

# Bro Dyfi Community Renewables Ltd

an Industrial and Provident Society (IPS)



*“share in a cleaner future”*



**‘Empowering the community to benefit from our natural energy resources’**



## Offer of Shares and Membership

# Contents

<b>Introduction</b> .....	2
The environmental challenge.....	2
The UK Response .....	2
<b>Share Offer</b> .....	3
<hr/>	
<b>Part One ~ Background</b> .....	4
Bro Dyfi Community Renewables Ltd .....	4
The new project .....	4
Description of site.....	4
The replacement wind turbine .....	4
The history of the project.....	4
Selling the power .....	5
<hr/>	
<b>Part Two ~ Investment Opportunity</b> ..	6
Who may invest? .....	6
Why should you apply for shares BDCR?.....	6
How much does it cost to be a member? .....	6
What are the benefits of owning shares? .....	6
Can I get my money back?.....	7
Why is BDCR a Co-operative Society?.....	7
Why local ownership? .....	7
Why invest in wind energy? .....	7
Promoting local development .....	7
<hr/>	
<b>Part Three ~ The Share Offer</b> .....	8
Key dates .....	8
Members Investment.....	8
The Offer .....	8
The business of BDCR .....	8
Use of proceeds.....	8
Budget income .....	9
Budget Capital Costs .....	9
Costs of the issue .....	9
Illustrative financial projections .....	9
Nature of the shares offered.....	10
Risk Warnings .....	11
About the Issue .....	13

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<b>Part Four ~ Investment &amp; Taxation Issues</b> .....	14
Distribution of interest .....	14
EIS Tax Relief .....	14
Tax Relief .....	14
Basic Rules .....	14
Individuals qualifying for Relief .....	14
Joint investors .....	15
Qualification for Relief by the Society .....	15
Claims .....	15
Limits on Relief .....	15
Withdrawal of Relief.....	15
Capital Gains Tax .....	15

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<b>Part Five ~ People and governance</b> ..	16
Board Members (Directors).....	16
Board Members' remuneration and service contracts.....	16

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<b>Part Six ~ Additional Information about BDCR</b> .....	17
Incorporation.....	17
Registered Rules of the Society .....	17
Membership .....	17
Share capital.....	17
Borrowing .....	17
General Meetings.....	17
Financial Information.....	18
Litigation.....	18
Documents available for inspection.....	18
Accounts .....	18
Past financial performance.....	18

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<b>Part Seven ~ A Guide to the Application Form</b> .....	19
---	----

Important note on Money Laundering. 19

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<b>Application Form</b> .....	20
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<b>Appendix A – Summary of BDCR Accounts for 2003 and 2004</b> .....	21
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## **Introduction**

The Western World is heavily dependent on fossil fuels. These cause a wide range of environmental problems, which include climate change, widespread air pollution and damage to human health. This dependence also has a heavy influence on international relations and makes the UK vulnerable to disruptions in energy supply.

### **The environmental challenge**

The Inter-Governmental Panel on Climate Change (IGPCC) found that:

*“..... if we continue as we are, global mean temperature would increase by 0.3% per decade (within a range of 0.2 to 0.4 degrees); this is greater than the world has ever seen over the past 10,000 years. Global mean temperature over the next century would become higher than at any time over the last 150,000 years; sea level would rise by 6cm per decade (within a range of 3-10cm per decade) over the next century, 3 to 6 times the rate seen over the last 100 years”.*

The United Nations Climate Change Conference in Kyoto, Japan, resulted in the legally binding Kyoto protocol which was agreed by members in 1997 and finally implemented in February 2005. This set a global target for reducing greenhouse gases by 5% between 1990 and the target date window of 2008 – 2012. The European Union has set a target of an 8% reduction of emissions below 1990 levels.

### **The UK Response**

The UK Government is committed to making a full contribution to these reductions through the utilisation of its wind, hydro and biomass resources wherever this is economically and environmentally acceptable. The Government is working towards a target of renewable energy provision amounting to 15% of UK electricity supplies by 2015. Wind energy has been identified as one of the most viable means to achieve the targets, with the potential to generate in excess of 10% of the current UK electricity demand on land alone.

The UK Government has set a target for a 20% reduction in CO<sub>2</sub> emissions by 2010, which requires a saving of around 35 million tonnes of carbon. Generation of 10% of the UK's electricity needs from renewables by 2010 would result in a saving of approximately 22 million tonnes of CO<sub>2</sub>, a substantial contribution to the 20% reduction target.

The Renewables Obligation places a legal requirement on licensed suppliers of electricity to supply an increasing proportion of their electricity supplies to their customers from renewable sources of energy. This requires sustained implementation of proven renewable technologies, especially wind power.

In June 2000, the Royal Commission on Environmental Pollution (RCEP) published its review of the energy prospects for the 21<sup>st</sup> Century in *Energy – The Changing Climate*<sup>1</sup>. This notes that whilst the Government's draft climate change programme will go beyond meeting the Kyoto obligation, it is not yet sufficient to achieve the 20% carbon dioxide reduction by 2010.

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<sup>1</sup> *Energy – The Changing Climate*. Summary of the Royal Commission on Environmental Pollution, 5 June 2000.

*“Absolute reductions in energy demand and a large deployment of alternative energy sources will be needed if the UK is to make deep and sustained cuts in carbon dioxide emissions while protecting its environment and quality of life. Longer-term targets should be set for expanding the contribution from renewable sources well beyond the 10% of electricity supplies to cover a much larger share of primary energy demand.”*

Following this report, the Government committed itself to further reducing carbon dioxide emissions by 60% from current levels by 2050 through support for energy efficiency measures, cuts in emissions from the transport sector and support for renewable energy generation.

There is an overwhelming need to install land based wind energy projects that are *“economically viable and environmentally acceptable”* at a much faster rate than has been the case over the past decade.

