



Share Offer

Become a member of Orchard Community Energy

- ☀️ support community-owned energy generation in North Kent and Medway
- ☀️ increase our support for local social and environmental causes
- ☀️ help to fund our established solar array, with Feed in Tariff, at Orchard Farm Solar Array, Iwade



www.orchardcommunityenergy.org



Share offer:
160,000 shares at £10 per share



Closing date:
31 October 2021 (initial close)

Orchard Community Energy is a Community Benefit Society registration number 7217





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Declaration

This share offer has been prepared by Orchard Community Energy Limited (OCE) and its Directors, who are responsible for its contents. The Directors have taken all reasonable care to ensure that all information included in this share offer is accurate and not misleading.

The issue of withdrawable and non-transferable shares exempts this share offer document from the requirements of an approved prospectus set out in Section 85(1) of the Financial Services and Markets Act 2000. This means you have no right of complaint or recourse to the Financial Ombudsman Service in relation to this investment.

A community benefit society is registered with, but not authorised by, the Financial Conduct Authority (FCA) and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

An investment in the shares offered in this offer document carries risks and you may lose the whole value of your investment. Please consider it carefully in the context of this complete offer document and related information and, if needed, seek independent advice.

The Directors do not make representations as to the accuracy or reliability of any information not included in this share offer document.

6 July 2021



Summary of Key Facts about this Share Offer

This summary should be read as an introduction only and any decision to invest should be made on the basis of the document as a whole.

This is an invitation to become a Member of Orchard Community Energy and an opportunity to buy shares in the organisation, or, if you are already a Member, to increase your investment. Orchard Community Energy Limited (OCE) is an established Community Benefit Society that was set up in 2015 to deliver community-owned renewable energy, low carbon energy and energy efficiency projects. It currently owns a 5MW ground mounted solar array, with Feed in Tariff, at Iwade, Kent that has been generating successfully since 2016 and a commercial rooftop 158kW solar array at The COOK Classics Kitchen, Sittingbourne, Kent that has been generating successfully since March 2021. OCE hopes to develop further community energy projects over time. Your investment is in the society; it is not in any individual project.

OCE is registered with the Financial Conduct Authority in England and Wales under the Co-operative and Community Benefit Societies Act 2014 (No 7217).

This share offer aims to broaden OCE's membership, including providing an opportunity for holders of our existing community bonds to become Members. The proceeds of the offer will be used mainly to repay these short-term bonds. As a result, it will provide more stable financing of our two existing solar sites at Orchard Farm, Iwade and the COOK Kitchen rooftop, Sittingbourne and should increase the proportion of our income that we can reinvest in the local community. Depending on the total sum raised, it may also fund the development of further community-owned renewable energy projects and provide replacement finance for some of our existing share capital, improving liquidity and allowing some existing shareholders to withdraw their shares.



Target interest rate	4% per annum subject to the risks outlined in the “Risk Factors” section.
Impact on existing members	Nothing in this document will affect the rights and returns associated with those OCE shares issued prior to July 2021.
Interest payment	Interest is paid annually and without the deduction of tax. You may be liable to pay income tax on this interest. Interest for the year or part-year to end March is usually paid during the following November.
Rights	Purchase of shares entitles the holder to full Member rights as outlined in our Rules, available at orchardcommunityenergy.org .
Withdrawal	Shares are withdrawable after one year, subject to funds being available, at the discretion of the OCE Board and in line with our share withdrawal policy. See the “Financial Information” and “Terms and Conditions” sections for further details.
Minimum investment per application	£250 for investors with an address in Swale and Medway £500 for investors with any other UK address £10,000 for investors with a non-UK address This is based on the address at the time that the OCE board considers the share application. See “Share Offer” section for details of when we will consider applications for lower amounts from those with non-UK addresses.
Maximum investment per applicant	£100,000, inclusive of any shares from previous OCE share offers.
Maximum sum to raise	The initial target is £1.6m , but the OCE board reserves the right to raise more funds as required by the Society.
Minimum sum to raise	There is no minimum fundraise.
Tax relief	Shares are not eligible for EIS tax relief. They will normally be exempt from UK inheritance tax provided that the shares are held for two years. You should seek appropriate professional advice if needed.
Timetable	The offer will open in July 2021 for existing holders of our community bonds and on 1 August 2021 for all other investors. Shares will be allocated on 1 November 2021 for applications made by 31 October. See the Terms and Conditions” section for subsequent allocation dates. The OCE Board reserves the right to temporarily suspend and reopen the share offer based on its need for share capital.
Eligibility	Anyone aged 16 or over who supports our objects may apply for shares. Co-operatives, community benefit societies, companies and other incorporated associations and nominees of unincorporated bodies may also apply. The minimum investment may vary based on your address.
How to apply	Applications can be made via orchardcommunityenergy.org/invest . If you do not have internet access or are unable to apply online, please contact Neville Registrars on info@nevilleregistrars.co.uk or 0121 585 1131.



