools Trust (TAST) to furnish the last of its schools with solar PV system. TECs will also work with Teign School Senior Management Team and the Energy Champion, as well as Zoe Williamson, the Sustainability Officer for TAST, to deliver their educational plans, providing them with financial support and know-how.

SECTION 2

THE ROLE OF TECs

TECs provides the legal structure and a financial mechanism for organisations within Teignbridge to deliver their local Renewable Energy and Energy Saving projects. These local organisations may be community groups, social enterprises, health or education trusts, councils, businesses and any group that signs up to TECs' vision, aims and objectives. TECs' rules are available on our website: www.teignenergycommunities.co.uk

TECs will raise funds through public share offers and/or private loan investments to cover the costs of Renewable Energy projects proposed by local organisations. Such projects will be assessed by the TECs Board to ensure they meet the vision, aims and objectives as well as being financially and environmentally viable. Appropriate commercial agreements with these organisations for renewable technologies are negotiated to achieve an equitable benefit sharing arrangement.

All profits from the project will go into a Community Fund. This money will be offered as grants to deliver TECs' long term vision of greater awareness of energy use. The money will also be used for developing and delivering new renewable energy and energy-saving schemes our partner organisations want to undertake. The work itself will primarily be undertaken by the local organisations participating in this initiative, paid for in whole or part, by the Community Fund.

TECs has a pipeline of a further 150 kWp PV projects in Teignbridge scheduled for installation by end of September 2016. We will apply the same rigour to these projects as we have done for this first project. Separate share offers will therefore be launched on completion of our assessment and financial modelling for each project.

TECs is also keen to develop new business models, following the radical reduction in the feed in tariff for new schemes (beyond the current pipeline of projects in 2016). We will assess the financial and environmental effectiveness of energy storage and private wire electricity supply for the post-incentive renewables market. We are confident that renewable energy has a strong long term future.

SECTION 2

THE BOARD

The Board of Directors is elected by the membership in accordance with our rules. The TECs Board is the executive decision-making body for all operational matters, and is accountable to the Membership. The current Directors listed below have volunteered to guide TECs through the start-up phase. The first election of Directors by the Membership will take place in April 2016.

TECs' directors are:

Iain Freeland - Executive Chair, also Director of Resources at TAST.

Tony Sharland - Logistics Director & Deputy Chair, also responsible for Asset Management and Development at Teign Housing and a trustee of two local community organisations.

Jamie Burnham - Technology Director, independent energy efficiency and renewables consultant.

Fuad Al-Tawil - Company Secretary, member of Transition Newton Abbot CIC with 25 years experience in international telecommunications.

One Director may be nominated by Teignbridge District Council, ensuring close liaison with a key stakeholder. The board may also access additional skills it needs by co-opting directors.

THE SUPPORT FORUM

Some of our Members also belong to the TECs Support Forum. The purpose of the Support Forum is to bring together individuals and organisations keen to support the activities, aims and objectives of TECs. The role of the forum includes: advising the Board, providing support and technical input, exchanging information and updates on progress both with the Board and other groups.

Support Forum members include:

Helen Chessum, TECs' Publicity, Engagement and Support Forum Co-ordinator.

Jo Reece, Deputy Chief Executive at Teign Housing, providing financial and business advice.

Noel Fowler, Retired Head Teacher and chair of a charitable organisation, as well as representing one of our stakeholder organisation he is providing direct financial/banking support to TECs.

David Suckley, Retired Chartered Engineer and lecturer, providing critical review of materials and processes.

Katie White, Publicity Officer at Teign Housing , providing support on communication design including web/social media and corporate image.

David Eaton, Environmental Protection Manager at Teignbridge District Council, is TDC's representative on the TECs Board.

Andrew Shadrake, Director of Climate Positive, providing business and financial advice.

Adrian Sargood, Greener Teign and Two Valleys Community Energy, which is developing a second portfolio of solar PV installations with TECs.

STAKEHOLDERS

TECs works with Stakeholder organisations who have an asset or infrastructure made available for TECs' renewable energy installations.

MEMBERS

Members are individuals or organisations with full voting rights. Membership follows from the purchase of a minimum £1 share or the minimum number of shares in a share offer. Members have one vote irrespective of the number of shares they hold (unlike share companies, where the voting strength reflects the shareholding).

Several Members and Directors of TECs have provided short-term loan investments to underwrite the share offer. Some or all of their loan investments may be converted into community share investments within the terms of this share offer.