**If you would like to learn how you can contribute to and also benefit from helping the UK to move towards a more sustainable energy system please continue reading.**

## **Share Offer**

This document is an offer of membership and shares in the capital of a society registered as a bona fide co-operative under section 2 of the Industrial and Provident Societies Acts 1965 to 2003. This advertisement is not treated as a public offer pursuant to the Public Offers of Securities Regulations 1995.

This document has been issued by Bro Dyfi Community Renewables Ltd solely to members of the Renewable Energy Investment Club, including existing members of Bro Dyfi Community Renewables Ltd.

**If you are in any doubt about the contents of this document you should consult a person, such as an independent financial adviser, authorised under the Financial Services and Markets Act 2000 who specialises in advising on the purchase of shares.**

## **Part One ~ Background**

### **Bro Dyfi Community Renewables Ltd (BDCR)**

Bro Dyfi Community Renewables Ltd is a community-owned wind energy co-operative based in the Dyfi Valley in mid Wales and established as an industrial and provident society in October 2001. The 52 existing members of the co-operative are predominantly residents of the Dyfi Valley. The co-operative is run by a management committee of six members with relevant specialist skills.

BDCR already owns and operates a 75kW Vestas V17 wind turbine at Cilgwyn above the Centre for Alternative Technology. Roughly 30% of BDCR's current annual profit goes to a community energy fund used for energy efficiency measures within the Dyfi Valley. This project, officially opened in April 2003, has attracted considerable attention from many parts of the UK and Europe, and recently won an award (Eurosolar UK 2004) as an 'inspiring renewable energy project'.

### **The new project**

Bro Dyfi Community Renewables Ltd has an opportunity to purchase an existing wind turbine project on Mynydd Glandulas, the hill above the Centre for Alternative Technology. The plan is to replace the existing non-operational wind turbine using finance raised by this offer of shares.

### **Description of site**

The site currently has a 600kW prototype wind turbine (a Wind Energy Group MS-4) which will be replaced by a 500kW wind turbine. New access to the site will be provided by a temporary track from Cilgwyn Forestry. The site is on Mynydd Glandulas, roughly 2 km north of Machynlleth (OS grid reference SH 7634 0395). The proposal does not lie within any areas nationally designated for landscape or nature conservation purposes.

### **The replacement wind turbine**

BDCR has secured a suitable replacement wind turbine from Germany. It is a Nordtank NTK 500/37 stall-regulated turbine manufactured in 1994 and previously in operation for 7 years in the north-west of Germany during which time the turbine operated very reliably. 11 Nordtank turbines of this type have been operating at a site in Carmarthenshire for 10 years at 99.8% availability, i.e. 0.2% downtime due to mechanical breakdown and maintenance. The Nordtank machine is reliable and simple to maintain, and has been inspected and approved by our engineer who has experience on these machines. BDCR have obtained a quotation for a new gearbox which would be fitted prior to installation. Wind turbines are typically designed for an operational life of 25 years but with the replacement of major components (such as the gearbox) can operate successfully for considerable longer.

The new turbine will be mounted on the existing foundation using an adapter that will be designed by leading consulting wind engineers. This enables us to reduce costs and removes the need to transport several hundred tonnes of concrete and steel to the top of Mynydd Glandulas for a new foundation.

### **The history of the project**

In December 2003, BDCR successfully negotiated the rights to purchase the project from CAT. Planning permission was applied for as a variation to the original permission, and granted in July 04. Since then, a technical committee of BDCR members experienced in the

development of renewable energy projects have been putting together the other aspects required to develop the project. These include

- In principle agreements from landowners for a new access track
- Quote for access track
- Negotiations with Highways Department for road improvements
- Site visit by crane contractor
- Negotiation and signing of Heads of Agreement with the principle landowner
- Sourcing and ordering a suitable used wind turbine from Germany
- Negotiation of capital funding
- Installation plan
- Budget costs from contractors

### **Selling the power**

The site has a NFFO3 power purchase contract to sell electricity to the Non-fossil Fuel Purchasing Agency via the grid for an ongoing period of 7 years. The bulk of the power produced (~80%) will be sold at a set rate of 7.06 pence per kilowatt-hour (index linked) with the remainder selling for a similar rate dictated by market conditions. The new turbine should produce an amount of electricity equivalent to the average annual needs of approximately one third of the houses in Machynlleth. It is not possible to determine the exact end users, but by feeding the grid near to Machynlleth, it will strengthen the supply in the local area since the town is very isolated from other sources.

At the end of this contract, BDCR will negotiate a Power Purchase Agreement with an electricity supply company to sell the power produced. At this point, BDCR will be able to sell Renewable Obligation Certificates (ROC's) which are part of the Government's strategy to promote renewable electricity generation. The price of ROC's and renewably generated electricity depend on market conditions but currently a typical price for wind generated electricity is between 4.5 and 5 pence per kilowatt-hour for a long term contract, and anything up to 8 pence for short term sales.

## **Part Two ~ Investment Opportunity**

*No investment is entirely without risk. You are advised to seek appropriate financial advice before proceeding with this application.*

### **Who may invest?**

Any person aged over 16 years and any company can buy shares in Bro Dyfi Community Renewables Ltd, but in order to encourage the maximum amount of local ownership Bro Dyfi will initially give precedence to applications from members of the Dulas Valley Community Wind Partnership and Bro Dyfi Community Renewables Ltd and thereafter applications from the Dyfi and Dulas Valleys, Wales and then the UK (in that order) if the offer is oversubscribed.

### **Why should you apply for shares in Bro Dyfi Community Renewables Ltd?**

- To make an investment which contributes towards securing a better environment for forthcoming generations.
- To take responsibility for producing the energy that you and your family use - no longer just being consumers.
- To provide some income for yourself and your family to offset potential rises in electricity prices in future.
- To share in the benefits from one of the Earth's most abundant resources, the wind!

