

Narberth Energy Limited Share Offer document



Dear Members

Narberth is a busy, vibrant town, with a traditional High Street and the rare commodity of a good, strong community, in all senses of the word. It has a proven track record for being able to make community based companies into successful enterprises. Narberth Energy will be no exception to this. As an energy provider to the Narberth Swimming Pool, it will be enabling our community to keep an essential facility, which is an integral part of our town. Narberth Swimming Pool does not rely on seasonal trade, it is used by a large rural community and has the potential to expand, far beyond the present usage. The population of the town is rising every year, with four substantial new housing developments planned in the next three years.

The trade of Narberth Pool has been badly neglected since 2003, despite being much busier than some other pools in the area. As a community pool it will have the potential to earn much more by advertising, expanding the provision for existing customers and encouraging new users. After initial planned improvements, it will also be able to access funding and grants to improve and expand the current building, whilst greatly reducing running costs, with the help of Narberth Energy, using green, affordable heating and power.

It is essential that we raise the necessary funds to buy the Biomass Boiler and the PV Panels with the share offer by the end of October 2014, to stop the pool being closed on the 1st of November if this is not the case.

Sue Rees

Sue Rees

Chair of Narberth Energy Limited

Declaration

Narberth Energy 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.

Sue Rees Sue Rees

Ruth Barnes Ruth Barnes

Rebecca Cadbury Rebecca Cadbury

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1. INTRODUCTION

Narberth Pool is being passed from local authority responsibility into the control of a community led group as part of local authority budget cuts. From 1st November 2014, the running and upkeep of the pool will be the responsibility of SwimNarberth, a charity that has been set up for this purpose.

A programme of fundraising, efficiency measures and identifying sources of income is being carried out in order to ensure that the pool has a sustainable future. Part of this financial planning is the installation of a biomass boiler to replace the existing oil boiler. This will significantly cut the current expenditure on fuel.

Also proposed is the installation of 50 kW of solar PV panels. These would provide cheap electricity

for use in the pool, and would also export to the grid and get income from the Feed in Tariff.

The boiler and PV panels will be funded by a community share issue. A Community Benefit Society has been formed for the purpose of installing and operating the boiler and solar panels. This Society is called Narberth Energy Limited (NEL). Capital will be raised by selling shares in the Society and the capital will be used to carry out the installations. A fair rate of interest will be paid to members of the society that have bought shares, and any surplus above this will be used to supplement the other income streams for the Narberth Pool and contribute to its sustainable operation.

2. SUMMARY

Capital for both projects (biomass boiler and PV panels) is being raised through a share offer administered through the Community Benefit Society.

A Community Benefit Society is a business structure that is legally allowed to raise capital through the sale of shares. These societies are regulated by the Financial Conduct Authority (FCA) and more information about these societies and the conditions under which shares can be sold can be found on the FCA website.

Shares issued by a Community Benefit Society do have some restrictions compared to stock market shares, including a cap on the total that any one individual can hold in one Society (currently £100,000) and that the shares are not transferrable, which means that the shares cannot be sold on to a third party, but can only be sold back to Society that they were bought from.

This document describes the share offer which has been launched to raise the capital for both the boiler and for the solar panels

2.1. The Offer

200,000 £1 shares are being offered to raise the capital needed to install a 200kW biomass (wood fuelled) boiler and 50kW of solar panels at Narberth Pool.

The share offer period will start on 4th October. Pembrokeshire County Council has stated that unless SwimNarberth can raise the capital required for the biomass boiler (£130,000) by the end of October, the pool will close permanently.

The following conditions apply to this share offer:

- If a signed option and lease is not in place by 31st October between SwimNarberth and Pembrokeshire County Council, the share offer will not go ahead and all applications will be returned.
- If the applications received by 31st October (including loan from Swim Narberth funded from donations) do not reach the target of £130,000, all applications will be returned and applicants will be refunded their money. PCC say that the pool will then close on 1st November.
- If at least £130,000 of share applications and loan are received by 31st October, the transfer of the pool to SwimNarberth will go ahead and an order for a new biomass boiler will be placed.

- Once the initial target of £130,000 is reached, the share offer will continue to raise capital for the solar panels. If less than £25,000 is raised, the solar PV installation will not take place, these applications will be returned and just the boiler installation will go ahead.
- If between £25,000 and £70,000 of further shares are raised, as many solar panels as the capital will finance will be installed, up to a maximum of 50kW if the full £70,000 is raised.

The offer will remain open until 30th November, and at that point, the Directors have the discretion to extend the share offer for the solar panels until either a satisfactory sum is raised or applications are returned.

2.2. Oversubscription

The first 130,000 shares (less the value of any loans offered by SwimNarberth funded from donations or fund-raising) will be offered on a “first come first served” basis because of the need to issue these shares as soon as possible.

If there is an oversubscription in the full amount by the closing date of 30th November, the remaining shares (above the £130,000 initial target) will be allocated giving priority to those living closest to the pool.

If the offer has to continue beyond the end of November, the shares will be issued and offer closed as soon as the target is reached.

2.3. Tax relief

Tax relief is likely to be available through either SEIS (Seed Enterprise Investment Scheme) or SITR (Social Investment Tax Relief).

Because of the rapid timescales that this share offer has had to follow, it has not been possible to obtain “Advance Assurance” for either of these forms of tax relief but these will be applied for. HMRC indicate that advance assurance for SEIS is currently taking about 6 weeks to process and for SITR about 3 weeks to process.

2.3.1. SITR

It is the opinion of the directors, after taking external advice, that the scheme is likely to qualify for SITR. If so, people that bought shares would

qualify for 30% tax relief. The effect of this is that for every £100 of shares that they buy, their income tax liability for the year would reduce by £30* i.e. they would receive £30 back from HMRC.

The directors cannot however guarantee this and for more information, you should consult the HMRC website www.hmrc.gov.uk/sitr, or seek independent advice .