Letter from the Chair



Penny Shepherd MBE

Chair
Orchard Community
Energy



I am delighted to invite you to support Orchard Community Energy through this share offer. This is our second share offer since we were formed in 2015.

Your investment will enable us to repay short term bonds that we issued in 2016-7. Our sites are also financed by our first share offer that was undertaken in 2015, which raised over £500,000 for the purchase of our Orchard Farm solar array together with debt finance, currently from Triodos Bank.

The sites have been operating successfully since 2016 (Orchard Farm) and early 2021 (The COOK Classics Kitchen rooftop). The Orchard Farm site benefits from the Feed in Tariff, a government incentive that provides financial support linked to inflation for the remainder of the 20 year period since 2016. The rooftop site benefits from a long-term power purchase agreement whereby COOK purchases all of the energy it generates.

OCE is led by an experienced and highly committed board with a depth of experience in renewable energy, finance, sustainability and community projects. Most of us live locally or in the wider Kent area.

Our board is supported by Bright Renewables (Bright), the UK's first fully community owned management company for renewable energy assets. Created in 2018 by a partnership of community energy societies, Bright helps communities to own and operate renewable energy projects

and maximise benefits for supported initiatives. Orchard Community Energy is proud that we are a founding owner of Bright as well as a client. In total, Bright manages over 80MW of solar and hydro assets for community energy societies.

Our withdrawable shares aim to pay a target interest rate. We will not pay more than this interest rate but may pay less if we do not achieve our financial performance targets. These shares cannot be traded and do not increase in value. Our financial projections assume that we will repay this capital as well as the interest from operating surpluses over the life of our projects with remaining surpluses over and above that going to the community. Although investors may withdraw their funds after one year at the discretion of the directors, our shares are intended as a medium to long-term investment. Please read this document carefully to understand more about withdrawable shares and the terms and conditions on which we offer them.

I hope that you will seriously consider this offer to become a Member of Orchard Community Energy or to increase your shareholding. If you invest now, you will enable us to build on the success of our first six years of community-owned energy generation and so support both local renewable energy generation and the long-term benefits of reinvestment in social and environmental action in our local community.



Business Overview

This section provides information about Orchard Community Energy and its business activities.

As a Community Benefit Society, we are radically different from an ordinary company in that our aims must be to benefit the community in Swale and Medway in Kent rather than our own Members or shareholders.

Our constitution is in the form of Rules registered by the Financial Conduct Authority. These can also be viewed on our website. We issue withdrawable shares and pay interest to our Members at a rate sufficient to obtain and retain the capital we require but no more. As a result, the level of community contributions that we expect to generate over the life of our solar projects is significantly greater than would tend to be offered by a commercial developer.

We were set up in 2015 to benefit the community by promoting, facilitating and developing community owned renewable energy, low carbon energy and energy efficiency projects in Swale and Medway which are adjoining local authority areas in North Kent.

We currently own two solar projects. These are held in separate subsidiaries to limit liability and more easily enable the use of bank finance.



Orchard Farm Solar Array

Orchard Farm Solar Array is a 5 Megawatt (MW) ground mounted array near the village of Iwade, Kent. Its projected annual output is enough to meet the equivalent annual electricity demand of around 1,400 homes (2019 figs). It was our first project and went live in 2016. It has been exporting electricity to the grid ever since.

