

# The Schools' Energy Co-operative Limited

## Further Share offer under the Enterprise Investment Scheme (EIS) – closing 27<sup>th</sup> November 2015 (for electronic subscriptions) and 24<sup>th</sup> November for subscriptions by cheque

The Schools' Energy Co-operative Limited (“Schools’ Co-op” or “the Co-op”) is making a further share offer (the “Share Offer”) under the EIS to raise up to **£700,000** by the issue of Shares at £1 each, payable in full on application, to fund the installation of further solar arrays at schools. Since the Co-op is already successfully trading there is no minimum amount to raise: instead, the more that is raised the more solar arrays that can be installed.

This document is supplementary to the Share Offer Document made by Schools’ Co-op dated 27<sup>th</sup> February 2015 (the “February Share Offer”) and updates the information in the February Share Offer. Please read that share offer at <http://schools-energy-coop.co.uk/documents/>

Schools’ Co-op has made two previous successful share offers both of which raised the maximum amount sought, raising £150,000 in August 2015 (the “SEIS Offer”) and £400,000 in March 2015 under the February Share Offer. It has also borrowed about £50,000 from Pure Leapfrog, a charitable lender of social investment funds to the community renewable energy sector.

Funds need to be raised immediately to benefit from EIS relief (which ceases to be available for shares issued on and from 30<sup>th</sup> November 2015). Shares under this Share Offer will be issued before 30<sup>th</sup> November so qualifying investors will qualify for EIS relief. **In order to meet these tight deadlines and give members the ability to invest and receive EIS relief, we are reopening the February Share Offer** and producing this document as a supplement to it, updating the information in the February Share Offer.

### **The business of Schools’ Co-op - an existing, profitable, trading co-operative**

Schools’ Co-op’s mission is to increase generation of renewable energy, to enable more schools to have solar panels and to support schools financially and in their sustainability and educational work. Electricity is sold to schools at a price which reflects the cost of and anticipated generation from the solar array, at a price generally between 6-8 p per kWh, providing schools with an immediate financial saving.

Schools’ Co-op started trading in September 2014 with the commissioning of its first solar array and has now constructed 380kW of solar arrays on 5 schools, with a further 30kW due to be constructed and commissioned later this month at a 6<sup>th</sup> school. The schools are in Sussex, Berkshire, Hertfordshire and Essex.

Schools’ Co-op installs solar panels on the roofs of schools and sells the electricity generated there both to the host schools and, to the extent not bought by the schools, via the national grid to other customers. Its income comes from this sale of electricity and from the Feed-in Tariff (“FIT”), a 20 year inflation protected price legally required to be paid by the electricity industry on electricity generated from renewable resources.

Schools’ Co-op is an ethical, community based, profitable social enterprise. It will enable members to mitigate climate change and to receive an attractive and fair return on their investment.

The Co-op’s entire profits after paying interest to members and any tax are intended to be paid to its member schools.

The Co-op’s 150kW solar array at Glenleigh Academy in Bexhill is much photographed and is one of the largest primary school arrays in Britain. In its first month of operation it reduced the school’s consumption of electricity bought in via the National Grid by 75% compared to the same month in the previous year, even though the school was two classes larger!

### **Background to this Share Offer**

Schools’ Co-op had always intended to make a series of share offers to raise sufficient funds to enable it to install solar panels on about 25 schools and have a capital base of about £1.5 million. In view of the removal of

EIS relief from shares issued on or after 30<sup>th</sup> November 2015 this Share Offer has been brought forward to enable members to participate in an attractive, ethical, worthwhile renewable energy project and to enable the further development of Schools' Co-op while at the same time obtaining EIS relief on their investment.

### **Trading update since the February Share Offer**

A financial and trading update was given to members in the Board's report to members sent with the notice convening the Annual General Meeting. This can be found at <http://schools-energy-coop.co.uk/documents/>. Since that report was written Schools' Co-op has commissioned a 79kW solar array at Shenfield School and construction of a 30kW array at Heron Park School, Eastbourne is due to start on 23<sup>rd</sup> November.

