

APPENDIX 1

Offer for Shares and Membership in

Reading Campus Community Energy Society Limited

trading as Reading Community Energy Society Limited('RCES')

Initial offer shares: £441,000

Closing date: 15 July 2016 (or when fully subscribed if earlier)

Generate Solar Power on the rooftops of council and community buildings and help make Reading cleaner and greener

DRAFT

TABLE OF CONTENTS

RCES AND THE COMMUNITY AND ENVIRONMENTAL BENEFITS	Error! Bookmark not defined.
ABOUT RCES	Error! Bookmark not defined.
SUMMARY	5
RISK FACTORS	9
ADMINISTRATION & MANAGEMENT OF RCES	15
FINANCIAL INFORMATION	20
FURTHER INFORMATION ABOUT RCES	25
TERMS AND CONDITIONS OF THE OFFER	26
GLOSSARY	30
GUIDANCE NOTES	32
SHARE APPLICATION FORM	32

Reading Community Energy Society Limited

31 May 2016

CHAIR'S WELCOME

Thank you for requesting this Offer Document, which sets out an exciting opportunity for you to apply for Shares in Reading Community Energy Society Limited ('RCES'). RCES will install Solar Panels on the roofs of council and community buildings, including schools, in Reading. Joining RCES will provide an opportunity to:

- Generate renewable energy, helping tackle energy security and climate change;
- Reduce demand for grid electricity in public and community buildings;
- Over time, generate a community fund to support local community projects ;
- Support sustainable development in our local community and contribute towards reducing CO₂ emissions;
- Reduce fuel poverty – (through energy efficiency and/or renewable energy)

RCES is an ethical, community-based, social enterprise. RCES was set up by the Council, Berkshire Energy Pioneers, the Reading Climate Change Partnership and Energy4All with the intention to establish the first community owned renewable energy facility in Reading. Its board consists of members from each of these organisations.

The founders of RCES hope to build a community of RCES members and users and members of the Host Buildings and Organisations. This community will work together with the intention of over time developing a community fund to support local community projects especially those linked to community energy efficiency and environment projects.

We are looking for investment from new Members to fund the installation of Solar Panels on up to 16 public and community buildings around our town. The more money raised, the more panels we can install on more buildings.

We want as many people as possible to join RCES. As a Society all our Members are important to us. We especially welcome smaller amounts, which is why the minimum investment is as low as we can make it at £200. We think the co-operative principles of our Society will appeal to those of you who may not have considered joining this type of organisation before.

Parents and grandparents can apply for Shares in RCES now for their children and grandchildren or can apply for Shares on their own behalf now and give their Shares to their children and grandchildren in their will.

We pre-registered the Solar Panels on all the buildings described in this share offer before the end of September 2015, enabling RCES to claim the Feed In Tariff (FIT) applicable at that date, so our Financial Projections reflect this.

The Offer will close when fully subscribed or on 15 July 2016.

RCES is supported and assisted by Energy4All, the leading social enterprise in the UK for delivering community owned renewable energy schemes. Energy4All projects have raised over £50 million for community renewable energy installations.

How to Apply

An Application Form is attached at the end of this Offer Document. The minimum number of £1 Shares you can apply for is 200 and the maximum is 20,000.

Please read this Offer Document and consider the risks, including those set out on page 9 before deciding. You should consider taking appropriate financial or legal advice before making your decision.

I look forward to welcoming you as a new member of RCES

Yours sincerely

Chair
Reading Community Energy Society Limited

SUMMARY

Potential Applicants should note that:

- This Summary is intended to provide an overview of the Share Offer
- This Summary should be read as an introduction to the Offer Document
- Any decision to apply for Shares should be based on consideration of the Offer Document as a whole

1. The Content of this Offer Document

This Offer Document has been prepared by RCES and its Directors who are responsible for its contents.

Technical and other words or phrases used in this Offer Document with a particular meaning are defined and explained in the Glossary. No advice on investments is given in this Offer Document by RCES or its Directors in relation to it. If any person has any doubt about the suitability of the Shares which are the subject of this Share Offer they should contact an appropriate authorised person for advice.

2. The business of RCES and the purpose of this Share Offer

RCES is making this Share Offer to raise capital to invest in Solar Power Systems that generate electricity and are located on the roofs of community and Reading Borough Council buildings in the Reading area. RCES will receive income from:

- a) Payments under FIT, a 20 year inflation-protected price legally required by the government to be paid by the electricity industry for generating electricity from renewable resources; and
- b) Sales of electricity generated by the Solar Panels to a) the Host Buildings or, if it is not used by the Host Building b) an electricity company via the grid.

RCES is working with 16 Host Buildings that are home to a diverse range of community organisations including some whose buildings are managed by Reading Borough Council. The Society is excited by the prospect of working with these organisations which are demonstrating leadership in climate change mitigation and renewable energy with their own members and in their own communities. We look forward to building a community of RCES members and the users and owners of the Host Buildings. Eight (8) of the Host Organisations have already committed to the Project. RCES has Licence Agreements in place with 6 community buildings and has a commitment from Reading Borough Council for 2 of its buildings to sign a Lease Agreement. The Society is in advanced discussions with a further 7 community buildings and a third council building may also be added. The Licence and Lease Agreements enable RCES to install Solar Power Systems on each of the buildings and to operate them for 20 years.

Through this Offer, RCES proposes to raise £441,000 (the Full Amount) by the issue of Shares at £1, payable in full on application, to install up to 356 Solar Panels on the 16 buildings, giving investors an opportunity to participate in renewable energy generation. The principal appeal is

to people who are interested in supporting progressive environmental and social purposes and receive a reasonable return on their Shares. Applicants with RG post codes will be given priority in the event that the Offer is oversubscribed.

3. Principal Activities and form of RCES

The principal activity of RCES is the construction and operation of Solar Power Systems on buildings in Reading.