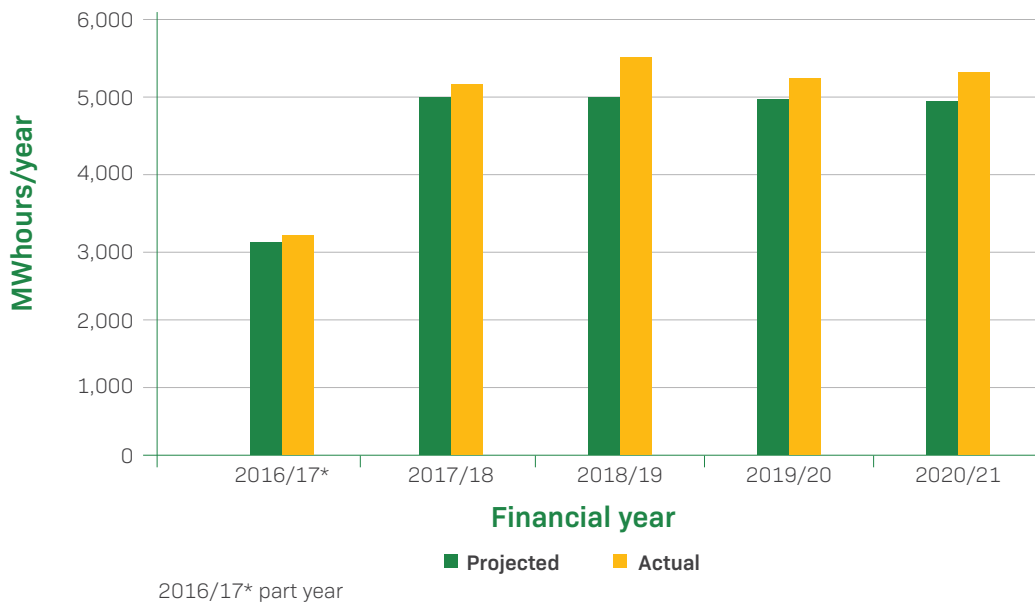
The project receives payments under the Feed in Tariff (FiT) scheme at 7.07 pence per kWh (as at April 2021). This rate should increase in line with the Retail Price Index (RPI) each year for the remainder of the 20 year FiT term which started in June 2016. In addition, the project receives income from the export of electricity to the national grid. The export price per kWh benefits from a guaranteed minimum FiT Export Tariff price for the remainder of the 20 year term. This minimum tariff is adjusted annually by Ofgem in line with inflation. As of April 2021, the Export Tariff was 5.57 pence per kWh. We have recently secured contracts for electricity export for the period to April 2023 that are above this guaranteed minimum price.

The project has a projected life of 25 years. For the final five years, after the expiry of the 20 year FiT term, it will receive the wholesale electricity prices available in the market at the time for the energy generated.

The annual generation of the project has exceeded the generation assumptions in our original share offer in every year of operation to date. The generation performance achieved so far is, of course, not a guarantee of future generation performance.



We hope to seek an extension of the site lease at Orchard Farm to enable generation after the 25 year period and so increase the community benefit achieved. However, our assumptions in this share offer are based only on the 25 year projected life.



Orchard Farm Solar Array: Electricity Generation from June 2016 to March 2021



Rooftop at The COOK Kitchen

Our 158kW rooftop solar array at the COOK Classics Kitchen in Sittingbourne, Kent went live in March 2021. COOK has entered into a contract with us to purchase all of the electricity generated by the array for the next eighteen years at an agreed price and we have entered into a lease for the array to occupy the roof for a similar period. The system was installed by SAS Energy of Edenbridge in Kent, a reputable solar installer, and we have entered into an agreement with The Ethical Renewables Company Ltd (T.E.R.C group), also based in Edenbridge, to maintain the array. The array does not benefit from any government renewable energy incentive schemes.

COOK is a certified B Corporation, part of a global community of companies committed to using business as a force of good. It makes and sells award-winning frozen food. There are no current or past legal relationships between COOK on the one hand and Orchard Community Energy on the other beyond those related to this array.

Longer term ambitions

We are currently seeking further commercial rooftop projects and, as alternative community energy business models mature, we may seek to invest in further renewable energy generation and/or other community energy business activities. In developing future activities, we aim to take an appropriately prudent approach to the protection of our Members' capital and our ability to achieve surpluses for community benefit after the payment of interest.

We hope to expand our community benefit by delivering not only grants for local social and environmental activities but also, for example, educational visits to our Orchard Farm site and further educational material about renewable and community energy.