### **How much does it cost to be a member of Bro Dyfi Community Renewables Ltd?**

Shares in Bro Dyfi Community Renewables Ltd cost £1 each and are sold in £50 multiples. In order to keep administration costs down the minimum investment for a new member has been set at £100. The minimum investment for existing members wishing to subscribe to this offer will be £50.

### **What are the benefits of owning shares?**

As well as having the satisfaction of contributing to a sustainable energy future, it is intended that members of Bro Dyfi Community Renewables Ltd will be offered a competitive return on their investment in the form of annual interest payments.

Combining the new project with the existing one within BDCR will benefit existing and new shareholders of BDCR by improving the overall returns to shareholders in the long-term, with two income streams. This will help to spread any risk and provide sufficient income to allow professional staff (rather than voluntary) to be employed to run the co-op and deal with the day to day administration. Operation and maintenance of the wind turbines will be performed by experienced contractors.

An investment of £500 or more may qualify for 20% tax relief under the Government's Enterprise Investment Scheme (EIS). More information on EIS is provided in Part 4.

The principal risks relating to this investment are set out in Part 3.

### **Can I get my money back?**

In order to satisfy the conditions attaching to EIS tax relief, the shares will not be redeemable for a period of at least five years from the date when Bro Dyfi Community Renewables Ltd commissions the wind turbine. After this period, the members may amend the rules of BDCR to permit redemption if they think fit.

In general, shares may not be withdrawn but they may be transferred, subject to the minimum and maximum shareholdings, between existing and new members, subject to the approval of the Board. Shares are also transferable on the death or bankruptcy of a member.

At the end of the project (in 15 years' time), the Board's current preference is to return the contents of the depreciation fund to the shareholders up to the face value of their original investment. However, an alternative option would be to reinvest the fund in a new project which would continue to provide returns to investors.

### **Why is Bro Dyfi Community Renewables Ltd a Co-operative Society?**

A co-operative society operates much like a limited company except that the voting rights are distributed equally amongst the members, regardless of the number of shares held (i.e. one member, one vote). There is currently a maximum share limit per member set by law of £20,000 which helps to ensure that ownership is widespread.

### **Why local ownership?**

Although nobody actually owns the wind, whoever owns a wind turbine will receive the benefits from the sale of electricity that is produced. Local ownership of wind turbines helps to maximise the local economic benefits from the harnessing of an endless natural resource. Owning shares in a local wind energy project can also improve peoples' understanding and appreciation of wind energy and energy production generally.

### **Why invest in wind energy?**

There is a need to secure alternative sources of energy in order to reduce the world's increasing dependency on diminishing supplies of fossil fuels. Due to its geographical location, the UK has one of the best wind resources in the world. In combination with the implementation of energy conservation a significant proportion of the UK's energy needs can be met from renewable energy. Wind energy is one of the most economic forms of clean energy available, and could in future realistically provide about a fifth of Britain's electricity needs. Wind energy in the UK is already supplying the annual domestic electricity needs of about half a million households. In Europe, wind turbines provide enough power for about 16 million households. Local ownership is also on the increase.

### **Promoting local development**

The development of more sustainable ways of living is one of the greatest challenges facing communities in all parts of the world today. This project is proposed with the primary goal of achieving reductions in the emissions of carbon dioxide (CO<sub>2</sub>). Grant funding obtained by local environmental development company, *ecodyfi*, will enable them to buy shares that generate annual interest payments to support sustainable transport initiatives and other community regeneration and carbon reduction work in the Dyfi Valley. This follows on from a similar, successful scheme whereby some profits from BDCR's original 75kW turbine go to a community energy efficiency fund.

## **Part Three ~ The Share Offer**

### **Key dates**

20 <sup>th</sup> June 2005:	Share offer opens
1 <sup>st</sup> August 2005:	Target closing date of share offer
August - October 2005 :	Installation of access tracks and turbine
November – December 2005:	Project commences generation of electricity

### **Members Investment**

The Minimum Subscription: £100 Subscription

The Maximum Subscription: £20,000 Subscription.

N.B. For investments above £9300 the Money Laundering Regulations 2003 apply – see Part 7

The Minimum increment: £50 Multiple

### **The Offer**

The total shares issued amount to £248,000, of which £72,500 are already allocated to *ecodyfi*, and as part payment to landowners and CAT. This offer is for subscription of up to £ 175,500 ordinary shares of £1 each at £1 per share.

### **The business of Bro Dyfi Community Renewables Ltd**

The principal business of Bro Dyfi Community Renewables Ltd as set out in its Rules is:

- (1) the development, management, generation, transmission, distribution and supply of electricity from renewable energy sources and,
- (2) the conservation of energy through advice on energy efficiency including energy efficient products and the supply of energy efficient products.

Expenditure of the business relates to the administration, management and operation of the existing turbine and any future equipment which Bro Dyfi Community Renewables Ltd acquires.

If Bro Dyfi Community Renewables Ltd purchases a turbine at Mynydd Glandulas it has a NFFO3 contract running for a period of 7 years at an index-linked price of 7.06 p/kWh. Once this contract has come to an end it will enter into a Power Purchase Agreement with an electricity supplier.

BDCR will enter into an operation and maintenance agreement with a local windfarm servicing company such as Vestas to maintain and service the wind turbine.

### **Use of proceeds**

The proceeds from the share offer will be combined with a loan from the Co-operative Bank and equity from *ecodyfi* funded by grants to meet the capital costs of the re-powering project as outlined below. Roughly 45% of the funds are expected to be spent locally.

### **Budget income**

Share offer via REIC	£ 175,500
Shares already allocated	£ 29,500
Grant-funded shares for ecodyfi	£ 43,000
Loan from Co-operative Bank	£ 100,000
Total	<b>£ 348,000</b>

### **Budget Capital Costs**

Project purchase	£ 62,000
Landowners	£ 21,000
Turbine including refurbishment	£ 103,800
Construction incl. MS4 removal	£ 93,600
Finance and planning costs	£ 8,300
Data analysis & due diligence	£ 3,000
Project management & construction labour	£ 25,000
Share issue costs	£ 2,700
Contingency	£ 28,600
Total	<b>£ 348,000</b>

### **Costs of the issue**

BDCR will pay REIC a fee of 1.5% of the total shares sold to REIC members.