[*Note however that HMRC cannot pay back more in tax relief than you pay in income tax, so if you bought 1000 shares, but your tax liability for the year was only £250, you would receive £250 of tax relief, not £300]

2.3.2. SEIS

HMRC operate a tax relief called Seed Enterprise Tax Relief (SEIS). This is similar to SITR but is aimed more at commercial, small scale entrepreneurial share offers. At the present moment, the qualification for community share schemes that involve the RHI (Renewable Heat Incentive) is unclear and HMRC deal with them on a case by case basis. It is possible that the shares may qualify for SEIS but cannot be guaranteed. The benefit of this over SITR is that the tax relief is 50% (i.e. you would receive £50 rebate for each £100 paid in shares).

2.3.3. Application process

The Directors will apply initially for SEIS tax relief as this offers the more beneficial rate, and if this application is not successful, will apply for SITR tax relief. The two schemes are independent but both administered by HMRC. They are exclusive, i.e. the shares cannot be within both schemes.

2.4. Rate of Return

If the boiler is commissioned before the end of December, the following projected rates of return (calculated as IRR over 20 years) are anticipated for the central scenario.

- 5.6% IRR basic return
- If the shares qualify for 30% tax relief (see above) and you are a qualifying taxpayer, the rate of return (IRR) increases to 8.7%

- If the shares qualify for 50% tax relief (see above) and you are a qualifying taxpayer, the rate of return (IRR) increases to 11.6%

If the boiler is commissioned after the 31st December (and the RHI reduces by 20% as expected) the rates of return, (calculated as IRR over 20 years) are anticipated to be:

- 5.5% IRR basic return
- If the shares qualify for 30% tax relief (see above) and you are a qualifying taxpayer, the rate of return (IRR) increases to 8.5%
- If the shares qualify for 50% tax relief (see above) and you are a qualifying taxpayer, the rate of return (IRR) increases to 11.2%

Note1: There are many variables that affect the rate of return, so the return may differ from this.

Note 2: If the boiler is commissioned after December 31st and a lower rate of RHI received, the price that heat is sold to the pool would have to be higher and the pool would receive less financial benefit from the installation.

Note 3: The Society was registered with model rules that limit payment of interest to 5% and so payment of interest above 5% requires a change to the rules which needs to be registered with the FCA. This rule change has been approved for other community benefit societies and hence the directors believe that this rule change will be accepted by FCA for this society, although this cannot be guaranteed.

2.5. Benefit to Narberth Pool

2.5.1. Heating

As a result of purchasing heat from the biomass boiler rather than using oil, SwimNarberth will purchase heat cheaper than the current 6-7p/kWh paid for heating oil. The price will be fixed according to a formula included in a contract between SwimNarberth and NEL and takes the form of a standing charge and a per kWh charge.

Heat prices will be adjusted by an index of wood fuel prices. The mechanism for working this out will be included in the heat purchase contract.

The current annual spend on oil is about £33,000 per year.

In the central scenario, if we assume the reduction in heat prices from use of wood, combined with a 20% efficiency saving, then the spend on heat would be about £12,500 in the first year of

operation, leading to a cost saving for the pool of about £20,500 per year.

If the boiler is commissioned after December 31st and the RHI is degressed by 20%, these figures change to a spend on heat of £15,000 leading to a cost saving of about £18,000

The existing oil boilers will be retained and used as backup heating.

2.5.2. Electricity

The solar panels would generate electricity which would be sold to the pool at a reduced rate. In addition, NEL would make a charitable donation to the pool from the surplus generated, subject to retaining sufficient surplus to pay interest to shareholders.

It is anticipated that if 50kW of panels are installed and electricity is sold to the pool at 7p/kWh and if 25% of the output of the panels is used at the pool, SwimNarberth would make a saving of about £350 per year in their electricity bill.

NEL would make a charitable donation of £1,800 to SwimNarberth from surplus generated from the PV panels.

2.5.3. Aggregate savings

The projected financial benefit that SwimNarberth would derive from the PV panels and biomass heating would therefore amount to:

- about £22,600 under the scenario of commissioning before the end of December, and
- about £20,000 under the scenario of commissioning after the end of December.

The actual amount will also depend on many other factors, including future purchase price of wood fuel, amount of efficiency savings that can be made, efficiency of the boiler and the solar panels and negotiated future price for exported electricity.

Additional savings will result from the fact that the existing heating system incurs costs other than fuel e.g. maintenance, electricity, insurance etc. These will all be less (but not zero) when the existing

heating system is replaced by the new biomass system, and these savings will reduce the outgoings for SwimNarberth.

2.6. 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.

3. PROJECT PARTNERS

3.1. SwimNarberth

SwimNarberth is a community led organisation that has been set up to take over the running of Narberth pool as a community facility from Pembrokeshire County Council. SwimNarberth will be registered as a charity.

3.2. Narberth Energy Limited

Narberth Energy Limited (NEL) is a new Community Benefit Society set up to install renewable energy technology at the Narberth Pool and to supply cheaper energy (heat and electricity) to Narberth Pool.

NEL is a Community Benefit Society registered with the Financial Conduct Authority using rules sponsored by Co-operatives UK. The registered number is 7008 and the registered office is

Narberth Swimming Pool, Old School Grounds, Station Road, Narberth, SA67 7DU.

3.3. Pembrokeshire County Council

Pembrokeshire County Council (PCC) is the local authority responsible for the town of Narberth who have run Narberth Pool up until the current time. In recent years the pool has been losing money and PCC have stated that they will have to close the pool unless the community take over the running from November 2014.

3.4. Shareenergy

Shareenergy is a social enterprise which provides support and assistance to community groups who wish to set up community based renewable energy installations.

Shareenergy have provided assistance with setting up and administering the share offer.

4. THE BUSINESS

NEL will install a biomass (wood fuelled) boiler and solar panels at Narberth Pool and provide heat and electricity to the pool. Excess electricity generate would be exported and sold to the grid.