Our Community Benefit

This section describes how we distribute grants to benefit the community in Swale and Medway.

We distribute our surplus income as grants to local communities in the Swale and Medway areas. Nearly £40,000 has been distributed since 2017 as twelve grants for projects by ten local charities. We expect to continue to provide about £10,000 per annum during the next few years. This amount will increase in the later stages of the project. Over the next 20 years, this could result in over £1 million being available for distribution to local communities. This total amount has been calculated based on projections described further in the “Financial Information” section.

Each distribution is subject to a Members’ vote at OCE’s Annual General Meeting. The monies are then donated to our community fund and allocated to projects brought forward by communities in Swale and Medway. Criteria for eligible projects supported through the community fund have included wildlife conservation, climate change mitigation and adaption, alleviation of fuel poverty and support for vulnerable or disadvantaged groups. In the immediate future, we plan to award grants to projects that meet at least two of our social and environmental criteria. This means that each grant will achieve an environmental benefit. We seek to favour applications that deliver social and environmental benefits at the same time.

All of our grants made to date are listed at www.orchardcommunityenergy.org.

In time, we hope to expand the types of community benefit delivered by our Society. For example, we hope to host school visits to our Orchard Farm site and potentially develop educational materials about renewable and community energy.



Examples of how our community fund has benefited the community

2020

Medway Plus: Luton's Urban Trees

A grant of £3,500 enabled the community and young people to plant urban trees in the Luton area of Chatham which is one of Medway's most deprived and polluted areas.

2019

Abbey Physic Community Garden, Faversham

A grant of £3,000 for the project "Bees, Bugboxes and Blooms Amongst the Tombs" supported the charity to take therapeutic horticulture for mental health in St Mary's Churchyard to a new level during Abbey Physic Community Garden's 25th anniversary year to benefit both wildlife and people.

2017

Seashells Children's Centre, Sheerness

A grant of £2,816 allowed the centre to install energy efficient LED lighting. As well as cutting carbon, this reduced running costs and so enabled the centre to deliver greater social impact for the same income.



Financial Information

This section provides both historical financial information and future projections.

Summary




The proceeds of this share offer will be used mainly to repay existing short-term community bonds. As a result, it will provide more stable financing of our two existing solar sites at Orchard Farm, Iwade and the COOK Kitchen rooftop, Sittingbourne and should increase the proportion of our income that we can reinvest in the local community.

Depending on the total raised, it may also fund the development of further community-owned rooftop solar and provide replacement finance for some of our existing share capital, improving liquidity and allowing some Members to withdraw their shares.

Replacing our community bonds

Our short-term community bonds were issued 2016-17 with an initial redemption date of 31 October 2019. After that date, they can be redeemed annually by bondholders giving three months notice. Based on prevailing interest rates then, they currently pay a fixed interest rate of 5% pa. It was always our intention to refinance these bonds at an appropriate time.

We now wish to replace these bonds to:

-  **Improve our governance:** Our new share offer is intended to increase the number of our Members and hence our accountability to our investors and local community. Members can vote at our Annual General Meeting on a “one member one vote” basis and stand for election to the board. Bondholders do not have these rights.
-  **Better manage repayment risk and effort:** While, in practice, bond investors are unlikely to require the return of the full £1.6m in any one year, the risk of this occurring and the transaction costs and volunteer effort needed to manage the smaller annual redemption amounts that are requested in practice are both disproportionate for the society. Our withdrawable shares are being marketed as a medium to long term investment. While Members can apply to withdraw their shares and our share withdrawal policy seeks to enable this, the process is more flexible.
-  **Pay an appropriate rate of interest and help restore our projected community fund:** The fixed interest rate we are paying on these bonds is now out of line with the lower interest rates available today. In addition, there has been a significant fall in projected future energy prices since our first share offer in 2015. As a result our projected community fund is now materially smaller than was expected then. The interest saving will amount initially to approximately £16,000 per year which should enable us to maintain our community fund distribution in the short term and take steps such as increasing capital repayments to maximise the total community fund value.

Other financial objectives

We are currently seeking further opportunities to install community-owned solar on suitable commercial rooftop sites. As suitable opportunities come to fruition, we may use a proportion of the proceeds from the share offer to fund these.