### **Illustrative financial projections**

The financial projections, for which the Board Members are solely responsible, are made for illustrative purposes only and should not be regarded as forecasts of the most likely outcome. They are based on the assumptions listed on the following page. The financial model used was provided by the Baywind Energy Co-operative.

In view of the length of period covered by the projections it is unlikely that the assumptions on which they are based will remain valid throughout the period.

The projections, so far as the accounting practices and calculations are concerned, have been compiled on the basis of the assumptions referred to below and presented on a basis consistent with generally accepted accounting practices.

The chart illustrating projected cashflow over the life of the project is shown below.

## Assumptions used in the financial projections

### Inflation

Income and overheads are increased by an inflation factor of 2.5 % per annum.

### Electricity sales

Sales after the NFFO contract expires are estimated at a price of 5.5 p/kWh adjusted for inflation.

### Turnover

Turnover based on an annual output of 1,001 MWh per year at £0.0706 per kWh plus inflation index-linked to the RPI, for the first 7 years guaranteed by the NFFO3 contract and 5.5p/kWh plus inflation allowance for the remaining 8 years.

### Direct Costs

These include a charge for depreciation of the Wind Turbine based on share capital. The depreciation is greater during the NFFO contract (first 7 years) in order to even out returns over the full project life (15 years). At the end of the project the depreciation fund may be used to redeem the original value of the shares, or re-invested in a new project according to the decision of the board and the members.

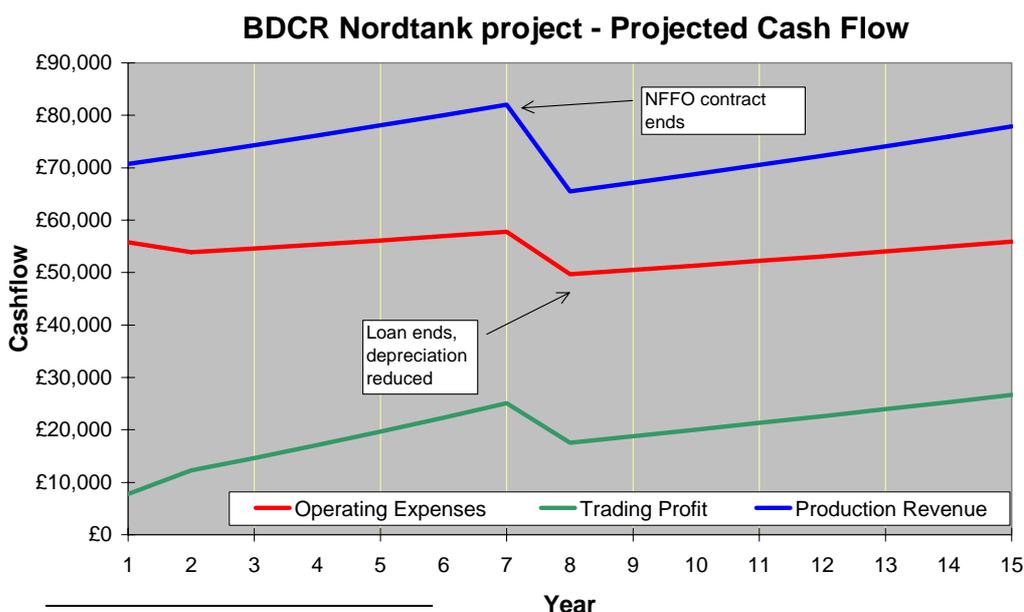
### Annual costs

Projected annual costs in the first full year of operation are £28,800 and it is expected that these will increase on a par with inflation. These costs break down as follows:

Operation & maintenance	9,600
Administration	6,500
Business rates and insurance	6,300
Land and project fees	6,400
<b>Total</b>	<b>28,800</b>

### Bank Interest Receivable

Calculated at 2% per annum based on the projected cash at bank at the end of the previous financial year.



N.B. For monochrome print - BDCR Nordtank Project- Projected Cash Flow: Top line Production Revenue (blue), Middle line Operating Expenses (red), Bottom line Trading Profit (green).

## **Nature of the shares offered**

The shares offered are transferable subject to the conditions specified in the rules of Bro Dyfi Community Renewables Ltd. In order to satisfy the conditions attached to EIS relief, the shares will not be redeemable for a period of at least five years from the date when Bro Dyfi Community Renewables Ltd installs the wind turbine. After the conditions attached to EIS relief lapse, the members may amend the rules of Bro Dyfi Community Renewables Ltd to permit redemption if they think fit.

At present, the Board's preference is to return the contents of the depreciation fund at the end of the project life (15 years) to the shareholders up to the face value of their original investment. An alternative option would be to reinvest the fund in a new project which would continue to provide returns to investors.

The rules of Bro Dyfi Community Renewables Ltd permit shareholders and the Board to find new shareholders to acquire or transfer shares that existing members (or their heir/s in case of decease) wish to sell. It is not intended that shares in Bro Dyfi Community Renewables Ltd are listed for trading on any of the markets of the Stock Exchange. There is no guarantee that a buyer will be found by Bro Dyfi Community Renewables Ltd should you wish to transfer your shares. Bro Dyfi Community Renewables Ltd will keep a register of persons seeking to become members and shareholders of BDCR.

**The investment is not likely to be suitable for investors who seek ready access to their capital.**

Information about the value of shares will generally be based on the annual accounts of Bro Dyfi Community Renewables Ltd. It may be difficult to obtain instant information about the value of shares.

The value of shares in an industrial and provident society usually remain at par but there is a possibility that shares in Bro Dyfi Community Renewables Ltd may go down as well as up.