4.1. Biomass heating

NEL will install a new 200kW wood fuelled boiler at the pool and supply cheaper heat to the pool.

4.1.1. Boiler installation and operation

Capital will be raised through the sale of shares to raise money for the purchase and installation of a biomass (wood fuelled) boiler to replace the existing boiler. A 200kW boiler will be installed and plumbed into the existing heat distribution network. The installation company will be chosen by competitive tender. A new boiler house and fuel store, based on a shipping container, would be

built adjacent to the existing building to accommodate the equipment.

Planning permission has already been obtained and includes the boiler installation.

4.1.2. Sale of heat

NEL will supply heat to the pool building for space heating and for heating the pool water. The heat will be metered and SwimNarberth will pay for the metered heat at an agreed price.

The price will be set based on a formula built into a contract between SwimNarberth and NEL. The price is set so that shareholders in NEL are projected sufficient return to enable the necessary capital to be raised, and while providing significant cost savings to SwimNarberth compared to their existing payments for oil.

A price adjustment mechanism will be put in place which will provide stable income and returns to both partners for a range of possible energy efficiency improvement scenarios.

4.1.3. Fuel supplies

The proposed boiler system could be fuelled on either wood chip or wood pellets. This would provide flexibility in the future.

Wood chips are cheaper than pellets, but take up much more storage space and would require more frequent deliveries. However, it would be more likely that wood chip could be obtained locally.

The final choice of fuel will be made depending on how these factors balance out, but the financial projections in this document are based on wood

pellets being used as fuel and it is currently the intention of NEL to use pellet fuel.

4.1.4. Energy efficiency savings

The pool has been the recent subject of a report by the Carbon Trust investigating what efficiency savings could be made at the site. The report identifies very significant theoretical savings although in practice these are not likely all to be feasible to implement.

In the financial projections included in this share offer, the central scenario assumes a 20% reduction in energy use is identified immediately, but that the finances are robust against other scenarios of energy saving.

It needs to be noted that the structure of the Renewable Heat Incentive creates an in-built financial dis-incentive to carry out energy efficiency, because the RHI payment is linked to energy consumed. Projections for this scheme indicate that benefits both for the pool, and for shareholders, are fairly flat as efficiency increases for moderate efficiency gains. This suggests that although there is not a strong incentive to invest in efficiency gains, there is not actually a disincentive to invest.

However, once energy efficiency gains go beyond about 50%, dis-incentive does start to occur. However, the financial projections indicate that even at efficiency gains beyond this, the returns remain acceptable. The Carbon Trust report commissioned by the pool does indicate that energy savings beyond 50% are theoretically possible.

4.1.5. Income

NEL would obtain income from the following sources.

Renewable heat Incentive	<p>The Renewable Heat Incentive is a government backed scheme for paying a supplement on heat supplied from renewable sources. For a boiler of this type, NEL would receive from the government 7.6p/kWh for all heat consumed up to a limit of 261,000 kWh per year, and 2.0p/kWh for all the heat consumed above this limit.</p> <p>These figures apply if the boiler is commissioned before December 31st 2014. It is expected that new lower tariffs will be set for installations commissioned after this date.</p>
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Sales of heat	<p>NEL would receive a set rate, currently anticipated to be £7,600 standing charge per year and 1.5p/kWh for all heat used if the boiler is commissioned before the end of December. These rates are not finalised but will be set in a heat contract between NEL and SwimNarberth.</p> <p>A different price would be used if the boiler is commissioned after December and a lower rate of RHI is obtained.</p> <p>These figures would be indexed using an index that proxies the price of wood fuel.</p>
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Note: the Degression of RHI is a significant factor in the economics of this project. The RHI, like the Feed in Tariff payments, are gradually reduced over time as the installer market matures. The tariffs are reviewed every 3 months and if installations are happening very rapidly, the government reduces the tariff to slow down the rate of installation. This is called degression. It does not affect existing systems that have already registered for RHI, the degression only affects systems which have not yet been commissioned.

Although the rates of degression are based on actual installation rates, the industry can make a

good guess at the probable degression based on the number of orders and enquiries nationally, and this leads industry analysts to expect a 20% degression at the end of December 2014. If the boiler at Narberth is commissioned after this date, the income from RHI would be cut by 20%. The financial projections have therefore included a scenario where this happens. This does result in a smaller benefit to the pool from the boiler installation. The business plan for the pool business has considered this possibility and concluded that the pool business would still be viable.

4.1.6. Expenditure

NEL would be responsible for all the ongoing costs of the boiler system these would include the following:

Fuel purchase	Purchase of wood chip or wood pellet
Maintenance	Routine maintenance, and any repair or maintenance not covered by insurances or warranties.
Insurance	Appropriate insurance would be taken out for public liability and accidental damage
Administrative costs	Costs associated with complying with requirements of HMRC, FCA, DECC and to manage the payment of share interest and capital to members.

4.2. Solar panels

NEL will install up to 50kW of solar panels on the roof of the building, taking advantage of the income available through the Feed in Tariff and the opportunity to provide cheap electricity to the pool. The sizing of 50kW is chosen because this is a tariff boundary for the Feed in Tariff and income from the Feed in Tariff would reduce for any additional panels on this roof.

If the share capital does not raise the full amount of £200,000, a smaller area of solar panels may be installed.

4.2.1. The equipment

The brand of panel that will be used has not yet been finalised, but in order to ensure reliability, the equipment will be certified as tier 1* equipment.

The invertors will be selected on the basis of reliability as well as cost, and the budget will allow for anticipated repair/replacement of inverters as well as appropriate warranties and insurance.

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.

4.2.2. Selection of installers

The installer for the solar PV installation will be chosen by competitive quotation. The modelled cost for the installation has been taken from

indicative quotes received. These are currently being assessed.

4.2.3. Provision of electricity

NEL would generate electricity from the solar panels, and this electricity would be used firstly to meet on-site demand, with any surplus electricity being exported to the grid.