RCES is a Community Benefit Society registered under the Co-operatives and Community Benefit Societies Act 2014 (registered number 7156). It is managed for the benefit of the community and owned by its Members, who are protected by limited liability status. Its constitution is in the form of Rules approved by and registered with the FCA. The founders of RCES are driven by high ethical standards and intend RCES to be operated in line with the values of co-operation and democracy as well as a sound commercial ethos. Constitutionally, key characteristics of RCES, as a Community Benefit Society, are: RCES operates for the benefit of the community; a Member must have the minimum number of Shares (200 in this Offer) each with a nominal value of £1; all Members have one vote regardless of how many Shares they hold; no Member, except another registered society, may hold more than 20,000 Shares; the Board is elected by the Members; and only Members are eligible to serve on the Board.

4. Environment, community and education – Social Objectives

RCES is an ethical and environmental body, which enables Members to make a real contribution to the development of renewable energy and to reducing the impact of climate change. Investors enable RCES, to act to make a difference. Through the development over time of its Community Fund, RCES also aims to support local community projects especially in the areas of sustainability and energy efficiency. In addition the organisations on whose buildings Solar Panels are installed will benefit from cheaper electricity than they receive currently – at current prices and electricity consumption, RCES estimates that across all 16 buildings, there will be a £9,200 cost saving in the first year. This is likely to increase in subsequent years as the prices for electricity payable by the organisations are fixed for the life of the scheme. Total savings will be lower if fewer than 16 buildings ultimately join the Project.

5. RCES Shares

When applying for Shares, potential Members should regard their Shares as a long-term proposition for the life of the Project, which is 20 years. The Financial Projections and the calculation of return for Members are based on expert advice and experience derived from other Energy4All projects. Financial Projections are by nature uncertain, illustrative only and must not be taken to be an indication of any assurance about the ultimate return of capital or any level of return. The Financial Projections indicate that the return on Shares will be of the order of 5% for the year ending 30 September 2017. This will be paid after the RCES AGM, which is expected to take place in March or April 2018, and gross of tax. It is intended that return on Shares will increase in line with RPI each year thereafter. However if fewer Solar Panels are installed, the returns could be lower.

RCES Members do not have the right to withdraw Shares but the Board has the power, at its discretion, to permit Shares to be withdrawn. There are no binding commitments in place to enable a realisation of Shares. However over time RCES intends, if it has sufficient funds, to institute a programme of redeeming Shares as cash permits. Shares will be redeemed in proportion to Members' shareholdings and at the par value of £1. However any such redemption will be wholly dependent on the performance of the business.

6. Financial Information

RCES will only start to trade once the Solar Panels have been installed and have begun to generate electricity, thus no accounts have been drawn-up to date.

7. Investment in RCES by Directors

The Directors of RCES intend to invest £xxx under the Share Offer on the same terms as other Members.

8. Project Development

The following preliminaries have been completed or are well advanced in respect of the Project:

- Licence Agreements have been signed by the Host Organisations of 6 community buildings. 7 other community Host Organisations are either progressing the Licence through their internal decision-making or are in advanced discussions with RCES.
- The terms of a Lease Agreement have been agreed with Reading Borough Council and the Council has committed to sign the Lease for 2 buildings. Final discussions are taking place on a third council building.
- For one of the community buildings which has yet to commit to the Project, Listed Building Consent is required and the application has been made
- Grid connection agreements with SSE have been obtained
- All the Solar Power Systems have FIT Pre-accreditation confirmed by Ofgem
- Where it is required, planning permission has been obtained
- Preliminary surveys of the Sites have been undertaken and detailed system designs completed for the 8 committed buildings. Outline systems designs have been prepared for the additional 8 buildings.
- Structural surveys have been completed for the 8 committed buildings and the buildings approved for installation.
- A Preferred Installer has been selected to install the Solar Panels.

The Board will be responsible to the Members for the management of the Project with Energy4All providing regular management reports.

9. Auditor

The statutory auditors of RCES are Lamont Pridmore, experienced chartered Accountants based in Barrow-in-Furness, Cumbria.

10. Risks

All commercial activities carry risk. People Interested in becoming Members should take appropriate advice and make their own risk assessment whilst also bearing in mind the financial, social and environmental aspects of purchasing Shares in RCES. This is an unregulated Share Offer, which means that Applicants will not have the protections of a regulated offer. Your attention is drawn to the specific risks identified on page 9 which you should take into account before applying.

11. How to Apply and Timetable

An Application Form, with details of how to apply, is attached at the end of this Offer Document. The minimum number of Shares is 200 and the maximum is 20,000. Those interested in becoming Members should do so only after reading this Share Offer Document in full and taking appropriate financial and other advice. The Share Offer will close on 15 July 2016 unless priority applications have been received for the Full Amount, in which case the Offer will close before that date.

DRAFT

RISK FACTORS

All commercial activities carry risk and potential Members should take appropriate advice and make their own risk assessment whilst bearing in mind the wider social and environmental benefits the Project will create. Taking up Shares in a trading business is not a loan or deposit. Your capital is at risk and you could lose up to, but not more than, the amount subscribed. Holding Shares is a long-term proposition for the life of the Project (which is up to 20 years) and Shares may not be readily realisable.