## **Risk Warnings**

**You are advised to seek appropriate financial advice before proceeding with this application.**

No investment is entirely without risk. The Board Members consider that investors should be aware of the following risks:

### Operational risks

- Bro Dyfi Community Renewables Ltd's income depends upon the continued operation of the wind turbine at the estimated wind speeds. It earns a reduced income if the projected wind speeds are not obtained. The projections are based on recognised methods of statistical analysis but are dependent on the accuracy of data recorded during the operation of the previous turbine. The projections are for a long term average; in reality annual production can vary significantly on a year to year basis.
- The wind turbine is a used (although well proven) wind turbine from Germany. For this reason, the availability factor and the manufacturer's specified performance have been reduced for use in the financial calculations. Money from the capital and operational costs of the project has been allocated to a spares fund.

- At the end of the guaranteed NFFO contract, BDCR will negotiate a Power Purchase Agreement with an electricity supply company to sell power produced. At this point, BDCR will be able to sell Renewable Obligation Certificates (ROC's) which are part of the Government's strategy to promote renewable electricity generation. The price of ROC's and renewably generated electricity depend on market conditions and may be more or less than that assumed in the financial projections. Our financial model is based on a price of 5.5 pence per kilowatt-hour, adjusted for inflation. At present, long term contracts (10 years) are offering 4.5 to 5 p/kWh, whilst short term contracts (6 months) can be as high as 8 p/kWh. Current indications are that the government's target of 10% renewable electricity by 2010 will be hard to meet, in which case the value of ROC's will tend to rise. In addition, industry analysts expect the base price of electricity to rise beyond inflation in the medium term. Beyond 2010, the government has set a target of 15% renewable generation by 2015 and an aspiration for 20% by 2020.

#### Regulatory risk

- As described above, the long term projections assume that after the NFFO contract expires, power sales will be eligible for ROC's. There is a small risk that government policy towards renewable energy generation will change in the intervening period and remove this eligibility. BDCR have sought advice from the relevant authorities who currently see no reason why this accreditation should change.

#### Investment risks

Investment in new business carries high risks, as well as the possibility of high rewards. It is highly speculative and potential investors should be aware that no established market exists for the trading of shares in private companies. Before investing in a project about which information is given, potential investors are strongly advised to take advice from a person authorised under the Financial Services and Markets Act 2000 who specialises in investments of this kind. The persons to whose order this investment advertisement has been issued have taken reasonable steps to ensure that the information it contains is fair, clear and verifiable.

- The shares are transferable subject to the conditions specified in the rules of Bro Dyfi Community Renewables Ltd and not redeemable. The investment is not likely to be suitable for investors who seek ready access to their capital.
- The value of shares in an Industrial and Provident Society usually remain at par but there is a possibility that shares in Bro Dyfi Community Renewables Ltd may go down as well as up.
- EIS tax relief qualification is not guaranteed for either you or BDCR, and even if both parties qualify it may only apply to part of your investment. Further details of EIS tax relief are provided below.
- This offer is intended as a long term investment.

## **About the Issue**

The Share Offer is open for applications on Monday, 20<sup>th</sup> June, 2005 and will close at noon on **Monday, 1<sup>st</sup> August, 2005** unless valid applications for the Maximum Amount have been received prior to that date or the Board Members decide otherwise to extend the offer period.

An acknowledgement of payment will be provided. Share certificates will be issued after **Monday, 10th October, 2005** if, in the opinion of the Board Members, BDCR is in a position to go ahead with the project.

If the Board Members believe that they will be unable to complete the project by 1st July, 2006, or such reasonably longer period as the Board Members think fit, the subscriptions will be returned in full together with any interest which the subscriptions have earned whilst on deposit with the Co-operative Bank.

The basis of allotment will be decided by the Board who may reject in whole, or in part, limit or scale down, any application in their absolute discretion. In order to encourage the maximum amount of local ownership BDCR will initially give precedence to applications from members of the Dulas Valley Community Wind Partnership and BDCR, and thereafter applications from the Dyfi and Dulas Valleys, then Mid-Wales, then rest of Wales, then rest of UK (in that order) if the offer is oversubscribed.

The rights given to a member pursuant to this Share Offer are not transferable. Applications will only be accepted on the terms and conditions set out in this Share Offer.

If any application is rejected for any reason the subscription moneys will be returned to the applicant within 21 days of the decision of the Board.

## Part Four ~ Investment & Taxation Issues

### Distribution of interest

The net profits of the Society must be applied to creating and maintaining a general reserve for the continuation and development of Bro Dyfi Community Renewables Ltd and paying members interest on their share investment. This will be paid in such proportions and in such manner as recommended by the Board and approved by the members in a General Meeting. The Board has the power to pay interim interest without seeking the approval of a General Meeting.

The first interest payment for subscribers to this offer will be paid in the first six months of the year 2006 in respect of the period from the date of installation of the replacement turbine at Mynydd Glandulas until 31st December 2005.

**Interest is paid gross to members who are responsible for paying any income tax due to the Inland Revenue. If in doubt, consult your financial advisor.**

### EIS Tax Relief

*Bro Dyfi Community Renewables Ltd is eligible for EIS tax relief with the Inland Revenue. The following provides a Summary of Enterprise Investment Scheme rules that are applicable.*

This is a summary of the main provisions of the Enterprise Investment Scheme (EIS) set out in Section 289 of the Income and Corporation Taxes Act of 1988 as amended. It does not set out any of the provisions in full and intending investors who seek to qualify for EIS are strongly advised to seek professional advice.

Note that qualification for EIS tax relief on your investment is not guaranteed.

#### Tax Relief

The legislation provides income tax relief on investments at 20%. For example, if you are a tax payer and qualify for relief, for an investment of £500 you are able to claim back from the Inland Revenue £100.