The electricity used on site would be metered and SwimNarberth would pay for the electricity consumed at an agreed price which would be lower than the price that SwimNarberth would pay from its normal supplier.

4.2.4.

NEL would receive income from the following sources

Feed in Tariff	NEL would receive the Feed in Tariff (expected to be 12.13p as long as pre-registration is obtained before 31 st December)
Sale of exported electricity	NEL would receive payment for all electricity exported to the grid. The price would depend on what deal could be negotiated with a supplier but is likely to be around 5.5 - 6p / kWh
Sale of electricity used on site	NEL would sell electricity at a substantial discount for use in the pool. The price would be negotiated but is expected to be around 7p/kWh.

4.2.5. Expenditure

NEL would be responsible for all expenditure associated with the solar panels. This is likely to include:

Insurance	NEL would take out appropriate insurance for public liability and for material damage
Maintenance / replacement of inverters	The output will be monitored and maintenance will be necessary when any failure occurs. This would be covered by guarantees and warranties where appropriate
Monitoring and metering charges	Appropriate monitoring systems would be installed to enable any failure to be rapidly detected and repaired. Exporting electricity means that an export meter needs to be purchased and maintained.
Admin costs	The income from the solar panels would help to contribute towards the administration costs of the Society.

4.3. Lease

PCC have offered a a draft lease at a peppercorn rent for 125 years to SwimNarberth, and SwimNarberth is currently being advised by their solicitors on whether this lease is acceptable or what changes they need to make. As part of this

arrangement, PCC will continue to pay the cost of employing two duty officers and one full and one part time lifeguard, tapering off over the first three years of operation.

4.4. Beyond 20 years

The contract that SwimNarberth will have with NEL will terminate after 20 years. It is projected that by this time, NEL will have accumulated sufficient capital to buy back all the shares and so shareholders will have recovered their investment.

After this time, the income into NEL will fall significantly because the RHI and FIT will come to

an end. It will be up to the directors and members of both organisations to negotiate any continuance beyond 20 years, but a fallback situation is that NEL will transfer its assets to SwimNarberth and NEL will be wound up.

5. HEAT AND ELECTRICITY SALES

There will be a legal contract between SwimNarberth and NEL that commits SwimNarberth to purchase heat from the NEL for 20 years or as long as the pool continues in operation, whichever is sooner.

SwimNarberth have written a business plan to demonstrate how the pool business will remain viable once it is transferred from local authority control into the control of the community group. This business plan can be read on their website at www.swimnarberth.co.uk

6. FINANCIAL PROJECTIONS

6.1. Project Costs.

The project costs on which the financial projections have been derived as follows.

6.1.1. Biomass boiler

On the basis of indicative quotations received, the cost of the installation is expected to be less than £112,000 including site preparation and connection of services. The successful bidder has not yet been selected at the time of preparation of this document.

A budget of £20,000 has been included to cover the cost of legal fees, and for the cost of preparing, marketing and advertising the share offer.

Further to this, a contingency allowance of 10% has been allowed in the budget.

Some grant funding has been obtained from the Waterloo Foundation which has covered the cost of preparing the share offer document, preparing the financial projections and administering the share applications.

6.1.2. Solar Panels

On the basis of indicative quotations received, the cost of installation of 50kW of solar panels is expected to be under £60,000. The successful bidder has not been selected at the time of preparation of this document.

In addition to this, an extra contribution of £5000 is budgeted towards the cost of the share offer preparation and marketing.

A contingency of 10% is added to these costs.

6.1.3. Combined project costs

Combining the costs above, the project costs can be summarised as follows.

Biomass Boiler	
Boiler installation	£112,000
Share administration and marketing	£20,000
Contingency	£13,200
Solar Panels	
Installation	£60,000
Share marketing	£5,000
Contingency	£6,500
Total	£216,700

SwimNarberth has been in receipt of donations to assist with saving the pool from closure, and fundraising has been carried out. The balance of costs above £200,000 will be provided from these as a loan from SwimNarberth to NEL at an interest rate of 5% so that the total required as shares is set at £200,000.

Note, all these are exclusive of VAT. NEL will be registered for VAT.

It is expected that the VAT on the boiler would be recovered before the solar PV panels are paid for and that payment for the solar panels will be staged which will allow for management of VAT cashflow.

6.2. Biomass boiler projections

6.2.1. Assumptions

Heat demand

- The present heat demand is 410 MWh (513 MWh fuel use as taken from report by Carbon Trust, x 80% efficiency of existing oil boiler)

Installation costs

- The cost of a 199 kW boiler is £112,000 as per indicative quotes received
- The cost to set up a society and carrying out a share issue is estimated at £20,000
- A contingency of 10% is included bringing the total fund that needs to be raised to £145,200
- A new biomass boiler would be 85-90% efficient

Wood fuel cost

- It is assumed that pellets would be used at a price of 4.2p/kWh. Wood chips could also be used and would be slightly cheaper but would require more storage space.
- The price of wood will rise over time, and may rise faster than RPI. A range of rates of increase have been modelled.

Income

- If the boiler is commissioned before December 31st 2014, RHI will be received for heat delivered on the basis of 7.6p/kWh for all heat up to 15% capacity and 2.0p/kWh for heat delivered above this amount. These are government backed and will inflate with RPI.

- If the boiler is commissioned after December 31st, it is assumed that the RHI will degress by 20%. The actual tariff has not yet been published by DECC.
- Heat would be sold to SwimNarberth at a contracted price. This price will depend on what level of RHI is obtained.

Other

- An average RPI of 3.5% has been assumed over the next 20 years

6.2.2. Financial projections

A financial model has been run with various scenarios on improvement in efficiency at the centre. A report by the Carbon Trust claims that savings up to 60% can be made through a combination of efficiency measures. These measures will however require money to implement and so it may not be possible to do these instantly.