In addition to the specific risks of a recently launched social enterprise and supporting development and construction, other risks include:

General Risks – Shares

- .
- The value of your Shares and income from them may fluctuate and you may not get back the amount you invested. Investment in smaller unquoted businesses is likely to involve a higher degree of risk than investing in larger companies and those traded on the stock exchange.
- Your Shares will not be tradable. Your Shares can be withdrawn (i.e. redeemed by RCES for the price paid for them – in this case £1 each) in accordance with the Rules but may not be withdrawable at short notice or when you wish to do so. If RCES lacks sufficient cash to enable Shares to be withdrawn when desired, withdrawal may be delayed or not possible and this is solely at the discretion of the Directors of RCES. Shares should be seen as a long-term proposition for the life of the Project.
- Shares in RCES are not regulated investments for the purposes of the Financial Services and Markets Act 2000 and therefore you do not have the protection provided by that Act. This Share Offer is exempt from regulation under that Act and regulations made under it, so there is no right to complain to an ombudsman; and this Share Offer does not need approval and has not been approved by an approved person under that Act. This Share Offer is not regulated by the Prospectus Regulations 2005, which do not apply because there is a specific exemption for fundraising by a Community Benefit Society. RCES is registered with but not authorised by the FCA and therefore the money you pay for your Shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. The Shares are not covered by the Financial Services Compensation Scheme ('FSCS').

Renewable Energy Industry risks

- Changes in legislation, especially to the value or availability of the FIT may affect RCES's income. In particular the FIT is subject to change at short notice. However, RCES has FIT Pre-accreditation for the proposed 16 new installations, entitling it to a

guaranteed rate for 20 years provided the installations are commissioned within 12 months of FIT Pre-accreditation (i.e. by 29 September 2016), which it is anticipated will be achieved.

- Weather patterns, electricity prices and business costs can fluctuate.
- New inventions and developments may render existing technologies and equipment obsolete.
- Unexpected maintenance costs in excess of budget provision can arise.
- Unexpected difficulties or delays can arise in construction which if long enough could lead to a lower FIT rate for some buildings.
- Although Solar Power Systems are extremely reliable, electrical or other failure can interrupt the generation of electricity or the distribution network and lead to unexpected costs and interruptions of generation. Manufacturer warranties and guarantees offer some protection.

Risks specific to this Offer and to RCES

- The target Share Interest payments are not guaranteed and may not be achieved.
- It is expected that if the Host Buildings use the electricity generated by the Solar Panels, the income received by RCES will be greater than if the electricity generated is exported to the grid. For Host Buildings the price will be lower than the usual retail price of electricity so Host Buildings will be incentivised to use the electricity from the Solar Panels. However the actual rate of usage could be less than the rate assumed in the Financial Projections so that RCES's income could be lower. The estimate of usage used in the Financial Projections is based on historic Host Building demand for electricity where these have been available and forecast solar energy generation.
- 8 buildings listed in this Offer Document have committed to participate in the scheme. Final signature and legal commitment is awaited in the case of a further 8 buildings. If fewer than 16 buildings commit to the Project the Directors intend to run the Project with fewer Solar Power Systems installed. In this case, returns to members could be reduced. Projections show that expected returns to members can be achieved with 8 buildings installed
- Full structural surveys have been carried out at the 8 committed Host Buildings. The structure of each of these buildings has been approved for installation of the Solar Power Systems. Where surveys have not yet been carried out, the results may mean that some of the buildings turn out not to be viable. If fewer than 16 Solar Power Systems are installed returns to Members could be reduced. However, site visits and design surveys have been conducted at each of the buildings. Therefore, few further problems are expected from the remaining detailed structural surveys.

- Equipment to be purchased by RCES will be supported by guarantees from companies believed to be financially robust, but equipment suppliers, contractors, purchasers of electricity or other contracting parties with RCES could fail to meet their obligations.
- After 20 years, or at the end of the FIT period, whichever is sooner, ownership of the Solar Panels will transfer to the Host Organisations which will benefit from the free electricity from this point on.
- The owners of the Host Buildings may decide to dispose of or sell all or part of the building on which the Solar Panels are installed. If that happens, the Host will first use reasonable endeavours to transfer the contract with RCES to the buyer. If this does not prove possible, the Host Organisation has the right to terminate their License of Lease Agreement with RCES on giving 2 months notice. In this case, the Host Organisation will pay RCES the depreciated Net Book Value of the Solar Panels at the time of disposal plus an additional premium of 25% of the Net Book Value and the full cost of removing the panels. However, if this situation arises, the number of Solar Power Systems in the scheme will reduce and returns to Members could be reduced.
- The right for Host Organisations to terminate the contract with RCES is primarily to be exercised in the event of selling or otherwise moving from the Host Building. However, the Host Organisations may exercise this right at any time on giving 2 months' notice to RCES and making the necessary payment. If this happens the number of Solar Power Systems in the scheme will reduce and returns to Members could be reduced.. However, the Host Organisations are joining the project as a community initiative and it is not anticipated that many will leave in this way.
- The financial returns stated in this Offer Document are based on financial modelling incorporating a range of variable, changeable and uncertain factors, having due regard to historic evidence and the experience gained by the Board and Energy4All including electricity prices, estimated hours of sunshine, operational costs, the reliability of the equipment installed and replacement and repair costs. While every effort has been made to present an accurate forecast of the financial returns, this is no guarantee of the actual return received by Members which could be less than projected.
- If the Share Offer does not raise the Full Amount within the Offer Period the Directors reserve the right to use the proceeds of the Share Offer to install Solar Panels on fewer than 16 buildings. The buildings will be selected by the Directors with the aim of achieving the same returns to Members but with fewer buildings returns to Members may be lower than anticipated,

In particular you should appreciate that:

- a) Shares in RCES are **not transferable** so they cannot be sold, except back to RCES for the price paid for them, subject to the Board's agreement and cash being available;
- b) RCES's principal source of income is from the FIT; RCES's profitability is **dependent on the FIT continuing to be paid in accordance with current legal regulations** and future governments honouring this obligation; and

- c) descriptions of possible returns are **illustrative only** and necessarily based on informed assessments relating to variable, changeable and uncertain factors.

No advice on investments is given in this Offer Document or by RCES or its Directors in relation to it. If any person has any doubt about the suitability of the Shares which are the subject of this Offer Document he/she should contact an appropriate authorised person for advice.