Over time, as alternative community energy business models mature, we may seek to invest in other renewable energy generation, including further ground mounted solar, and/or other community energy business activities. At the time of writing, we do not anticipate that proceeds from this share offer would be used directly to fund such projects. However, all investments made via this share offer are in the Society rather than in individual projects and so, over time, our ability to pay the target interest rate may depend in part on the success of such future projects.

Finally, the proceeds of this share offer may be used to enable Members, including those who invested during our 2015 share offer, to withdraw share capital in line with our share withdrawal policy.



Summary of OCE current financial position

OCE was incorporated on 30 September 2015. Its financial year end is 31 March. Accounts up to year end March 2020 have been filed with the FCA and are available on our website. Accounts for year end March 2021 will be available on our website from late September 2021 and filed with the FCA shortly after that date.

During the 2020-21 financial year, our Orchard Farm solar array generated 5.353 MWh which resulted in an income of £674,832.

Our financial situation to end March 2021 is summarised in the following table.

	2020/21*	2019/20	2018/19	2017/18
Trading performance				
Total revenue	674,832	636,566	670,222	580,827
Cost of sales and administration (excl depreciation)	(152,039)	(139,974)	(153,689)	(201,144)
Depreciation	(248,977)	(248,978)	(262,638)	(223,977)
Operating surplus	273,816	247,614	253,895	155,706
Interest received and similar income	2,571	2,458	1,247	1,968
Interest paid and similar expenses				
Bank loans	(143,011)	(153,058)	(156,166)	(198,874)
Member interest	(38,318)	(38,318)	(38,318)	(38,318)
Bond interest	(70,885)	(90,319)	(92,931)	(113,681)
Total comprehensive income	24,173	(31,623)	(32,273)	(193,199)
OCE Assets				
Fixed assets (as depreciated, without revaluation)	4,803,614	4,915,749	5,164,727	5,427,365
Investments	19,992	19,992	19,992	0
Debtors less creditors	(117,409)	(143,260)	(147,648)	(176,815)
Cash at bank	406,540	455,934	480,549	359,042
Net Current Assets	289,131	312,674	332,901	182,227
Total Assets less current liabilities	5,112,738	5,248,415	5,517,620	5,609,592
Less longterm liabilities	(4,938,377)	(5,096,677)	(5,334,259)	(5,393,957)
Net assets at year end	174,631	151,738	183,361	215,635
Capital and reserves				
Share capital	546,650	547,400	547,400	547,400
Profit and loss account	(372,289)	(395,662)	(364,039)	(331,765)
Total group funds	174,631	151,738	183,361	215,635
Total depreciation to date on tangible assets	1,164,946	933,663	684,685	422,047

* 2020/21 = unaudited figures; please visit www.orchardcommunityenergy.org for audited figures when available.



Asset revaluation policy

In its annual accounts, OCE records the value of its solar assets at cost price less depreciation. The assets are depreciated straight line over their expected life. This is in line with normal account practice for businesses that are going concerns. It is not a professional assessment of the current market price of the assets. OCE does not currently revalue its assets in line with market value as the board does not believe that the associated professional costs are an effective use of funds at this time. The directors believe that our approach to depreciation, which is in line with traditional practice, undervalues the market value of solar assets with Feed in Tariff support during their early years, given the long term RPI-linked income streams that such renewable energy projects secure through the Feed in Tariff.

Future financial projection

The following table gives our projected revenues and expenditure for each five year period from April 2021.

	YE 2022-2026 £,000s	YE 2027-31 £,000s	YE 2032-36 £,000s	YE 2037-41 £,000s	Total £,000s
FiT revenue	1,840	2,106	2,387	125	6,458
Export revenue	1,456	1,667	1,889	1,526	6,538
Total revenue	3,296	3,773	4,277	1,651	12,996
Operating costs	(723)	(786)	(885)	(930)	(3,323)
Net revenue	2,573	2,987	3,392	721	9,673
Corporation Tax	0	189	513	26	728
Movement into/(out of) cash reserves	104	88	(22)	(170)	0
Loan interest payments	658	335	53	0	1,046
Loan capital payments	1,168	1,463	877	0	3,508
Member interest payments	351	431	328	40	1,149
Member capital payments	217	336	1,199	423	2,175
Community fund payments	75	145	445	402	1,067