The pricing formula has been structured so that this can be kept fixed and is robust against different scenarios of efficiency saving and fuel prices. Scenarios have been run for efficiency achievements of 20%, 40% and 60% and against wood fuel price inflation of 2.5%, 5% and 7.5%. The results are in the following table (The two numbers represent the 20 year return to members, and the financial benefit to the pool in year 1).

		Efficiency savings		
		20%	40%	60%
wood price inflation	2.5%	6.5%	6.6%	4.5%
		£ 22,625	£ 23,856	£ 25,088
	5.0%	6.2%	6.6%	4.9%
		£ 22,625	£ 23,856	£ 25,088
	7.5%	5.6%	6.6%	5.4%
		£ 22,625	£ 23,856	£ 25,088

(For each scenario, the upper number represents the return to members, and the lower number the financial benefit to the pool).

Note that the projected rates show above are an average over 20 years. The returns are not uniform and returns in early years will be lower than this whereas returns in later years will be higher.

The full details of the scenario considered most likely (20% saving, 7.5% wood price increase) are given in the table below.

Note: The Society was registered with model rules that limit payment of interest to 5% and so payment of interest above

5% requires a change to the rules which needs to be registered with the FCA. This rule change has been approved for other community benefit societies and hence the directors believe that this rule change will be accepted by FCA for this society, although this cannot be guaranteed.

6.2.3. Detailed financial projection for scenario of 20% efficiency savings and pre December 31st RHI

The table below contains the profit and loss, and cash flow projections for the scenario of 20% energy efficiency savings and 7.5% annual increase in the price of wood fuel over the 20 year project lifetime.

Year	0	1	2	3	4	5	years 1-20
Heat load (kWh/year)		328,320	328,320	328,320	328,320	328,320	
Tier 1 consumption (kWh/year)		261,486	261,486	261,486	261,486	261,486	
Tier 2 consumption (kWh/year)		66,834	66,834	66,834	66,834	66,834	
Pellet consumption (kWh/year)		364,800	364,800	364,800	364,800	364,800	
PROFIT/LOSS ACCOUNT							
Income							
RHI		21,210	21,740	22,283	22,840	23,411	541,792
Heat sales		12,525	13,464	14,474	15,560	16,726	542,382
Bank interest		0	143	285	426	500	8,854
Total income		33,734	35,347	37,042	38,826	40,638	1,093,029
Expenditure							
Depreciation		6,460	6,460	6,460	6,460	6,460	129,200
Operating and admin costs		21,418	22,720	24,111	25,600	27,191	819,236
Swim Naberth loan interest		800	763	724	683	640	7,122
Total Expenditure		28,678	29,943	31,295	32,743	34,291	955,558
Surplus		5,056	5,404	5,747	6,083	6,347	137,470
CASHFLOW							
Bank opening balance		0	5,719	11,400	17,042	20,000	
Capital expenditure	-145,200						
Swim Naberth loan capital	16,000	-741	-779	-817	-858	-901	-16,000
Total income		33,734	35,347	37,042	38,826	40,638	1,093,029
Expenditure (minus depreciation)		-22,218	-23,483	-24,835	-26,283	-27,831	-826,358
Interest payments		-5,056	-5,404	-5,747	-6,083	-6,347	-137,470
Share Capital and repayments	129,200	0	0	0	-2,644	-5,559	-113,200
Bank closing balance	0	5,719	11,400	17,042	20,000	20,000	

6.2.4. Scenario where RHI is degressed

One of the risks identified is that the boiler is not commissioned in time to get the RHI tariff applicable before 31st December 2014. The tariff that will apply after December 31st has not been published yet, but commentators anticipate that there might be a 20% reduction. A scenario has been run to investigate this risk.

The contract between SwimNarberth and NEL would contain provision for a price adjustment to cater for this eventuality. This would share the risk between the pool and members of NEL.

The effect can be examined by studying the central scenario (efficiency gain of 20% and fuel price increase of 7.5%) with degressed and non-degressed RHI.

The results can be shown in the table below.

Scenario:	<ul style="list-style-type: none"> • 20% efficiency gains, • wood fuel prices rising by 7.5%, • RHI degresses by 20% at the end of December 	
	Sensitivity 1: Boiler commissions before Dec 31, heat sold at standing charge + 1.5p/kWh	Sensitivity 2: Boiler commissions after Dec 31, heat sold at standing charge + 2.3p/kWh
Projected financial benefit to the pool	£22,625	£20,000
Projected return to members	5.6%	5.5%

It can be seen from this that the degression causes the returns to be lower, but the scheme is not non-viable. Altering the price for heat in this situation shares the risk between shareholders and SwimNarberth.

6.3. Solar panel projections

6.3.1. Assumptions

Yield

- The yield expected from the solar panels is calculated from the irradiation tables published by the MCS which is based on measurement of real installations across the UK. The number obtained from these tables is 943 kWh/kWp based on the South Wales location.

On-site use

- An estimate is made that 25% of the generated electricity is used on site and 75% is exported.

Income and expenditure

- The cost of installing solar panels is £60,000 for an array of 50kW. This is based on indicative quotes received.

- Expenditure of an additional £5000 is budgeted as a contribution towards the legal, setup and marketing costs, and 10% contingency added.
- Electricity will be sold to SwimNarberth at 7p/kWh, indexed with inflation. A charitable donation of £1800 will be given each year to Swim Narberth.
- SwimNarberth will provide a peppercorn lease to NEL for the roofspace for the solar panels for 20 years.
- NEL will take out appropriate insurance and make provision for replacement of invertors and any other equipment that may need to be replaced to ensure that the panels remain in operation.

Under these assumptions, the profit and loss, and cash flow, for the panels produces the following financial projections.