Schools' Co-op continues to work closely with Wey Valley Solar Schools Energy Co-operative ([www.weyvalleysolar.co.uk](http://www.weyvalleysolar.co.uk)), a co-operative which has installed solar panels on seven schools with an array at an eighth school to be constructed later this month and Energy4All ([www.energy4all.co.uk](http://www.energy4all.co.uk)).

Schools' Co-op has excellent arrangements with Co-operative Energy which buys the electricity exported by the Co-op (at times when generation exceeds the use of a particular school). By participating in Co-operative Energy's "User Chooser" scheme, members can buy electricity generated at a particular school.

### **Impact of FIT and EIS changes on Schools' Co-op**

Members will be aware of the radical recent changes made by the Government to the financing of renewable energy in Britain. From the end of December 2015 or soon afterwards, the FIT is likely to be withdrawn or massively reduced. The ability of community energy organisations to pre-register installations (thus reserving the FIT rate for one year) has been withdrawn from 1<sup>st</sup> October 2015, so is only available for installations registered prior to then. EIS relief on shares issued by community organisations is to be withdrawn from shares issued on and from 30<sup>th</sup> November 2015.

The effect of all these changes will be to result in a significant reduction in the installation of solar arrays in Britain. This share offer offers members one of the last chances not only to support the development of renewable energy on schools and to receive the FIT, but to receive tax relief under the EIS on the investment made.

### **Investing the proceeds of the Share Offer - Pre-registration of 52 schools**

Schools' Co-op has pre-registered 52 schools for solar panels and will use the funds raised under this offer to finance as many of those installations as proves practicable.

When the Government announced the planned withdrawal or massive reduction of the FIT from end December we were approached by many schools (and some local authorities on behalf of their schools) which had been considering installing solar panels. Working with Schools' Co-op and benefiting from our extensive experience of installing solar arrays on schools became the only option available to many schools to enable them to fulfil their wish to be more sustainable and to generate renewable energy.

Following these approaches, Schools' Co-op has pre-registered 52 Schools for solar installations with an aggregate capacity of 1.6mW. The pre-registration lasts for one year: if the Co-op installs a solar panel array by 30<sup>th</sup> September 2016 in accordance with the pre-registration it qualifies for FITs at the rate current at 30<sup>th</sup> September 2015.

Eight of these pre-registrations are in association with the charity 10:10 which runs a Solar Schools Project. These schools (located across England) are all seeking to raise funds themselves to meet part of the cost of the solar panels which they intend to invest in shares of Schools' Co-op. This is similar to the arrangements we made with Courthouse School, another 10:10 solar school. By working with Schools' Co-op, Courthouse School was able to have a 50kw solar array instead of the 10kW array which was the maximum size they could succeed in raising funds for. We have also pre-registered schools to assist projects being undertaken by us with London Borough of Camden (5 schools), London Borough of Ealing (working with Transition Ealing) (14 schools) and Surrey County Council (3 schools). We have also worked very closely with specialist school building surveyors PCH which advises a lot of academy schools, including Shenfield School. Working with them we have pre-registered 19 schools mainly in East Anglia.

Schools' Co-op accepts that many of these projects in practice will not happen. Two schools have withdrawn so far (one due to difficulties in obtaining planning consent in a conservation area and the other due to the difficulties being posed by the Government's changes of policy). At the time of pre-registration all the Schools confirmed they wished to proceed at the time of pre-registration, but this was before we had obtained grid consents, planning consents (if needed), undertaken full feasibility studies or structural and other surveys and before we had entered into binding legal contracts with the schools. The outcome of the application to pre-register is also not yet known, and OFGEM are proving to be very slow in dealing with applications. Additionally withdrawal of EIS relief on such short notice, at a time before these other matters had been resolved, meant we have had to be cautious on the amount raised to maximise the prospects of us investing all the capital raised whilst allowing for schools not proceeding. In any case in the time available the amount of capital we can raise under this Share Offer is bound to be limited. So we may not have sufficient funds from this Share Offer to install panels at all the pre-registered schools that can and wish to proceed, although in that case we hope that we may be able to raise further share capital, not under the EIS, and to borrow to fund further installations.