#### Basic Rules

Relief can only be claimed by a qualifying individual who subscribes for new eligible shares of a qualifying unquoted society. The shares must have been issued for the purpose of raising money for a qualifying business activity which is being or will be carried out wholly or mainly in the UK within two years of the date of the issue of the shares. Eligible shares are ordinary shares which carry no preferential rights.

#### Individuals qualifying for Relief

An individual qualifies for relief in respect of eligible shares in the Society if s/he subscribes for the shares on her/his own behalf and is not connected with Bro Dyfi Community Renewables Ltd and does not become so within five years from the date the shares were issued. If an individual falls within this definition then s/he is eligible for relief.

A person is connected with Bro Dyfi Community Renewables Ltd if the individual or her/his associate is an employee or partner of Bro Dyfi Community Renewables Ltd. For this purpose "associate" means husband, wife or lineal ancestor or descendant, a partner and certain persons who are connected to the individual through a trust.

A Board Member is not disqualified if s/he is not paid for that position. An individual may become a paid Board Member providing that s/he had no previous connection as defined above with Bro Dyfi Community Renewables Ltd.

#### Joint investors

Applications from joint investors are permissible, in which event the amount subscribed is divided equally amongst the investors and each individual is treated as though s/he had invested separately.

#### Qualification for Relief by the Society

Certain conditions concerning Bro Dyfi Community Renewables Ltd and the trade which it carries on must be satisfied in order to qualify for EIS relief. Bro Dyfi Community Renewables Ltd has received confirmation from the Inland Revenue that it qualifies under the terms of the EIS for the shares it issues in relation to this Offer. Bro Dyfi Community Renewables Ltd has sought to ensure that its affairs will be conducted so as to maintain the qualifying status of Bro Dyfi Community Renewables Ltd under the EIS throughout the relevant period. Participation in the EIS is limited to companies with gross assets of less than £10 million before an investment and no more than £11 million after it.

#### Claims

Claims to the Inland Revenue for EIS relief must be made no later than 31 January in the sixth tax year following the year in which the shares were issued. In order to obtain the relief, each investor must submit a claim to the Inspector of Taxes in her/his tax district. The address can be found under Inland Revenue in the telephone directory. Every claim must be accompanied by an EIS3 form from Bro Dyfi Community Renewables Ltd certifying that the conditions for the relief are satisfied so far as Bro Dyfi Community Renewables Ltd and its trade are concerned.

#### Limits on Relief

Except for amounts carried back, relief cannot be claimed on more than £150,000 invested (in any number of qualifying companies) in any one tax year by the claimant (including his or her spouse). Investment in the share capital of Bro Dyfi Community Renewables Ltd is limited to £20,000 for each individual. Relief is not given for investments of less than £500 in any one company in any tax year where the claimant invests directly. It will therefore be necessary to invest at least £500 in Bro Dyfi Community Renewables Ltd to obtain the potential for relief.

#### Withdrawal of Relief

If the conditions for the relief relating to Bro Dyfi Community Renewables Ltd cease to be satisfied during the period of five years from the issue of the shares the relief will be withdrawn. Relief will also be withdrawn if the claimant receives value from Bro Dyfi Community Renewables Ltd (other than interest) or disposes of the shares within three years of the date of their issue. Value is received from Bro Dyfi Community Renewables Ltd, if for example, Bro Dyfi Community Renewables Ltd were to redeem the shares or makes to the individual a loan or provides a benefit or facility, other than interest.

#### Capital Gains Tax

Any gain accruing to an individual on the disposal of shares in respect of which EIS relief has been given and not withdrawn is exempt from capital gains tax.

## **Part Five ~ People and governance**

### **Board Members (Directors)**

Board Members are :

John Williams

Chairman of BDCR. Director, Aber Instruments. Machynlleth

John Harrison

Secretary of BDCR. Broker, Triodos Bank, Bristol. Taliesin.

Judith Thornton.

Ranger, Mach Off Road cycle trails, Machynlleth

Tim Brewer

Independent Wind Engineer, Melinbrehedyn, Machynlleth

Duncan Kerridge

Independent Renewable Energy Consultant, Glandyfi, Machynlleth

Billy Langley.

Project Developer, UK electricity utility. Furnace, Machynlleth

The Board Members confirm that to the best of their knowledge the information contained in this document is in accordance with the facts and the document makes no omission likely to affect the contents of the document.

The Board members will all invest at least the Minimum shareholding. The minimum number of Board Members is two and the maximum is nine. Board Members are elected at the Annual General Meeting of Bro Dyfi Community Renewables Ltd from the members of Bro Dyfi Community Renewables Ltd over the age of eighteen. One third of the Board Members retire each year. Retiring Board Members shall be eligible for re-election. The Board Members may appoint additional members to the Board to fill any vacancies. Board Members may be removed from office by a majority vote at a general meeting. All Board Members are non-executive and are not employed by Bro Dyfi Community Renewables Ltd. Except for the Chairman and Company Secretary no other Board member has an explicit function.

### **Board Members' remuneration and service contracts**

All of the Board Members of Bro Dyfi Community Renewables Ltd are unpaid for general duties. Specific project development tasks undertaken by members on behalf of BDCR may be remunerated at a reasonable rate as decided by the entire Board.

## **Part Six ~ Additional Information about BDCR**

### **Incorporation**

Bro Dyfi Community Renewables Ltd was incorporated with limited liability and registered as an Industrial and Provident Society in England and Wales on 15<sup>th</sup> September 2001 with registered number 29283R. It commenced trading on 12<sup>th</sup> October 2001. Its registered office is at Ty Bro Ddyfi, 52 Heol Maengwyn, Machynlleth, Powys SY20 8DT.

### **Registered Rules of the Society**

The Rules are the equivalent of a company's Memorandum and Articles of Association. The present Rules were registered on incorporation and the principal provisions are set out below. A copy of the Rules will be sent to any person on request.