6.3.2. Financial projections

Based on the assumption above the financial projections are as follows:

Year	0	1	2	3	4	5	years 6 - 10	years 11-20	years 1-20
output		100.0%	99.2%	98.4%	97.6%	96.8%			
Generation (kWh)		47,150	46,778	46,406	46,033	45,661	222,722	417,526	872,275
Profit/Loss									
FIT income		5,719	5,873	6,030	6,191	6,356	34,393	83,599	148,161
Export income		1,945	2,016	2,090	2,167	2,246	12,518	32,761	55,743
On site income		825	847	870	893	917	4,962	12,061	21,375
Bank interest		0	45	134	223	295	1,473	2,947	5,117
Income		8,489	8,781	9,124	9,474	9,814	53,346	131,367	230,396
Expenditure									
Depreciation over 20 years		3,575	3,575	3,575	3,575	3,575	17,875	35,750	71,500
Operating and admin costs		1,100	1,139	1,178	1,220	1,262	7,006	18,203	31,108
Expenditure		4,675	4,714	4,753	4,795	4,837	24,881	53,953	102,608
Profit		3,814	4,068	4,371	4,680	4,976	28,465	77,414	127,789
Cashflow									
Bank opening balance		0	3,575	7,150	10,000	10,000			
capital expenditure	-71,500								
Income		8,489	8,781	9,124	9,474	9,814	53,346	131,367	230,396
Expenditure (minus depreciation)		-1,100	-1,139	-1,178	-1,220	-1,262	-7,006	-18,203	-31,108
Donation to SwimNarberth		-1,800	-1,863	-1,928	-1,996	-2,066	-11,464	-29,787	-50,903
Interest to members		-2,014	-2,205	-2,443	-2,684	-2,911	-17,001	-47,627	-76,885
Share capital (receipt and repayment)	71,500	0	0	-725	-3,575	-3,575	-17,875	-45,750	-71,500
Bank closing balance	0	3,575	7,150	10,000	10,000	10,000			

6.4. Combined returns

The tables above show the returns separately for the biomass boiler and the PV panels. Shares are in the combined scheme, and returns will represent the combination of these two installations. 1

If the two cash flow projections are combined for the PV panels and the boiler, the overall projected return is 5.6%.

The projected cashflow that a member could receive (combined interest and capital repayments) is illustrated in the table below for a purchase of 1000 shares.

year	1	2	3	4	5	6	7	8	9	10		
no tax relief	£ -	£ 35	£ 38	£ 44	£ 75	£ 92	£ 93	£ 95	£ 96	£ 97		
30% tax relief	£ 300	£ 35	£ 38	£ 44	£ 75	£ 92	£ 93	£ 95	£ 96	£ 97		
50% tax relief	£ 500	£ 35	£ 38	£ 44	£ 75	£ 92	£ 93	£ 95	£ 96	£ 97		
year	11	12	13	14	15	16	17	18	19	20	21	years 1-21
no tax relief	£ 99	£ 100	£ 101	£ 102	£ 103	£ 104	£ 112	£ 113	£ 113	£ 114	£ 263	£ 1,988
30% tax relief	£ 99	£ 100	£ 101	£ 102	£ 103	£ 104	£ 112	£ 113	£ 113	£ 114	£ 263	£ 2,288
50% tax relief	£ 99	£ 100	£ 101	£ 102	£ 103	£ 104	£ 112	£ 113	£ 113	£ 114	£ 263	£ 2,488

Note:

- 1) The sums received in year 1 are the tax relief from SITR or SEIS. There is likely to be no payment of interest in year1.

- 2) Interest for each year would be calculated and returned following preparation of the year accounts, so is paid in the year following the year it is earned in, hence a payment in year 21
- 3) No capital repayment for 3 years from issue of shares, to comply with tax relief regulations
- 4) These are illustrative only and actual payments will depend on performance of the installations and demand for the heat and electricity.

7. RISKS

7.1. General 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.
- Government policy towards renewable energy may change. Throughout the operation of the RHI and 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 period, (which is 20 years in the case of biomass). Therefore revenue from RHI for NEL should not be affected by any future changes to the RHI. This payment is also index linked to RPI.
- Any changes to the RHI that occur before the boiler is commissioned would result in a change to projections or in the worst case non-viability of the project. RHI tariffs are reviewed every quarter and reductions make take place based on the quantity of install which has occurred during the previous quarter. The next degeneration is expected to occur on 1st January 2015.
- 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.
- Operational costs may rise faster than anticipated during the life of the Project.

7.2. Risks specific to this project

- The swimming pool may still prove to be non-viable after transfer to the community group and may be forced to close. In this situation, shareholders may lose part or all of the value of their shares.
- The project may fail to raise the required capital through its main share offer. If less than the minimum target of £130,000 is raised by 31st October, the share offer will be stopped and monies returned to applicants.
- The financial model for the central scenario assumes that the RHI tariff applicable up to the end of December 2014 is received. This relies on the boiler being commissioned before the end of December. Assurances have been received from contractors that if a refundable deposit is paid by mid October, and a definite order is placed at the end of October, then commissioning by the end of December is possible. However, it is possible that delays would mean that commissioning would not happen until January. Projections have been run to see what affect this has on the finances (see 6.2.4)
- 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.
- The price of wood fuel may escalate faster than anticipated. The contract with the pool business will link the price of heat to the price of wood, so that this risk will be mitigated.
- The pool could carry out energy efficiency improvements that reduce the need for heat. The price mechanism takes account of this and ensures that neither partner would be penalized as a result of energy efficiency improvements.

8. MANAGEMENT AND ADMINISTRATION

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

8.1. 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 Installations. Board elections from the new membership will be held at the first AGM following the share offer.