Key assumptions

- ☀️ We refinance our community bonds in line with the planned timetable for this share offer and there are no other changes to our equity and/or debt financing.
- ☀️ The solar arrays continue to generate in line with our projections.
- ☀️ We continue to receive the Feed in Tariff until June 2036 for the Orchard Farm site in line with current law and regulation.
- ☀️ We receive the Feed in Tariff export floor price for our Orchard Farm energy generation until June 2036 and then receive commercial electricity export prices for the remainder of the projected period. Commercial electricity export prices are in line with industry expert projections as at Q1 2021.
- ☀️ Feed in Tariff income and all operating costs increase in line with inflation which is assumed to be 2.5% each year.
- ☀️ COOK continues in business, including occupying the COOK Classics Kitchen site, for the duration of their power purchase contract with us and there is no disruption to the installation and no disputes with them or with the building landlord.
- ☀️ Degradation in Orchard Farm solar panel performance is at 0.5% per year, in line with performance warranties.
- ☀️ There are no material changes to taxation, duties, grid costs, other electricity system costs or direct or indirect regulatory costs.
- ☀️ All community fund payments are made for charitable purposes.



Comparison with our 2015 financial projections

- ☀ Our annual generation assumptions in this financial projection are the same as used in 2015, even though the annual generation of the project has exceeded these assumptions in every year of operation to date.
- ☀ Our assumptions of future electricity prices continue to be based on expert industry projections. These projections are now materially lower than equivalent ones in 2015. This is mitigated in part because we expect to receive the Feed in Tariff export floor price until 2036 but, as earlier expert predictions were generally above the export floor price, these lower expected prices impact the projected export revenue across the full projection period.
- ☀ Our interest and capital repayments have been updated to reflect the differences between our current sources of capital (after replacing our bond capital by these new shares) and those which we assumed at the time of the 2015 share offer.
- ☀ Where actual costs and revenue components are known, these have replaced corresponding assumptions made in 2015.
- ☀ While there are no changes to future inflation assumptions, our projection now includes the effect of inflation rates experienced to date.
- ☀ Future cost and taxation assumptions have been updated where appropriate. For example, the corporation tax payments projected now reflect the 25% rate announced in the 2021 Budget rather than earlier expectations of up to 19%.

This describes some of the key differences and similarities from the projection in our 2015 share offer. It is not intended to provide a complete statement of all differences.



Share interest policy

All shares issued within this share offer will be entitled to the same interest rate. Shares issued under different share offers conducted by the Society may be eligible for different rates of interest. The interest rate paid will not exceed the target interest rate.

The board's policy is to pay the target interest rate on shares issued under this share offer. The target interest rate is set to be sufficient to obtain and retain the capital we require from those who support our objects. If projects underperform, we may not be able to pay this rate. We may review this policy from time to time, for example if other community energy societies are able to attract and retain funds at materially lower interest rates. We will seek to consult Members before any such policy change. If the interest policy changed, the board would seek to ensure that sufficient funds were available to enable those Members who are not content with this to withdraw their shares within a reasonable time but this cannot be guaranteed. If circumstances change later, payments may be restored to the target interest rate.



Share withdrawal policy

Members may request the withdrawal of their shares as described under “Terms and Conditions” below. The board of OCE will seek to ensure that requests for withdrawal can be accommodated. This cannot be guaranteed but one of the purposes of this share offer is to ensure that new share capital can be accessed by the Society which, alongside use of operating surpluses, can enable us to grant withdrawal requests.

The board may put in place procedures to manage share withdrawals. For example, all share withdrawal requests may be considered annually rather than on a rolling basis.

Capital repayment policy

Our financial projections assume that the share capital associated with a particular project will be returned to investors over the projected life of that project (up to 25 years). This will be achieved by making capital payments from operating surpluses. These capital payments will be used in the first instance to service share withdrawal requests with any surplus for which suitable reinvestment opportunities cannot be found being returned to investors according to policies set from time to time by the board.