DRAFT

The Business of RCES

1. The proposed business of RCES

The business of RCES is to install, own and operate Solar Power Systems located on the roofs of buildings owned and used by charities, other community organisations and Reading Borough Council, to generate electricity .

The electricity produced will benefit from a 20-year inflation-protected price known as the Feed-in Tariff. Legislation requires this price to be paid by the electricity industry to RCES for every unit of electricity generated by the Solar Panels owned by the Society. RCES will receive income from the Feed-in Tariff and from selling electricity generated to the Host Buildings and, to the extent that the generated electricity cannot be used by the Host Buildings, to electricity companies through the grid.

RCES's mission is to help reduce climate change emissions, to help make renewable energy more commonplace and to enable local communities to benefit from this local generation of clean energy. In order to do this the Society intends to be an ethical, community-based, profitable social enterprise. It will enable Members to make a tangible commitment to mitigate climate change, to receive a fair return and to benefit their local community.

2. Background to the business

The project has been developed and continues to be led by a team including the founders of Berkshire Energy Pioneers, councillors and officers of Reading Borough Council and staff of Energy4All Limited.

Berkshire Energy Pioneers ...

Reading Borough Council has successfully installed solar panels on 457 Council houses and 47 larger buildings. This is part of the Council's ongoing commitment to reduce its impact on climate change..

Motivated by the desire to deliver the project as a community co-operative venture, Berkshire Energy Pioneers and Reading Borough Council decided to join forces and work together with Energy4All on a community-owned project.

3. The Host Buildings

RCES anticipates installing Solar Panels on up to 16 Host Buildings, including charity buildings, churches,, a library and other community buildings. Bringing together this diverse range of buildings into a single, community-owned solar power project is a very exciting prospect. RCES are pleased that such varied organisations are demonstrating leadership in climate change mitigation and renewable energy with their own members and in their own communities.

Currently 8 buildings have committed to the scheme. RCES intends to begin installation of Solar Power System as soon as sufficient funds have been raised to fund the first system.

The 8 committed Host Buildings are:

Figure 1: Map of Host Building locations

Host Buildings	Pre-accredited Project Size kWp	Anticipated annual output in kWh	Capital cost (including development charges)
Lifespring			
JAC			
Milestone			
Latin Link			
The Gate (Meadway)			
St Birinus (The Gate)			
Reference Library			
Acre Road Business Park			

As additional buildings join the Project funds raised through the share offer will be applied to install Solar Panels on these buildings.

4. Future developments

The Founder Members and Directors of RCES are motivated to contribute to the transition of the UK to a low carbon economy and achieve this in an ethical manner through a community-based activity. RCES is currently focused on successfully delivering the Solar Power Systems proposed in this document. In future, in order to further realise its objects and pursue the motivation of its Founder Members, RCES will carefully consider the installation of more renewable energy generation, if viable

ADMINISTRATION & MANAGEMENT OF RCES

1. RCES's Directors

RCES 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 their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Clare Sharp

Tony Cowling

Tony graduated from Reading University in the seventies with a PhD in chemistry. Even at that time he was interested in sustainability and reducing energy consumption and recalls clearly his visits to the Centre for Alternative Technology and to the Saskatchewan Conservation House and how impressed he was with their approaches to both saving energy and to generating renewable energy. Tony is keen for as many organisations in Reading to benefit from solar energy as possible and for this project to bring further benefits to the local community.

Tony Hoskins

Tony Hoskins is Chief Executive of The Virtuous Circle, a management consultancy specialising in reputation and risk. It has extensive experience in corporate social responsibility (CSR), corporate reporting of non financial information, including environmental reporting, risk management and stakeholder communications. He set up TVC in 2000.

Working with major multinational companies, as well as charities, he has an in-depth understanding of the issues they face in integrating these issues into business policies and planning.

Dan Fernbank

Dan has been Energy Manager at University of Reading since 2011, where he leads their carbon reduction programme; achieving a 26% cut in their entire estates' over 4 years, saving the University £9.9 million in the process. Dan is also the current Chair of the Reading Climate Change Partnership; a collaboration of local business and community representatives driving action on climate change in the local area.

Previously, Dan spent 4½ years working for the Carbon Trust in a variety of roles, including and establishing a highly-successful national carbon reduction programme for schools. In 2014, Dan gained a first class honours Environmental Studies BSc through the Open University.

Cllr Liz Terry

Cllr Rachel Eden

Rachel was first elected to Reading Borough Council in 2010 and represents Whitley ward. She is currently Lead Member for Adult Social Care having held the Housing and Neighbourhoods portfolio from 2011-2013. Rachel has a keen interest in renewable energy having proposed the original plan to install solar panels on council owned buildings in 2010 and she also joined the Reading Energy Pioneers project in 2011 to have solar panels installed on her own home.

Professionally Rachel is a director of a small training and consultancy company. She is a qualified accountant and Member of the Chartered Institute of Management Accountants.

Rachael Hunter

John Malone

John studied renewable energy systems at CREST, Loughborough University (1994/5). Subsequently, he spent almost 3 years as Renewable Energy Officer in the Ministry of Natural Resources and Energy in Swaziland, where he was involved in a number of projects including solar energy for rural clinics and schools, fuel-efficient wood stoves and rural electrification. Returning to the UK in 1999, John joined Energy for Sustainable Development where, as a Senior Consultant, he was involved in a range of renewable energy activities including the development of community energy projects and energy services companies. He joined

Energy4All in 2007 and is now Development Director, managing a number of co-operative renewable energy projects at various stages of development.

2. Other matters relating to the Directors and the management of RCES:

Investment in RCES by those connected with the Share Offer

Directors of RCES and E4A staff and their immediate families propose to buy £xxx of Shares in RCES. All Share subscriptions will be on the same terms as other Members.