### **Other Funding**

Schools' Co-op has received a long term loan of £50,000 from Pure Leapfrog (itself primarily funded by Big Society Capital). Pure Leapfrog has indicated that in principle it is willing to support Schools' Co-op with additional loans.

Once it is clear how many schools can finally proceed with Schools' Co-op (after the conduct of the surveys etc referred to above) and the determination of the final amount of capital required we may seek loan finance from Pure Leapfrog, Co-op members and the public; and we may consider making a non EIS qualifying further share issue if we consider the returns of 5%, increasing by RPI, are sufficiently attractive to raise some additional funds without EIS relief.

### **EIS Income Tax Relief of 30%**

Schools' Co-op has received advance assurance from HMRC that shares issued by it qualify for EIS relief. EIS certificates have been distributed in relation to the SEIS Offer made in August 2014 and in relation to shares issued prior to 5<sup>th</sup> April 2015 under the February Share Offer. Since Schools' Co-op is already trading consent to issue EIS certificates will be applied for immediately after the shares are issued. Further information about the EIS is set out on page 16 of the February Share Offer.

The principal effect of EIS tax relief is that 30% of the amount invested under this offer is credited against a member's income tax liability in the current or previous tax year; capital gains tax relief is also available.

In order to remain a qualifying investment for EIS tax relief, the powers of the Board permitting shares to be withdrawn and to redeem shares may not be exercised until three years have passed after the share issue made under this Share Offer.

Schools' Co-op understands that its shares are likely to be treated as exempt from inheritance tax under current rules. Members should seek personal advice on this point for certainty on their personal position if it is important to them.

### **Persons Responsible**

Schools' Co-op and its Directors are responsible for the information given in this Offer Document.

The Directors are Mike Smyth, Rod Edge, Rachael Hunter, Richard Watson and Alan Simpson. Further information about the directors is set out in the February Share Offer. Mike, Rod and Rachael are also directors of Wey Valley Solar Schools. Mike is also a director of Energy4All. Richard is also a director of Energise Sussex Coast and Community Energy South. Alan is a director of MOZES community energy co-op in Nottingham.

### **Remuneration statement and investment by directors**

The Directors are acting as Directors because they are committed to the success of the Co-op's business, the ethos it represents, the ability of a community to make a difference by their own actions and the financial, environmental and community returns the business delivers. With the exception of Rachael Hunter who is

employed at the cost of Energy4All to manage this and other community energy projects, the Directors are unpaid for their work.

Directors of Schools' Co-op will participate in this Offer on the same basis as other members. There are no pension schemes or share option schemes and, except for the reimbursement of properly incurred expenses, there are no other benefits for Directors. Directors of Schools' Co-op and Energy4All directors and staff and their immediate families have invested £27,454 in the Co-op's shares and intend to invest further sums under this Share Offer.

### **Further Information on Schools' Co-op**

Schools' Co-op is a co-operative registered with the FCA under the Co-operative and Community Benefit Societies Act 1965 (number 32071R). It is owned by and managed for the benefit of its members, who are protected by limited liability status. Its constitution is in the form of Rules approved by and registered with the FCA.

As a co-operative, Schools' Co-op is driven by high ethical standards as defined by the international co-operative movement and by the values of co-operation and democracy as well as a commercial ethos.

The Rules of Schools' Co-op provide that: a member must have the minimum number of Shares each with a nominal value of £1, all Schools' Co-op members have one vote regardless of how many Shares they hold; no member, except another co-operative or community benefit society, may hold more than 100,000 Shares; the Board is elected by Schools' Co-op's members; and only Schools' Co-op's members are eligible to serve on the Board. The Rules are available on the web site at <http://schools-energy-coop.co.uk/documents/>. Further information on the Co-op is set out in the February Share Offer.