SECTION 3 - THE COMMUNITY SHARE OFFER

Important information you need to know about this, our first share offer:

• Investment target	£60,000
• Minimum investment for :	
○ TAST School Community and existing TECs members	£50
○ People or organisations living, working or based in Teignbridge district	£250
○ People or organisations elsewhere	£1,000
• Maximum investment by any individual or organisation	£6,000
• Target annual return	4% above bank base rate
• First year target return	4%
• Minimum annual interest payout threshold (below this any interest is rolled over)	£5
• Maximum investment term	20 years
• Earliest share withdrawal request date	March 2020
• Opening of share offer	1st March 2016
• Closing of share offer	15th April 2016
• Issue of share certificates, and any refund if share offer is oversubscribed	30th April 2016
• Anyone aged 16 or over may apply to invest, as may any company or other organisation. Organisational shares will be held in the name of an individual nominated to represent it.	

This is an opportunity for a wide range of people living in Teignbridge and beyond to own a share in a local renewable energy scheme, and receive a good rate of return. We are inviting people to invest in our existing 50kWp solar PV panel array on the roof of Teign School, Kingsteignton, Devon. The panels were installed using short-term loan investments of £60,000 which we will repay from the share proceeds. The loans were used to buy and install panels for £59,176 (incl. VAT), and to provide working capital.

The share capital will be repaid within 20 years. Shareholders can ask to be repaid after 4 years (giving 3 months notice) though this is at the discretion of the Directors. Directors may also repay shares before the full 20 year term. Directors will make such decisions to ensure TECs' financial viability and in the interest of TECs' community and shareholders.

Shares cannot be traded and they cannot go up in value (£1 per share).

There is no minimum target, because many loan investors have agreed to convert their loans to shares, within the cap of £6,000 shareholding per person, and other potential investors have pledged to buy enough shares to repay any remaining loans.

If we raise more than our target, we will return the excess. We will do this by reducing the total shares offered to the largest investor(s) to match the next largest, and if necessary reduce both those amounts equally until they reach the next largest, and repeat this process until there is no remaining oversubscription.

The income for the project will come from: the government's Feed-in Tariff (**FiT**) incentive scheme; the sale of discounted electricity to the school and the sale of any surplus electricity through the grid. The income will be used to pay for all the operating costs of the scheme and to pay interest (and eventually repay capital) to shareholders and lenders. All the profit will be used for community benefit.

You will be investing in Teign Energy Communities Limited (TECs), a community benefit society registered with the Financial Conduct Authority, number 7210, operating for the benefit of the Teignbridge community.

SECTION 3

OUR SHARED BENEFIT MODEL

The project will create a range of financial and non-financial benefits, and we will share these equitably between our investors, Teign School and the wider community in Teignbridge.

Our investors

Investors are expected to receive 4% interest for the first year, and 4% above bank base rate thereafter. They will also be able to vote in general meetings, and so help direct the activity of the CBS. Their investment will help the Teign School and Teignbridge communities, and help everyone, by reducing carbon emissions.

TAST and Teign School

The Trust will benefit from reduced energy bills. The schools will receive a wide range of benefits, as the installation provides a focus for energy and environment-related work in many subjects and stimulates energy saving behaviour changes. The installation and this share issue will also bring together different members of the wider TAST community, including pupils, staff and parents as they invest in a common endeavour.

The Teignbridge community

Our community will benefit, as money passed to the community fund is used to inform people about energy, stimulate changes in its ownership, use and generation, and help to address fuel poverty, and also to develop new renewable energy and energy saving projects.

By retaining profits from generating and using electricity locally, our economy can benefit from the extra money. TECs also uses local installers and service providers thereby directly contributing to local employment.

There are other broader benefits, such as reducing the school's carbon emissions by generating some 45,000kWh of its electricity every year from the sun. This represents a total saving of about 470 tonnes of CO2 over the life of the project.

The directors intend to pay the target rate of interest each year. Nevertheless, the directors reserve the right to pay less, or no interest, at their discretion - for example if the profitability of the society is less than expected. Similarly, the directors intend to allow up to 5% of the share capital to be withdrawn each year after year 4, but may repay less, or may require investors to accept repayment of their share capital. To minimise costs, interest on shares will be paid when the accumulated amount is £5 or more.

FINANCIAL PROJECTIONS

TECs is a new community benefit society, registered in September 2015, and has not yet produced accounts. This section contains our projections for the future, summarised from the business plan and based on the Teign School solar PV array. TECs plans to undertake other renewable energy projects in 2016, and will apply the same standards of financial analysis and due diligence to them as it has applied to its first installation and the business case which underpins it.