Major shareholders

There are currently no major shareholders in RCES and in the context of a Society such a concept is of limited significance. There is a principle of one vote per member whatever a Member's holding and a limit of 20,000 Shares for individuals and for organisations except other registered societies.

No individual, organisation or groups of individuals or organisations has control, given the one Member, one vote governing principle.

Remuneration Statement

There is no remuneration from RCES for any member of the Board. Directors may claim reasonable expenses. They are acting as directors because they are committed to the success of this business, the ethos it represents, the ability of a community to make a difference by their own actions and the financial, environmental, educational and community returns the business delivers. Directors invest in RCES on the same terms as all 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 the Directors.

Board Practices

Directors serve in accordance with the Rules. There are no service contracts for them. At each annual general meeting one third of the Board will retire, although they are permitted to stand for re-election by the members. Societies are democratic organisations and the Board is appointed by RCES's Members on the basis that each member has one vote, regardless of the number of shares held.

Directors are able to claim reasonable expenses incurred in serving RCES and an annual allowance of £500.

Disclosure Statement

Neither Energy4All and its officers nor the officers of RCES have been convicted for any fraudulent offence or otherwise or been involved in any bankruptcies, receiverships or insolvent liquidations or received any public reprimand or sanction by a statutory or regulatory authority or designated professional body or been disqualified from any function by any court.

Conflicts of Interest and related party transactions

Cllr Terry is an elected councillor of Reading Borough Council. She represents Reading RBC on the board of Directors. RBC intends to buy shares in RCES and Cllr Terry is nominated by RBC to represent its interests in respect of those shares..

Cllr Eden is an elected councillor of Reading Borough Council. The rules of RCES permit the board to co-opt a Director representing an organisation which has a key role to play in supporting the aims of the Society. The RCES board has agreed to co-opt a representative of RBC onto the board in addition to their share holder representative and Cllr Eden has been nominated by RBC to take on this role.

John Malone is employed by and remunerated by Energy4All, which is providing development and management services to RCES.

Rachael Hunter is employed by and remunerated by Energy4All, which is providing development and management services to RCES.

Management

RCES will have no employees and the business is not dependent on key individuals. Administration, accounting and day to day operations will be managed by Energy4All under the supervision of the Board. Energy4All will project manage the development of the Project. The Board will bear ultimate responsibility to the Members, acting on reports and advice from Energy4All.

Energy4All

Energy4All (www.energy4all.co.uk) is a non-profit distributing social enterprise that works to deliver community owned renewable energy. It will undertake the day-to-day administration and management of RCES and will provide support to its Board. Energy4All is experienced in the management of renewable energy Societies, and provides similar services to 16 other such community renewable energy projects in the UK.

Energy4All – Key Personnel

Energy4All employs an expert staff of 14, the following members of which will be principally engaged in supporting RCES

Rachael Hunter is a Project Manager for Energy4All. Her information can be found on page 16.**Error! Bookmark not defined.**

John Malone is Development Director for Energy4All. His information can be found on page 16.**Error! Bookmark not defined.**

Company Secretary:

Annette Heslop, the Finance and Administration Director of Energy4All, acts as Company Secretary for RCES. She is an experienced Secretary of Co-operatives and Societies for the Benefit of the Community and is responsible for the professional management and administration of all the Energy4All co-ops. As Finance Director of Energy4All she leads on financial control, modelling, costing, projections, banking and treasury matters.

Preferred Solar Contractor: Joju Solar

RCES has appointed specialist solar energy contractors Joju Solar Limited (which trades as Joju Solar) to design, supply and install the systems for each of the buildings. There is no connection between RCES or its Board and Joju.

Adoption of co-operative principles

As a Society, RCES will strive to promote the Principles of Co-operation: self-help and self-responsibility; democracy and equality; honesty and openness; social responsibility; autonomy and independence; member economic participation; opportunities for education; and concern for community whilst also trading as a Society.

DRAFT

FINANCIAL INFORMATION

1. Commencement of trading and RCES's financial year

The Society will commence trading when the first Solar Panels are fully installed, commissioned and commence generating electricity. The proceeds of this Share Offer will be applied to install the Solar Panels on the Host Buildings and to meet the Development Costs described below.

The Society's Financial Year ends on 30 September.

2. Operational cash flow

Apart from the capital requirements of the Project and obligations to third party suppliers, RCES has a limited requirement for working capital in the conventional sense, as it has no employees and few fixed costs. Normal monthly cash expenditure is projected to be small and to be amply covered by the sale of electricity and the FIT payments. The Financial Projections anticipate that RCES will be cash positive each year from the commencement of operations.

3. Income and expenses

RCES's income will come from the sale of electricity and the FIT (which will be increased on 1 April each year in line with inflation).

Electricity generated and used by Host Buildings will be sold to the Host Organisation at a fixed price for 20 years. Electricity generated and not used in the Host Buildings will be exported to the grid, either to an electricity company at a market price, or at the FIT Export Tariff. For installations of 30kW or less it is assumed under the FIT scheme that 50% of generation is exported to the grid. Expenses represent the cost of administering RCES (such as preparing accounts and insurance); monitoring, maintaining and repairing the panels and Inverters; loan interest and depreciation.

4. Development Costs

RCES successfully applied for a grant of £10,700 from the Urban Community Energy Fund, which covered a proportion of the Development costs. The balance of the Development costs is being funded by E4A. E4A will recover these costs from the monies raised by the Share Offer. If the Share Offer does not raise the required capital and at the Discretion of the Directors the Project does not proceed then monies invested will be returned in full to Applicants.

The Development costs include:

- Selected building surveys

- Grid connection applications
- Preparation of marketing material
- Preparation of the Share Offer document

The expenses of the Development and Share Offer costs are expected to be between £12,000 and £30,000 depending on how many buildings are eventually included in the Project.