Members should regard investment in the Co-op's shares as a long term commitment. Members do not have the right to withdraw share capital but the Board has the power to permit shares to be withdrawn and to redeem shares. Shares are not transferable so you will not be able to sell them, except back to Schools' Co-op for the price you paid for them.

### **Financial Information – Accounts**

Accounts for Schools' Co-op's financial year ending 31<sup>st</sup> March 2015 are on the web site at <http://schools-energy-coop.co.uk/documents/>. Generation at Glenleigh School in its first year was slightly ahead of projection; the other solar arrays have been commissioned too recently to have meaningful data on performance against projection, but all have generated without difficulty since commissioning.

Further financial information is set out in the February Share Offer. The eventual size and turnover of the Co-op will depend on the amount raised, but each installation is designed to deliver an initial return on capital of about 5%.

### **Financial Information – interest to members and return of capital invested**

Schools' Co-op projects that members will receive a return on their investment of 5% per annum in respect of the first full financial year following installation of the panels. That interest rate of 5% will increase by inflation each year, protecting members' returns against an increase in inflation. Additionally that return is projected to increase to 6% from the 6<sup>th</sup> full year and to 7% from the 11<sup>th</sup> full year unless any major repairs are needed to the solar panels systems. Returns in respect of the year ending 31<sup>st</sup> March 2017 may be slightly lower as some of the panels will be installed during the course of that year.

When returns exceed the target interest the excess will be paid to the schools.

Financial projections are by nature uncertain, illustrative only, dependent on weather and performance (including unexpected repair costs) and are not guaranteed.

The investment in principle is for 20 years and is for a minimum of three years in order to remain a qualifying investment for EIS tax relief. Investors do not have the right to withdraw share capital but the Board has the power to permit shares to be withdrawn or to redeem shares. There are no arrangements or binding commitments in place to enable a realisation of shares. As an indication of an exit route, Schools' Co-op currently envisages, if it has sufficient funds and members agree, that shares in Schools' Co-op might be

disposed of by making available about 15% of its capital for redemption of shares at the end of the financial year three years after the last issue of shares under the EIS; and as an indication of an exit route currently envisages it might redeem about a further 5% of its shares each year thereafter. We anticipate that members who wished to redeem their shares would be given priority, and any remaining shares would be redeemed in proportion to Members' shareholdings. All redemptions would be at the par value of £1.

### **Risk Factors**

All investment and commercial activities carry risk. Investors should take appropriate advice and make their own risk assessment whilst also bearing in mind the financial, social and environmental aspects of investing in Schools' Co-op. This is an unregulated share offer. The risks are set out in the February Share Offer on pages 6 and 7. Please consider them carefully and fully. The regulatory environment relating to renewable energy has become increasingly hostile and unpredictable since the February Share Offer. If, for whatever reason (for instance, because of yet another regulatory change resulting in an inability to install solar panels and receive the pre-registered FIT) it proves not possible to invest all the capital raised then EIS relief on shares subscribed under this Share Offer is at risk (due to the requirement that materially all capital raised must be spent in order to attract EIS relief). For this reason the amount of capital being sought is comparatively modest in comparison with the projects pre-registered.

### **Administration and charges**

The Co-op's administration position remains as set out in the February Share Offer. The day to day administration and conduct of operations will be undertaken on behalf of Schools' Co-op by Energy4All and Rachael Hunter. The project management charge is likely to be increased to £30 per kW (from £20 per kW) as it has proved more time consuming than anticipated, but any increase in charge will be reflected in the arrangements with the schools so that returns to members will not be affected. Joju Solar is the appointed contractor on the basis described in the February Share Offer and Schools' Co-op has been working very closely with Joju Solar to deliver the planned projects. Joju Solar recently won one award and was also highly commended in two other categories in the recent Solar Power Portal Awards awarded at the principal solar trades conference – a unique achievement.