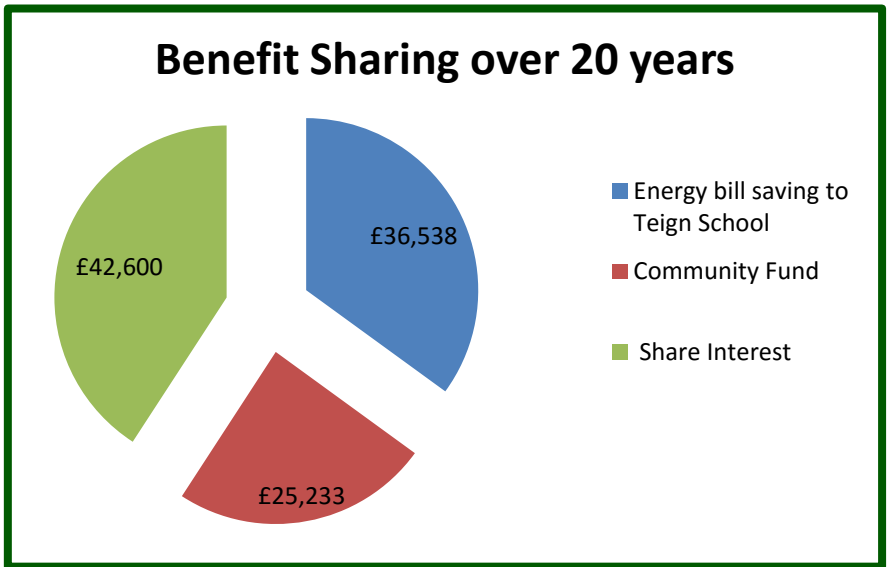
TECs is forecast to have sales of £6,431 in the first year, with operating costs including CBS expenses of £2,232 giving it an operating profit of £4,199. It will pay share and loan interest totalling £3,000 from this, and set aside capital to repay shares, leaving some contingency and a community pot of £250 (this will double in year 2 and then rise to £1,179 in year 3. All figures from year 2 are based on cautious inflation rate assumptions.

The TECs business plan is available by following the link on www.teignenergycommunities.co.uk. The cashflow summary is shown in the table, and the pie chart shows how the financial benefit is shared. The figures are the total over the 20 year term.

SECTION 3

TECs 20 YEAR CASHFLOW PROJECTIONS

	Pre-start	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Years 11-20	Total
	£	£	£	£	£	£	£	£	£
Opening balance	0	824	11,540	14,505	16,790	18,780	17,592	13,800	
cash in									
Shares	0	60,000	0	0	0	0	0	0	60,000
Loans	60,000	0	0	0	0	0	0	0	60,000
Interest	0	53	55	65	78	178	1,522	2,875	4,826
Sales	0	6,431	8,053	8,034	8,043	8,101	42,028	92,034	172,724
VAT	0	9,787	85	85	84	84	408	1,689	12,223
Total cash in	60,000	76,271	8,194	8,183	8,205	8,363	43,958	96,598	309,773
cash out									
Fixed Asset costs	49,480	0	0	0	0	0	0	4660.8	54140.8
Cost of goods sold	0	2,232	2,243	2,254	2,266	2,290	12,100	27,413	50,798
VAT & Corp'n Tax.	9,696	74	85	85	84	84	408	4,315	14,831
Share & Loan interest	0	3,000	2,400	2,400	2,700	3,000	14,025	15,675	43,200
Share and Loan repayments	0	60,000	0	0	0	3,000	15,000	42,000	120,000
Community Donation	0	250	500	1,159	1,165	1,177	6,216	14,350	24,818
Total cash out	59,176	65,556	5,228	5,898	6,216	9,550	47,750	108,414	307,788
Closing balance	824	11,540	14,505	16,790	18,780	17,592	13,800	1,985	



SECTION 4 - KEY ASSUMPTIONS AND RISKS

As with any share investment, the whole of your investment may be at risk (although you will not incur a liability beyond your investment). Please consider carefully whether to invest or not. All investment carries a risk. If you are thinking of buying shares in Teign Energy Communities Ltd., it is important you are aware of, and consider, the risks outlined here.

Unlike investments in banks and building societies, investments in TECs are not covered by the FCA's financial compensation scheme. Nor do you have a right to take your complaint to the Financial Ombudsman.

You should only rely on the information contained in this share invitation and the business plan which can be found on our website www.teignenergycommunities.co.uk. Any other verbal or written information, whatever its source, does not represent the terms of this share offer.

The TECs Board has analysed all the likely risks associated with this project, and taken steps to mitigate them. The risks include:

Lower than anticipated inflation rate

We have assumed inflation (RPI) will start at 0.5% and rise slowly, then stay at 2% from year 6. If inflation is lower, returns could be lower.