5. Capital Costs

Capital costs for all 16 installations are projected to be approximately £441,000. For the 8 buildings that have so far committed to the Project, the capital costs are £180,000.

6. Financial Projections

The following is a summary of the Financial Projections, which have been approved by the Board. The Financial Projections are based on expert advice and experience derived from other Energy4All projects and pricing information from Joju following design visits to the Sites.

RCES plans to pay interest annually in arrears in May of each year on the balance of each Member's shareholding as at the year end. Under current legislation the interest may be paid gross and Members are required to declare the income on their annual tax return.

Members are anticipated to receive a return of 5% interest on their shares per annum in respect of the first full financial year following installation of the panels. It is anticipated that this rate will increase in line with RPI each year. There will be no return paid to Members in respect of the first months of generation for the financial year ending 30 September 2016.

Financial projections are by nature uncertain. The figures presented here should be taken as illustrative only. For a Project such as this, revenues will be dependent on weather and the number and performance of the Solar Panels. Financial returns to members are not guaranteed.

RCES anticipates holding its annual general meeting around March or April each year, with the first Share Interest payment being made in May 2018 in respect of the first full financial year of generation. It is possible that the process of registration of the Solar Power Systems by Ofgem will be delayed, in turn delaying payment of the FIT. This may impact negatively on the return to Members in the first full year of operation.

7. Assumptions

The Financial Projections are based on the following principal assumptions:

- RCES installs 356kW of Solar Panels at 16 Sites at a cost of £441,000;
- The Solar Panel installations will all be completed by 29 September 2016;
- Capital costs incurred for the Project will be in accordance with the Financial Projections;

- Electricity output is based on calculations which use an expected electricity output per kW installed for the type of Solar Panel proposed at the installed orientation and location;
- The amount of generated electricity used locally in the Host Buildings and exported is estimated. The estimates are based on usage data and assumed patterns of demand and generation. For installations of less than 30kW, for FIT purposes the amount of electricity exported is deemed to be 50% of that generated;
- The price for exported electricity is the current FIT Export Tariff and the price for the electricity sold to the Host Organisations is for the fixed price set out in the Licence and Lease Agreements;
- The FIT Pre-accreditation rate applies to all Solar Power Systems ;
- Current expectations relating to the global energy market, the UK electricity industry, UK government policy and the desirability for and the promotion of electricity from renewable sources will remain reasonably consistent and reasonably favourable to RCES over the next 20 years;
- Inflation is 2.5% during the life of the Project and inflation at this level applies consistently to the FIT, the export price and the expenses of RCES;
- Expenses are projected at a similar level to those on other projects worked on by Energy4All;
- The Solar Panels continue to operate for 20 years;
- No depreciation is charged in the short period to 30 September 2016, but thereafter depreciation is charged at 5% per annum;
- Share capital is redeemed as per cash permits starting after year 3. It is anticipated that 5% of Share capital will be returned each year but this is solely at the discretion of the Directors of RCES and is not guaranteed;
- Each Inverter is expected to be replaced once during the Project's life; and
-

Note: a higher rate of inflation is likely to improve the financial performance of RCES, as it is likely to lead to a higher price for the sale of electricity. Conversely, a lower rate of inflation is likely to reduce the community fund and interest returns to the Members.

Any of the assumptions not being realised is likely to result in adjustments to the Financial Projections. Financial Projections and assumptions such as those set out above are inherently less reliable over longer time spans.

8. Community Benefit

The local community will benefit through two means:

- Those organisations on whose buildings Solar Panels are installed will benefit through paying lower unit prices for electricity consumed. In the first year, across all 16 buildings, the reduction in electricity unit cost is estimated to lead to savings of around £9, 200. This figure is likely to increase over time as the price of electricity from the Solar Panels is fixed for the life of the scheme. These organisations will receive this benefit from the time at which their panels are installed.
- Net proceeds from RCES's income less costs (including Members returns) will contribute towards the Community Fund. Once these proceeds have reached a sizeable amount, they will be used by the Board to fund local community projects. The size of the Fund (and its ability to fund projects) will be determined by the numbers of buildings with Solar Panels installed, and factors such as the amount of electricity consumed by each site and the rate of inflation. Based on the financial projections, it is anticipated that payouts from the Fund will be made from year four and over 20 years £490,000 will be paid to the community fund. With only 8 Solar Power Systems installed, payouts to the Community Fund will not commence before year 7 and by year 20, around £60,000 will have been paid into the Fund.

9. Taxation payable by RCES

RCES does not anticipate having any liability for tax for xx years as it should receive capital allowances on its capital expenditure on the Project and because interest paid to Members is tax deductible. RCES is registered for VAT.

10. Repaying Share Capital

RCES Members do not have the right to withdraw Shares but the Board has the power, at its discretion, to permit Shares to be withdrawn. There are no binding commitments in place to enable a realisation of Shares. However RCES currently intends, if it has sufficient funds, that Member's Shares in RCES will start to be redeemed as cash permits starting after year 3. It is intended that 5% of capital will be returned each year but solely at the discretion of the Directors.

The intention is to repay all capital to Members by the end of the Project.

11. Borrowing

RCES may decide to borrow in order to finance the development of its business. The amount of borrowing is likely to be comparatively modest as a proportion of capital.

12. Transfer of shares; buying Shares for children and gifting Shares under a will; Inheritance Tax

Parents and grandparents can buy Shares in RCES now for their children and grandchildren; or can buy Shares on their own behalf now with a view to giving Shares to their children and grandchildren in their will. Shares can be inherited in accordance with instructions in a Member's will. Other than on the death of the holder Shares may not be transferred. Shares will not be tradable on any stock exchange.

RCES understands that under current legislation, Shares in RCES are treated as exempt from Inheritance Tax. Members should seek advice on this point for certainty on their personal position.