### **Membership**

Membership is open to anyone aged sixteen years or over (a statutory limit) approved by the Board. The Board Members may expel any member of BDCR for conduct deemed detrimental to BDCR, subject to a right of appeal to a General Meeting. The Board Members may set a minimum share holding from time to time. The minimum is currently £100. The maximum shareholding is prescribed by law, currently £20,000. This maximum does not apply to a member which is itself an Industrial and Provident Society.

There is no maximum limit on the number of shares or period in which Bro Dyfi Community Renewables Ltd can issue shares. The Board has agreed that applications from existing members of Bro Dyfi Community Renewables Ltd and the Dulas Valley Community Wind Partnership will take precedence over applications from new members if the offer is oversubscribed.

### **Share capital**

Bro Dyfi Community Renewables Ltd has only one class of shares: Ordinary shares of £1 each. Shares are payable in full prior to allotment to the member. The liability of members is limited to the amount subscribed. Shares may not be withdrawn but they may be transferred, subject to the minimum and maximum shareholdings, between existing and new members subject to the approval of the Board. Shares are also transferable on the death or bankruptcy of a member. If Bro Dyfi Community Renewables Ltd is wound up at any time, capital is allocated to shareholders (after satisfying its debts) in proportion to shareholdings. The share capital of the Society upon the close of the offer, if the offer is fully subscribed, will be £ 285,500, i.e. combination of new shares from this offer and those already existing from the original V17 project.

### **Borrowing**

Bro Dyfi Community Renewables Ltd may borrow up to £100 million and may give charges over its assets to secure borrowings. At the date of the offer it has no borrowings.

### **General Meetings**

Meetings may be called and resolutions moved at twenty-one days' notice by the Board Members or by the Secretary following a written request from ten per cent or more of the members. The quorum for a meeting is three members either personally or by proxy. Each member shall have one vote, regardless of the size of his/her shareholding. In the event of a tie, the chairperson shall have a casting vote. Any amendment to the Rules Bro Dyfi Community Renewables Ltd requires a three-quarters majority of members attending a General Meeting of the Company.

## Financial Information

Bro Dyfi Community Renewables Ltd expects to secure the £348,000 it is seeking, which is the amount required to purchase the project at Mynydd Glandulas. If £ 175,500 is subscribed as the result of this share issue Bro Dyfi Community Renewables Ltd will require additional funds in the form of £100,000 bank loan. If less than £ 175,500 is subscribed the Board may consider a further short term loan and extend the offer period. Bro Dyfi Community Renewables Ltd currently has no borrowings and has no requirement for working capital.

## Litigation

Bro Dyfi Community Renewables Ltd is not engaged in any litigation and the Board Members are not aware of any litigation or claim against Bro Dyfi Community Renewables Ltd, actual or pending.

## Documents available for inspection

The following document is available for inspection at Bro Dyfi Community Renewables Ltd's registered office or at the offices of Malcolm Lynch Solicitors:

A copy of the Rules of Bro Dyfi Community Renewables Ltd

## Accounts

Approved accounts for BDCR for 2003 are attached as Appendix A.

## Past financial performance

Key performance figures for BDCR's V17 turbine operation for 2003 and 2004 are summarised below.

	Electricity produced	Electricity sales (net of VAT)	Share interest to members	Interest rate for investors		Notes
				Gross (no EIS)	Gross (with EIS)	
2003	62532 kWh	£ 3,351	£ 1,272	3.39 %	4.24 %	9 month's operation, including start-up troubleshooting
2004	118773 kWh	£ 5,727	£ 1,750	4.67%	5.83%	

## **Part Seven ~ A Guide to the Application Form**

### **How to apply for shares**

1. Write in the box at point 1 the exact amount you wish to subscribe which is the same as the number of shares applied for. You must subscribe a minimum of £100 and thereafter in multiples of £50. The maximum permitted subscription by anyone other than another registered industrial and provident society is £20,000.
2. Box 2 should include your full name and address. If you include your telephone number(s) this may assist us in resolving any queries about your application. Applications may not be made by anyone under the age of 16. References on the Form and in the Terms and Conditions to “I” are deemed to include references to “we” as appropriate. If an organisation is applying, the name should be written where appropriate and the name of any office holder or contact can be included in the section for Surname and Forenames. If a company or other corporation is applying, its full registered name should be inserted opposite Organisation and the authorised capacity of the person signing noted in the section for Title.
3. Payment should be made in full. Please enter the subscribed amount in the box. Attach your cheque to the Application Form. It should be for the exact amount stated in box 3. If you use a cheque or draft drawn by someone else, including a bank or building society, you must write your full name and address on the reverse of the cheque to ensure that your payment is not mislaid. It should be payable to “Bro Dyfi Community Renewables Ltd”. Please attach one cheque or draft only.

### **Important note on Money Laundering**

It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 2003, BDCR Ltd may in its absolute discretion require verification of identity from any applicant.

If the value of your proposed investment is equal to or greater than £9,300 the Money Laundering Regulations 2003 will apply and verification of the identity of the applicant/s for the Shares will be required. If funds to be invested are being supplied by or on behalf of a third party (i.e. the underlying investor) verification of identity of this person is also required. If satisfactory evidence of identity is not provided, this may result in delays in despatch of share certificates and may even result in your application being rejected, in which event the money payable on application will be returned without interest to the account at the drawee bank to which such money was originally debited.

You should ideally make payment from your own personal account. If this is not practical and you use a cheque drawn on a building society or another third party or a bankers’ draft, you must ask the building society or bank to endorse on the cheque the name and account number of the person from whose building society or bank account payment is being made.

## **Application Form**

### **For membership and for shares in Bro Dyfi Community Renewables Ltd**

Before completing this application form please read carefully the "Guide to the Application Form" included in this offer document.

If you would like additional copies of the offer document or have any questions about how to fill in this form please telephone REIC on 01654 705018

#### **1. Amount subscribed £.....**

I wish to become a member of Bro Dyfi Community Renewables Ltd and irrevocably offer to subscribe the above amount for fully paid ordinary shares in the capital of Bro Dyfi Community Renewables Ltd at par, subject to the Rules of Bro Dyfi Community Renewables Ltd and the terms and conditions of this Share Offer.