Other sources of capital in OCE and its subsidiaries

In addition to the bonds described above, OCE had at 31 March 2021 (unaudited figures):

Class A withdrawable shares (on 2015 share offer terms)	£546,650
Bank loans from Triodos Bank	£3,508,042

The financial projections in this document are based on this financing together with the refinancing of our community bonds to the timescale currently planned. The board is considering the refinancing of its bank loans to assess whether more advantageous terms are available, including potentially by entering into shared bank finance with community energy projects owned by other societies and/or charities. The board will enter into such alternative debt finance only if it judges that this is in the best interests of the society. If the risks associated with any future debt refinancing are expected to be materially different from those associated with current loans, the board will seek approval from Members at a General Meeting.




Risk Factors

All investment and commercial activities carry risk, and investors should take appropriate advice and make their own risk assessment while bearing in mind the social and environmental aspects of this investment opportunity.


If you are considering buying shares in Orchard Community Energy, it is important that you are aware of the potential risks. We have outlined the major risks below. This may not be an exhaustive list or explanation of all the risk factors involved and it is worth noting that OCE's future performance might be affected by changes in market or economic conditions and changes in legal, regulatory and tax requirements.

It is important to consider the risks carefully before you decide to invest. Make sure you can afford to be without the money you will use to pay for your shares. If you are in any doubt about the information in this document, you should consult an independent financial adviser authorised by the Financial Conduct Authority, or get advice from a solicitor or accountant.

This investment should be considered as medium to long term. If your circumstances change, your shares may not be readily convertible into cash. Should OCE get into financial difficulties:

 **We may have to restrict your ability to withdraw your shares.**

 **We may have to write down the value of your shares.**

 **You may lose all the money you have paid for your shares.**

The Directors believe that the following risks to be the most significant for shareholders. However, they do not necessarily comprise all relevant risks and are not intended to be presented in any assumed order of priority.

All shareholders are Members of the Society on a "one member one vote" basis and can use this collectively to hold the Directors to account.



1. General Investment Risks

Capital risk: The capital value of the shares will never exceed the purchase price. If the Society underperforms, the value of its shares may need to be written down. If it and/or one or more of its subsidiaries go into administration, Members will lose all or part of their investment.

Interest Payments: Interest payments are variable up to a target interest rate and are not guaranteed. While OCE's current policy is to seek to pay the target interest rate, this policy may change. If projects underperform, OCE may be unable to pay the projected level of interest.

Liquidity and Capital Repayment: These investments are withdrawable shares and should be considered as a medium to long-term commitment. They cannot be transferred, other than on death, and cannot be traded. Our financial modelling includes provision for the payment of the target level of interest and the return of all capital from income over the life of the current projects but this, including the timing of capital repayments, cannot be guaranteed. While the Directors plan to implement a share withdrawal programme for those Members seeking the opportunity of earlier share withdrawal, they cannot guarantee that sufficient funds will be available either from operating surpluses or from newly raised capital to meet such needs. The share withdrawal programme will adhere to the requirements described in the OCE Rules.

Payment Priority: Payment of interest and capital due on bank debt and on any community bonds takes priority over payments to Members.

Shared Debt risks: During the life of its projects, the Society or its subsidiaries may enter into shared debt financing arrangements with community energy projects owned by other societies and/or charities. This may increase its liabilities for bank debt beyond the amount lent against its own projects to include joint and several liability for a pool of community energy projects. If the risks associated with any future debt refinancing are expected to be materially different from those associated with current loans, the board will seek approval from Members at a General Meeting.

Tax and legislative risks: Unquoted shares currently attract certain inheritance tax benefits. These benefits may be withdrawn or changed by future government legislation. In addition, there may be changes to rates of corporation tax or other regulatory or legislative factors affecting net profitability.

Unregulated investment with no Financial Services Compensation Scheme (FSCS) or Financial Ombudsman Service (FOS) support: OCE is a Community Benefit Society and, in offering withdrawable shares, it is exempt from the requirement to be regulated under the Financial Services and Markets Act 2000 (FSMA) and subsidiary regulations. Accordingly, this offer document is not required to be approved as a share offering by the Financial Conduct Authority, nor has it been. The shares are not specified investments for the purposes of section 22 of FSMA (which specifies which activities are regulated by the Act) pursuant to paragraph 76 of FSMA (Regulated Activities) Order 2001. Therefore you do not have the level of protection that you might otherwise be offered by FSMA. The issue of withdrawable shares, which are not transferable, exempts this share offering from the requirements of an approved share offering required by section 85(1) of FSMA. The money that you pay for your shares is not safeguarded by the Financial Services Compensation Scheme or dispute resolution scheme and investors have no right to complain to the Financial Ombudsman Service.