Lower grid electricity prices

Similarly, we have assumed general electricity prices for businesses will rise at 1% above our RPI assumptions. If those prices rise more slowly, returns could be lower (because the price paid for electricity by the school is linked to them). Some of the lower returns might be shared with the school, though.

Lower than expected renewable electricity generation

If the panels produce less electricity than we expect, returns could be lower. We have assumed a significantly greater reduction in electricity output compared to the manufacturer's warranty levels. The panels are also good quality, and covered by warranties, and we will ensure they are regularly cleaned (clean panels generate more).

Changes in the law or policy on the FiT

These could reduce the returns to investors. The government has said that it will not retrospectively reduce the Feed in Tariff (FiT) on existing installations.

Later projects perform less well than expected

This is the first of several projects TECs is planning to undertake. If any of those projects underperform, returns to shareholders may fall. TECs will mitigate this risk by applying the same standards of due diligence to all projects that it has applied to this one. The effect of this will be that any further offers could have a lower target rate of return, without this reducing the returns to existing shareholders.

TECS is unable, for whatever reason, to maintain this installation and its obligation to investors

TAST has the option of taking over the installation, FIT licence and all obligations to investors and lenders. Furthermore, TECs is working with other Community Energy societies based in the South West to allow for the transfer of assets and liabilities in order to minimise risk. This would mean that shareholders would continue to be paid interest and have their capital returned on the same terms as provided for in this offer.

All TECs' assets are protected by a statutory asset lock, which means that they can only be transferred (other than by sale at market value) to another Community Benefit Society or similar organisation for community benefit.

TEIGN SCHOOL COMMUNITY SHARE OFFER APPLICATION FORM

Your Contact and Personal details

Title (Mr/Mrs/Ms/other):

First names (in full): Last name:

Address:

Town & Postcode:

Telephone number (for use only in case of queries relating to this application):

Email address:

If you are applying as a company or organisation, please provide the following additional details

I am the authorised representative of the company, or nominee of the organisation ☐

Full name of company or organisation:

Registration No. (if applicable):

If you would like to nominate someone to receive your shares in the event of your death, please provide their

full name:

Address:

Town & Postcode:

Amount of investment requested (in Teign Energy Communities Limited)

I wish/My company or other organisation wishes to buy shares totalling: £

Please select/tick:

☐ I have transferred this amount from a UK bank account to Teign Energy Communities' bank account.

Please put your full name as reference in the BACS form, so we can match the payment to you

☐ I enclose a cheque or banker's draft drawn on a UK bank account and made payable to Teign Energy Communities Ltd.

☐ I would like to donate my interest payments to the TECs Community Fund.

Your bank details for payment of annual interest

Account name:

Bank sort code and name:

Account number:

TECs bank details

Account name: Teign Energy Communities Limited
Bank name: Co-op Bank; Bank sort code: 08-92-99; Account number: 65783045

New to TECs: Please register on-line via our website, it will help us if you can also enter the information you have provided here (except your bank, nominee and organisation details). This will allow you to update your Membership Form and monitor your investment once this is confirmed by TECs.
Already on our TECs mailing list: Please also update your Membership Form via one of our TECs newsletter sent to your e-mail address.
www.teignenergycommunities.co.uk

Declaration

I confirm I understand all of the following:
This application, if and when it is accepted by TECs, forms a contract subject to English law on the Terms and Conditions of this Share Offer Document.

I will be registered as a Member of TECs with full voting rights.

Shares are allocated at the sole discretion of the Directors. They may decide not to issue shares to me, or may allocate fewer shares than I applied for, and do not have to give a reason for their decision.

I also confirm that:
I am at least 16 years old. I have read this Share Offer document (including Key Assumptions and Risks).
I am not relying on any information relating to the share offer which is not included in the Offer document or the business plan.

I consent to Teign Energy Communities Limited communicating with me using the e-mail address I have provided.

If signing this application form on behalf of any person/organisation, I am doing so with explicit authority.

Signature:

Name (Block capitals):

Date:

Please complete in block capitals and black ink. You can either Scan and e-mail to us, OR send by post. If paying by cheque or banker's draft please enclose.
Teign Energy Communities Ltd., Deer Park Farm, Haccombe, Newton Abbot, TQ12 4SJ

Teign Energy Communities confirms that it will keep all information secure, in whatever form you have provided it. It will only retain this information for as long as is necessary to provide and manage your shareholding and membership, and will not pass any details to a third party without your consent.

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Phone: 01626 872721