**Signature.....dated.....2005**

2. Surname .....  
Forename(s) .....  
Title .....  
Organisation.....  
Address .....  
Tel(day) .....  
Tel(eve) .....  
E mail .....

I authorise / do not authorise (delete as appropriate) you to contact me by telephone in connection with any queries arising on my application.

4. I enclose a cheque payable to Bro Dyfi Community Renewables Ltd for the subscribed amount of £.....

Please send completed application forms and cheques to:

**Bro Dyfi Community Renewables Ltd**  
**c/o Ty Bro Ddyfi**  
**52 Heol Maengwyn**  
**Machynlleth**  
**Powys, SY20 8DT**

#### **Terms and conditions**

The contract created by the acceptance of applications under this Share Offer will be conditional upon the Maximum Amount £ 175,500 being obtained or such amount as the Board Members agree will permit Bro Dyfi Community Renewables Ltd to acquire a turbine at Mynydd Glandulas.

The right is reserved to present all cheques and bankers drafts for payment into a special Bro Dyfi Community Renewables Ltd account with the Co-operative Bank on receipt. Interest at the rate of the Co-operative Bank will only be paid on any money held by Bro Dyfi Community Renewables Ltd if the moneys are returned to you.

The right is reserved to reject in whole or part or to scale down or limit any application in the Board Members' absolute discretion. If any applicant is rejected in whole or in part only, the application money or as the case may be the balance thereof will be returned by returning the applicant's cheque in favour of the applicant through the post at the risk of the applicant within 28 days of **1st October, 2005** or 28 days of the end of such extended offer period as the Board Members shall decide.

By completing and delivering an application form accompanied by a cheque or bankers' draft you:

- 1 agree to accept the same or such smaller number of shares in respect of which this application may be accepted;
- 2 warrant, that if an individual, you are not under the age of 16;
- 3 warrant that your remittance will be honoured on first presentation.

## Appendix A – Summary of BDCR Accounts for 2003 and 2004

### BRO DYFI COMMUNITY RENEWABLES LIMITED

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	<b>1</b>	3,351	-
Operating expenses		(318)	-
Turbine depreciation		(3,793)	-
<b>Gross Profit</b>		<b>(760)</b>	-
Administrative expenses		(196)	(612)
Grant Income released		2,195	-
Grant income released to reserves		536	-
<b>Operating profit</b>	<b>2</b>	<b>1,775</b>	<b>(612)</b>
Other interest receivable and similar income		33	76
<b>Profit on ordinary activities before taxation</b>		<b>1,808</b>	<b>(536)</b>
Tax on profit on ordinary activities		-	-
<b>Profit on ordinary activities after taxation</b>		<b>1,808</b>	<b>(536)</b>
Members share interest		1,272	-
<b>Retained profit (loss) for the year</b>		<b>536</b>	<b>(536)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

Gross Return to Members	3.39%
EIS Investor	4.24%

## BRO DYFI COMMUNITY RENEWABLES LIMITED

### BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	£	2002 £	£
<b>Fixed assets</b>					
Tangible assets	4		72,073		64,520
<b>Current assets</b>					
Debtors	5	1,886		15,113	
Cash at bank and in hand		7,990		23,707	
		9,876		38,820	
<b>Creditors: amounts falling due within one year</b>	6	(5,727)		(22,651)	
<b>Net current (liabilities)/assets</b>			4,149		16,169
Total assets less current liabilities			76,222		80,689
<b>Creditors: amounts falling due after one year</b>	7		(38,722)		(43,725)
			37,500		36,964
<b>Capital and reserves</b>					
Called up share capital	8		37,500		37,500
Reserves	9		-		(536)
<b>Shareholders' funds - equity int</b>	10		37,500		36,964

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

## BRO DYFI COMMUNITY RENEWABLES LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
<b>Turnover</b>	<b>1</b>	5,727	3351
Operating expenses		(1,584)	(318)
Turbine depreciation		(5,058)	(3,793)
<b>Gross Profit</b>		<b>(915)</b>	<b>(760)</b>
Administrative expenses		(249)	(196)
Grant Income released against VC17		2,926	2,195
Grant Income released against MS4 Feasibility		4,950	
Grant income released to reserves/ from prev. year		503	536
Grant Expenditure-MS4 Feasibility		(5,500)	0
<b>Operating profit</b>	<b>2</b>	<b>1,715</b>	<b>1,775</b>
Other interest receivable and similar income		35	33
<b>Profit on ordinary activities before taxation</b>		<b>1,750</b>	<b>1,808</b>
Tax on profit on ordinary activities		-	-
<b>Profit on ordinary activities after taxation</b>	<b>3</b>	<b>1,750</b>	<b>1,808</b>
Members share interest		(1,750)	(1,272)
<b>Retained profit (loss) for the year</b>		<b>0</b>	<b>536</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

Gross Return to Members	4.67%
EIS Investor	5.83%

## BRO DYFI COMMUNITY RENEWABLES LIMITED

### BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
<b>Fixed assets</b>					
Tangible assets	4		67,015		72,073
<b>Current assets</b>					
Debtors	5	2,002		1,886	
Stock		7,042			
Cash at bank and in hand		4,657		7,990	
		13,701		9,876	
<b>Creditors: amounts falling due within one year</b>	6	(7,368)		(5,727)	
<b>Net current (liabilities)/assets</b>			6,333		4,149
Total assets less current liabilities			73,348		76,222
<b>Creditors: amounts falling due after one year</b>	7		(35,848)		(38,722)
		0	37,500		37,500
<b>Capital and reserves</b>					
Called up share capital	8		37,500		37,500
Reserves	9		0		0
<b>Shareholders' funds - equity int</b>	10		37,500		37,500

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.