<p>Ruth Barnes</p> <p><i>I have lived in Narberth for 45 years, my children and my grandchildren learnt to swim in Narberth Swimming Pool. I was a committee member of the original Friends of Narberth Pool, when PCC tried to close it down before and I am an experienced fund raiser. I am a supervisor for the Narberth Branch of Paul Sartori and I serve on several charitable committees including Narberth & District Community Sports Association, ARK, Barnado's, and Narberth Play Park, where I was recently instrumental in raising over £40,000 to improve the Narberth Play Park.</i></p> <p><i>Narberth Swimming Pool is an important amenity for the town and the surrounding area. It allows a safe environment for children to learn to swim, so they can be safe on our local beaches and it enables adults of all ages to keep fit and healthy. It is also important as a facility for people who visit the area and stay locally.</i></p> <p><i>We need to have a sustainable, viable, long term plan that will enable Narberth Swimming Pool to be there for future generations.</i></p>	
<p>Dr Rebecca Cadbury</p> <p><i>I am a GP at Narberth Health Centre where I have worked for nearly 23 years. I live in Narberth and as an active member of Pembrokeshire Friends of the Earth I have an interest in the development of renewable energy in our local community, as a way of combating climate change and building community resilience.</i></p> <p><i>We all know that exercise is important for health and swimming is a particularly good form of exercise for all age groups, particularly the elderly and families for whom easy to access local facilities are most important. In the past my son has worked at the pool as a life guard, and both as a swimmer and a member of Narberth Canoe Club I am a regular user of the pool.</i></p> <p><i>I, therefore, have 3 very good reasons for wishing to see Narberth Pool continue to operate.</i></p> <p><i>As a GP I have been involved in running a business and I have some experience of charitable trusts. I believe that this experience will enable me to assist in the running of this exciting community venture.</i></p>	
<p>Sue Rees</p> <p><i>I have been living in Narberth since 1985 and, prior to working as a tutor for Pembrokeshire College for the last ten years, I ran the family owned business with my husband John for twelve years. I have been swimming in the Narberth Pool ever since. I know what an important asset Narberth Swimming Pool is to the town, and the surrounding area.</i></p> <p><i>Narberth is a vibrant place with a wonderful community spirit, which is the envy of everyone. We still have a traditional High Street, full of the best small traders in the country. Since 2003 PCC have been systematically running our pool down, with no investment apart from essential repairs.</i></p> <p><i>Our community is used to battling against bureaucracy and fighting for what they hold dear; our pool is the last vestige of local authority provision left in the town and I think the quicker we take it over the better. We did it for Bloomfield House, which has grown to become the very successful Narberth & District Community Sports Association and we will do it again with Narberth Energy Limited and SwimNarberth.</i></p>	

8.2. Current and intended shareholdings of Directors

The directors are intending to take up shares to the value of £7,000 in aggregate in this share offer.

8.3. Disclosure

None of the directors of NEL 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 recrimination or sanction by a statutory or regulatory authority or designated professional body, or been disqualified from any function by any court.

8.4. Conflicts of Interests

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

8.5. Remuneration

No remuneration has been paid by NEL to the Directors.

When the installations are operational, 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.

8.6. Board Practices

Directors and the Company Secretary serve in accordance with the Rules. They have no service contracts. NEL 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 an Community Benefit Society, NEL complies with statutory requirements and the regulation of the Financial Conduct Authority. As the Shares will not be listed, NEL is not obliged to comply with The Combined Code on Corporate Governance.

8.7. Accounts

NEL was incorporated on 23rd September 2014. Its financial year-end is 31st December. At the time of commencing share issue, except for the issue of 3 shares at par to the founding directors, no other transactions had taken place.

8.8. Interest Policy

Payments made to members as a return on shares held is referred to as Interest. Members' Shares will attract a payment of interest annually in arrears. Interest rates will vary according to financial performance.

8.9. Legal Proceedings

There have been no governmental, legal or arbitration proceedings relating to the Project or NEL and none are pending or threatened which could have a significant effect on the financial position or profitability of NEL.

8.10. Rules of the Society

Community Benefit Societies, such as NEL, 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 NEL (see contact details on back page of this Offer).

8.11. Rule modifications

The rules used to register the society are the standard Co-operatives UK rules. The Directors intend to request from the FCA two rule changes that are necessary to enable the society to achieve its purpose.

1) The first rule change is to modify the rule that specifies the maximum interest rate payable on shares. The present rules set a limit on this of 5%. A rule change will be requested which will alter this to allow the payment of interest sufficient to attract sufficient shareholders to buy shares. It is anticipated that the actual long term interest rate will be somewhere between 5% and 6%

2) To apply an asset lock. At present there is no asset lock on the Society. In order to be able to

qualify for SISR an asset lock needs to be in place, and hence this will be achieved via a rule change.

8.12. Further information

Other documents mentioned in this Offer are available from the NEL (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.

9. SHARE OFFER

9.1. Reasons for the Offer and use of proceeds

This Offer is being made so that:

- Narberth Pool will benefit from the cheaper heat and power produced by the Society. This will significantly assist in the pool remaining as a public facility.
- Members may be as far as possible drawn from the local community.

9.2. Offer Shares

200,000 ordinary Shares of £1 are offered at par and payable in full on acceptance of an application on the Terms and Conditions of this Offer Document. The Shares, which will not be traded on any stock exchange, have been created under the Co-operative and Community Benefit Society act 2014.

Successful applicants will receive share certificates and their details and holdings will be recorded in a share register to be kept by Shareenergy, on behalf of NEL, 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 NEL, 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 coop starts to trade (subject to

available surplus assets and any new business of NEL).

- Eligibility for election to the Board for any member aged 18 years or over.

9.3. Interest payment

Members will benefit from purchasing shares by receiving interest. Interest will be paid on the balance of each Members' 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 for the benefit of all Members. There are no restrictions on interest payments and no special procedures have been established for non-resident holders.

9.4. Voting rights

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

9.5. Rights to share in profits/surpluses

All Members are entitled to share in interest declared out of annual profits, 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 scheme comes to the end of its life Members may choose to liquidate NEL, in which case assets will be realised and the net proceeds applied in repaying Members' remaining share capital. Any surplus will be donated to SwimNarberth, or if this no longer exists, donated

to a different charitable organization with similar aims.

9.6. 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.

9.7. 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.

9.8. Provisions on death of a Member

In accordance with NEL rule 20 and 21, on the decease of a member of the Society, their shares can be transferred to an individual or individuals nominated by them, who can keep them or apply for withdrawal of the share capital.