Shares purchased on behalf of a child nominee will be held in the name of the Applicant and transferred to the child upon reaching the age of 16. Share Interest (payable gross) in respect of the Shares will be paid direct to the child.

DRAFT

FURTHER INFORMATION ABOUT RCES

1. The Society

RCES is a Community Benefit Society registered under the Co-operatives and Community Benefit Societies Act 2014 (registered number 7156). Its registered office is at Unit 26, Trinity Enterprise Centre, Furness Business Park, Barrow-in-Furness, Cumbria LA14 2PN.

It is managed for the benefit of the community and owned by its Members, who are protected by limited liability status. Its constitution is in the form of Rules approved by and registered with the FCA. The founders of RCES are driven by high ethical standards and intend RCES to be operated in line with the values of co-operation and democracy as well as a sound commercial ethos. Constitutionally, key characteristics of RCES, as a Community Benefit Society, are: RCES operates for the benefit of the community; a Member must have the minimum number of Shares (200 in this Offer) each with a nominal value of £1; all Members have one vote regardless of how many Shares they hold; no Member, except another registered society, may hold more than 20,000 Shares; the Board is elected by the Members; and only Members are eligible to serve on the Board.

2. Material Contracts

The following contracts have been or will be entered into by RCES and are material:

- I. Licence Agreement - signed
- II. Lease Agreement – Heads of Terms signed, full Lease to be finalised
- III. Contract with Energy4All dated June 2016 for development services – being finalised.
- IV. Contract with Energy4All dated June 2016 for management and administration services – being finalised - whereby Energy4All will be paid in Years 1 to 6 an annual fee equivalent to 1.5% of total capital raised then in Years 6 to 20 an annual fee of 1.75% of total capital raised. The contract is for 20 years from the date the last site is commissioned but RCES has the right to terminate this contract from Year 10.

Installation contract(s) will be signed with the Preferred Installer, Joju Solar Limited once sufficient funds have been raised. Once appointed, Joju will be responsible for installing the Solar Panels.

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 available information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

3. Offer Shares and Use of Proceeds

Shares are offered for subscription at £1 each on the terms of this Offer Document. Shares are payable in full on acceptance of an Application of the Terms and Conditions. Priority will be given to Applicants living in the Reading area with a RG post code if the offer is oversubscribed.

The Shares, which will not be traded on a stock exchange, have been created under the Co-operative and Community Benefit Societies Act 2014.

The net proceeds from the Offer will be applied to install Solar Panels on Host Buildings. The intention of RCES is to use the monies arising from this Share Offer to install as many Solar Panels as can be afforded.

Successful applicants for Shares will receive share certificates and their details and holdings will be recorded in a share register to be kept by Energy4All, on behalf of RCES, at Trinity Enterprise Centre, Furness Business Park, Barrow-in-Furness, LA14 2PN or any successor business address. Each person or organisation issued with Shares becomes a member of RCES 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 the return of the original investment during the life of the Project, subject to available surplus assets and any new business of RCES, as determined by the Directors; and
- as a Member, eligibility for election to the Board of Directors.

4. Taxation of returns to Members

Interest paid on Shares to RCES Members will be subject to United Kingdom tax. Payments will be made gross under current legislation and Members will be responsible for declaring this income in their tax returns.

5. Complaints

Any complaints about this Offer or about the Shares should be sent to the Chairman of RCES at Unit 26 Trinity Enterprise Centre, Furness Business Park, Barrow-in-Furness LA14 2PN.

6. The Rules

The Rules of the Society are available on the RCES web site (www.readingenergy.coop/).

TERMS AND CONDITIONS OF THE OFFER

1. Eligibility

This Share Offer is open to individuals over 16 years of age and to organisations which support the objects of RCES.

2. Minimum and maximum holdings

The minimum number of Shares which can be applied for is 200 and the maximum is 20,000.

3. Application procedure

Read the accompanying Offer Document ... etc

4. Offer Timetable

The closing date for the Offer is 15th July 2016 but the Offer may be closed early if the Full Amount is raised from priority Applicants. The Directors reserve the right to extend the Offer at their discretion.

5. Consequences if the Offer does not raise the Full Amount

RCES will commence installation of the Solar Panels once it has raised sufficient capital to start the first Solar Power System. Solar Power Systems will be built as far as possible in order of largest first but other factors such as completion of structural surveys and access and timing constraints will also be taken in to account.

If the Share Offer does not raise the Full Amount to build all available Solar Power Systems, the Board may decide to build fewer Solar Systems, arrange a loan for the shortfall or a combination of these actions. This may reduce the return available to Members.

6. Consequences if fewer than 16 Host Buildings commit to the Project

If fewer than 16 Host Buildings commit to the Project and therefore a smaller amount of equity is required to install Solar Power Systems on the remaining buildings, then the Full Amount to be raised by the Share Offer will be reduced. Allocation of Shares to Applicants will be carried out by RCES Directors based on the revised Full Amount.

7. Commitments and Confirmations by Applicants

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

- Is committed to the objects of RCES;
- meets the eligibility criteria;
- is not (unless a registered society) making multiple applications for more than 20,000 Shares;
- is not relying on any information or representation in relation to the Shares, RCES, or the Project which is not included in this Offer Document; and shall provide all additional

information and documentation requested by RCES in connection with their Application, including in connection with taxation, anti-money-laundering or other regulations.

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

8. Procedures on Receipt by RCES of Applications

Offer cheques/bankers' drafts may be presented following 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, payable to the Applicant, to the postal address on the Application Form no later than one month after the end of the Offer Period (as extended).

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.

RCES reserves the right not to enter into correspondence with Applicants pending the issue of share certificates or the return of Application Monies.

The results of the Offer will be published on the website www.readingenergy.coop and by press release within one month after the Offer has been closed.

In the case of oversubscription, the Directors shall, in their discretion, determine the appropriate allocation of Shares, taking into account the priority category of Applicant set out below.