Energy4All is a non profit distributing social enterprise that works to deliver community owned renewable energy. It has successfully supported the launch of, and now administers, 18 such co-operatives with more under development.

### **Closing Date and Application Form**

**This Offer will close on 27<sup>th</sup> November for investment paid by BACS, with an accompanying share application form emailed by that date to the Co-op; and will close on 25<sup>th</sup> November for investments received by cheque and post.**

**Shares will be issued on the terms set out in the February Share Offer, as modified by this Share Offer.** If for any reason this Share Offer does not proceed then subscriptions will be repaid in full.

An Application Form, with details of how to invest, accompanies this letter. The minimum investment is £250. The maximum aggregate investment any member may hold under this or the two previous offers is £100,000. You can pay by BACS direct into Schools' Co-op bank account or send your cheque to Schools' Co-op in accordance with the instructions on the Application Form.

Schools' Co-op offers an ethical and environmental investment, enabling members to make a tangible contribution to the development of renewable energy, to schools and their sustainability and educational work, and to the UK's response to climate change and energy security.

Your support will enable this exciting, pioneering project to develop further.

Those interested in investing should do so only after reading this document in full and taking appropriate financial and other advice.

11 November 2015

# The Schools' Energy Co-operative Ltd

Registered No. 32071R

## Share Application Form

PLEASE USE CAPITALS AND BLACK INK

OFFICE USE ONLY

URN:

BATCH:

INITIAL:

### Amount to invest

I apply to be a member of and wish to invest a total amount of £ \_\_\_\_\_ in The Schools' Energy Co-operative Limited on the terms and conditions of the Offer Document dated 27<sup>th</sup> February 2015 as amended by the Supplemental Offer Document dated 11<sup>th</sup> November 2015. Shares are £1 each. (You must invest at least £250 but not more than £100,000 and the cost of your total shareholding from this and previous share issues should not exceed £100,000).

### Applicant details

Title: \_\_\_\_\_ Forenames: \_\_\_\_\_ Surname: \_\_\_\_\_

Address: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Town: \_\_\_\_\_

County: \_\_\_\_\_ Post code: \_\_\_\_\_

Email: \_\_\_\_\_

Telephone: \_\_\_\_\_ Mobile: \_\_\_\_\_

I understand that the cheque supporting this application will be presented for payment following receipt and I warrant that it will be paid on first presentation. NOTE: If paying by BACS signature not required.

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

### Payment Details

You have the option to pay by bank transfer or cheque.

I have paid by bank electronic transfer (BACS) to 'Schools' Energy Co-op'

Please tick

Sort Code 08-92-99

Account Number: 65722051

Date payment made: \_\_\_\_\_

All electronic payments must include a reference when arranging your payment. Please use '**applicant surname & date of birth**'.

I enclose a cheque or banker's draft crossed A/c Payee to the value indicated above.

Please tick

Please make payable to 'Schools' Energy Co-op'

Please send your completed application to the address below or email to [info@energy4all.co.uk](mailto:info@energy4all.co.uk)

**Schools' Energy Co-operative**

**Unit 26, Trinity Enterprise Centre**

**Furness Business Park**

**Barrow in Furness**

**Cumbria**

**LA14 2PN**

### Annual Share Interest Payments

Schools' Energy Co-op will pay share interest due on shares by electronic transfer via BACS. To receive your share interest please provide the following details:

Bank Account: \_\_\_\_\_ Sort Code: \_\_\_\_\_ Name on account: \_\_\_\_\_

### Notices by email and documents on our website

To help reduce paper costs (and CO<sub>2</sub> emissions), Schools' Energy Co-op and Energy4All would like to send you notices and information by email and refer you (by email) to documents posted on the Schools' Energy Co-op website. By signing this form you are consenting to receiving such notices by email and accessing documents through the website.