10. TERMS AND CONDITIONS

10.1. Eligibility

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

10.2. Minimum and maximum holdings

The minimum number of Shares which can be applied for in respect of the Priority Share issue is 200 and the maximum is 39,000.

This maximum has been arrived at because tax relief rules specify that no one individual (or group of financially linked individuals) can own more than 30% of the shares at any one point. 30% of £130,000 is £39,000.

10.3. 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 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 NEL 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 39,000 shares. This upper limit is a condition of the tax relief that states that any one shareholder (or group of shareholders with financial links) cannot hold more than 30% of the shares for the tax relief to apply.

10.4. The Offer timetable

The Offer will remain open until November 30th 2014 and may be extended at the discretion of the directors. If a minimum target of £130,000 is not reached by October 31st, all monies will be returned and the project will not proceed.

Subject to the share offer being successful, the Board expects the following timetable to apply:

31 st October 2014	Offer Period ends
	Offer results published
November 2014	Share certificates posted
	Installation contract signed
Before 31 st December	Boiler installed and RHI applied for. Pre-registration submitted for solar panels.
Spring 2015	Installation of solar panels.
July 2015	First Annual General Meeting. Board Elections

10.5. Consequences if the Offer is unsuccessful

If a sum less than £130,000 is raised the Board will not proceed with the development of the boiler or PV installations. Application Monies will be returned in full to the Applicants as soon as is practical. None of NEL, 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 NEL.

If at least £130,000 is raised but less than £155,000, the boiler will be installed but no solar panels will be installed.

10.6. 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 39,000 Shares.
- Is not relying on any information or representation in relation to the Offer Shares, NEL, or the boiler or PV installations which is not included in this Offer Document.
- Shall provide all additional information and documentation requested by NEL 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.

10.7. Procedures on receipt by NEL 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.
- NEL 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 one month after the end of the Offer Period.

10.8. Pricing, trading and dealing arrangements

The Board has resolved to offer Shares at their par value of £1. NEL intends paying interest on Members' shares each year, 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.

10.9. Governing Law

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

11. 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 NEL.

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.

Directors The directors of NEL.

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.

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.

NEL Narberth Energy Ltd. Principal Office: Narberth Swimming Pool, Old School Grounds, Station Road, Narberth, SA67 7DU. (Registered Community Benefit Society number 7008).

NEL Shares Ordinary shares of £1 in NEL.

Offer The Offer of Shares in NEL contained in this Offer Document.

Offer Costs The expenses incurred by or on behalf of NEL 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 NEL, offered at par on the Terms and Conditions and payable in full on application.

PCC Pembrokeshire County Council

PPA Power Purchase Agreement for the sale of electricity.

Project The proposed ownership and operation by NEL of a boiler and PV panels installed on the site of Narberth Pool.

Projections The financial projections for NEL set out in this document.

RHI Renewable Heat Incentive

Rules The Rules of NEL, available on demand by using the contact details set out on the back of this Offer document.

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

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

12. GUIDANCE NOTES

12.1. Applying for Shares

The Offer is open to individuals, Registered Societies, and other organisations. It is only possible to purchase Shares in NEL by completing the Application Form.

Before completing the Application Form 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 NEL.
- The Rules of NEL because in buying Offer Shares you will become a Member of NEL and will be bound by those Rules.

12.2. Amount to invest

The price of each share is £1. The minimum number is 200. The maximum is 39,000. 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.

12.3. Personal details

You may apply as an individual, or as long as you are properly authorised, on behalf of an organisation.

For legal reasons persons under 16 years of age cannot become Members.

12.4. Priority Application

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

12.5. Declaration

In signing the Application Form, as an individual, you are personally making an irrevocable offer to enter into a contract with NEL. 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.

12.6. Payment

Please attach a cheque or banker's draft, drawn on a UK bank or building Society, for the exact amount shown in the box under 'Amount to invest'. If there is a discrepancy between the two, or if the cheque is not honoured on presentation, your application may be rejected without further communication.

13. APPLICATION FORM

Narberth Energy Limited Share Issue, October 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 NEL available on the project website at www.narberthenergy.co.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 £ in NEL on the Terms and Conditions of the Offer Document at the price of £1.00 per Share. *(You may invest not less than £200 and not more than £39,000).*

Individual Applicant details

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

Surname:

Address:

Postcode: Daytime telephone:

Date of birth:

Email

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

Tax Relief

Please tick if you wish to claim tax relief if the shares become eligible for this

If the Applicant is an organisation please also supply the following:

(note: tax relief does not apply to applications from organisations)

Organisation name:

Organisation address:

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: <input type="text"/>	Sort code: <input type="text"/>	Account number: <input type="text"/>
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Please continue to and sign the Declaration overleaf

14. 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 NEL forms a contract subject to English and Welsh 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 NEL.
- I am over 16 and the Applicant meets the Offer eligibility criteria.
- NEL 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 39,000 Shares.
- The Applicant is not relying on any information or representation in relation to the Offer Shares, NEL which is not included in the Offer Document.
- The Applicant shall provide all additional information and documentation requested by NEL 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 (<i>Applicant/on behalf of Applicant organisation as applicable</i>):	Date:
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Cheque

Please attach a single cheque or banker's draft for the amount shown above, payable to Narberth Energy Limited and crossed A/c Payee.

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:

Narberth Energy Limited, c/o Shareenergy, The Pump House, Coton Hill, Shrewsbury, SY1 2DP

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 Narberth Energy Limited.

Please visit our website at

www.narberthenergy.co.uk

Narberth Energy Limited is a Community Benefit Society registered with the Financial Conduct Authority (reg no. 7008)



Relaxing after the successful sponsored swim to raise money for the pool.

For enquiries relating to this share offer contact:

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

01743 277119

info@sharenergy.coop

Or contact Narberth Energy Limited via the email address:

info@narberthenergy.co.uk

October 2014