9. Plan of Distribution and Allotment

This Offer Document is the only market offering in respect of the Shares.

The Directors and members of Energy4All staff and their families have indicated that they intend to subscribe for £xxx Shares in this Offer (See Page).

Priority will be given to Applications from:

Priority – Reading, applications from an RG post code address.

These applications will be considered on a first-come, first-served basis.

If the Share Offer is oversubscribed and the Full Amount raised then if necessary priority Applications will be accepted in full with other non-priority Applications scaled down. The procedure for scaling down Applications will be at the sole discretion of the Directors. Monies in excess of the Full Amount will be returned to the Applicants in full.

The Offer will be closed on 15 July 2016 (or such later date as is set by the terms of any extension to the Offer Period) unless priority Applications have been received for the Full Amount, in which case the Offer will close before that date.

Welcoming letters and share certificates will be issued to successful Applicants by 30 September 2016 (or such earlier or later date as is set by the Board and the terms of any extension to the Offer Period).

10. Pricing, trading and dealing arrangements

The Board has resolved to offer Shares at their par value of £1. Shares will not be traded on a recognised stock exchange. Shares are not transferable except on death or bankruptcy. The Board of RCES has the right to redeem Shares from Members on a proportionate basis. The price at which Shares will be redeemed will be £1.

11. Governing law

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

12. Money laundering

Under Money Laundering Regulations, you may be required to produce satisfactory evidence of your identity and it is a condition of this Share Offer that you do so if requested.

GLOSSARY

Applicant- an applicant for Shares through submission of an Application Form

Application Form- the form to this Offer Document on Page which must be completed and returned in accordance with the Terms and Conditions on Page and the Guidance Notes on Page

Application Monies – money received by RCES from Applicants to buy Shares

Board– the Board of Directors of RCES as defined in the RCES rules.

Co-operative Society– a registered society that is owned and controlled democratically and trades in the interests of its membership

Community Benefit Society– a registered society that is owned and controlled democratically and trades primarily for the benefit of a wider stakeholder group

Community Benefit– amounts that will be paid out from the Community Benefit Fund and applied to the social objectives of RCES

Community Benefit Fund- a fund for the benefit of the community with allocated income from RCES

Development Agreement- the development agreement between RCES and Energy4All in respect of the Project

Energy4All– Energy4All Limited, Registration number: 4545379, registered office Unit 33, Trinity Enterprise Centre, Furness Business Park, Barrow-in-Furness, Cumbria, LA14 2PN

FCA– Financial Conduct Authority, registrar and regulator of Co-operative and Community Benefit Societies

Financial Projections– the financial projections comprising the projected income and expenditure and return to Members of RCES for the 20 years of operation, including the assumptions on which they are based, as set out in the section Financial Information

FIT - Feed-in tariff, the government regulated inflation linked price payable to producers of qualifying renewable electricity for 20 years

FIT Export Tariff- a payment for every kilowatt-hour (kWh) of surplus electricity exported to the electricity grid.

Full Amount – a total of £441,000 raised through the share offer or other reduced sum as agreed by the Directors in the event of fewer than 16 buildings committing to the Project .

Reading – the area including the town of Reading in Berkshire and surrounding area which have RG post code.

Host Building– a building that has Solar Panels installed on it by RCES.

Host Organisation – the registered entity (charity, council, association) which is the owner and/or user of the building on which Solar Panels are installed by RCES and buys the electricity generated by the Solar Panels from RCES.

Inverter– a piece of electronic equipment which converts the voltage of electricity generated by the Solar Panels to the voltage necessary for supply to the Host Buildings and export to the grid

Joju Solar – Joju Solar Limited, a company whose primary business is the installation, operation and maintenance of Solar Power Systems

Lease Agreement - the agreement with the council Host Buildings that gives RCES the right to install Solar Panels on the Host Buildings, sell electricity to the Host Organisation and receive the FIT payments.

Licence Agreement– the agreement with the community Host Buildings that gives RCES the right to install Solar Panels on the Host Buildings, sell electricity to the Host Organisation and receive the FIT payments.

Members– Members of RCES

Net Book Value – the current [book value](#) of the Solar Power System; that is, its original capital cost of the Solar Power System at installation net of any [depreciation](#).

Offer or Share Offer- the offer of Shares in RCES contained in this Offer Document

Offer Costs- the expenses incurred by or on behalf of RCES in issuing this Offer Document

Offer Document or Share Offer Document– this document inviting persons to subscribe for the Shares and become Members of RCES

Offer Period- the period during which the Offer will remain open (including any extension)

Preferred Installer – Joju Solar Limited

Principles of Co-operation- the co-operative principles by which co-operatives put their values into practice.

Project– the installation and operation of up to 16 Solar Power Systems on public buildings in Reading as listed in the document

FIT Pre-accreditation– a pre-accreditation available to community schemes only which allows a Site to benefit from certainty on the FIT rate it will receive once commissioned as long as the systems are installed before 30September 2016.

RCES – Reading Community Energy Society, the trading name of Reading Campus Community Energy Society, a Community Benefit Society registered under the Co-operatives and Community Benefit Societies Act 2014 (registered number 7156)

RPI – Retail Price Index

Rules- the rules of RCES, a copy of which is available from RCES and at www.readingenergy.coop/

Shares- ordinary Shares issued as a result of this Share Offer. New Shares of £1 in RCES, offered at £1 each on the Terms and Conditions under this Offer Document

Share Interest– the annual payment to Members of interest on Shares

Services Agreement- the services agreement between RCES and Energy4All in respect of the Project

Society– Community Benefit Society

Solar Panels– solar panels in this Project

Solar Power System –a system for generating electric power by using Solar Panels to convert energy from the sun.

GUIDANCE NOTES

SHARE APPLICATION FORM