Past performance is not necessarily a guide to future performance: Events in the past, or experience derived from these, or indeed present facts, beliefs or circumstances, or assumptions derived from any of these, do not predetermine the future.

Financial projections: Hopes, aims, targets, projections (including the financial projections in this share offer), plans or intentions contained in this document are no more than that and should not be construed as forecasts.



2. Industry Risks

Regulation and legislation: Orchard Farm Solar Array receives financial support under the Feed in Tariff. However, changes in regulation and government legislation, including to the charging regime operating in the electricity industry, may affect the profitability of any or all OCE renewable energy projects.

Electricity prices: Our financial projections use the prudent assumption that we achieve only the floor price set by the Feed in Tariff for the remainder of its 20 year term. However, beyond that we are subject to full exposure to market prices. We have used current (Q1 2021) estimates of these future energy prices provided by a reputable electricity industry consultancy. However, these assumptions and estimates of future energy prices may be inaccurate.

3. Project Risks

Operational costs: Over the life of projects, operational costs may rise faster than expected or additional operational costs may need to be incurred.

Mechanical failure / grid outages: Installations will be insured for damage, breakdown and loss of income in line with standard industry practice and as required by the Triodos Bank loan facility. However, there may be interruptions to the generation of electricity caused by damage to or mechanical/electrical failure of equipment or external factors such as grid outages or other grid constraints.

Solar PV performance: OCE assumptions around electricity generation levels each year are based on site capacity and yield calculations provided by our construction partners based on methodologies commonly used by the industry. For the Orchard Farm Solar Array, these calculations, and the solar radiation data behind them, were reviewed and verified by external technical experts appointed by Triodos Bank as part of its due diligence process. However, long-term changes to weather patterns and/or equipment under performance may result in lower levels of electricity generation and therefore income.

Orchard Farm Split Site Risk: The Orchard Farm Solar Array adjoins and shares a grid connection with another solar array that is currently also community-owned. The two projects are legally and electrically separate, there has been a good relationship to date with the owner of the other array and various provisions have been put in place so that our solar array will be able to continue operating even if the other organisation breaches its planning conditions or stops trading. Nevertheless, additional costs and other risks might arise as a result of the activities of the other organisation, disputes between us or other related factors.

Future Projects: Your investment is in Orchard Community Energy and not in specific project(s). OCE plans to develop future projects which contribute to mitigating climate change and delivering community benefit. Future projects may not achieve the projected profitability of current projects and/or may not perform well in practice.



Our Team

This section provides details on the Board and the running of the society.

The Board

Our board has been steering Orchard Community Energy since 2015. We are a team of volunteers with relevant experience who currently live in or have previously lived in Kent. All board members are Members of the Society, holding withdrawable shares.



Penny Shepherd MBE - Chair

Penny was formerly Chief Executive of London Sustainability Exchange and of the UK Sustainable Investment and Finance Association and spent 20 years working in information technology. Penny was awarded an MBE for services to sustainable economic development and socially responsible investment and is a Freeman of the City of London. She formerly chaired the external sustainability panel of a major building materials company and is involved with various initiatives supporting sustainable living in East Kent. Penny is a founding board member and lives in Kent.



Janet Hill

Janet has worked in local government for the last twenty years and is currently the climate change officer at Swale Borough Council. In addition to her work at Swale, Janet sits on South East Water's Environmental Scrutiny Group and on their Helping Hands grant panel. Janet has been a parish councillor for several years and currently chairs Oare Parish Council. Prior to working in Kent, Janet spent several years working in East Africa with VSO and Save the Children. Janet joined the board in 2019.



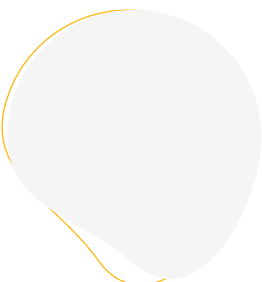
Francis Mahon

After studying physics and petroleum engineering Francis worked for over 25 years in the upstream sector of oil and gas industry, in the technical design and operational management of exploration and production wells around the world. During the past seven years Francis has steered his career into consultancy promoting high efficiency and renewable energy technologies. Francis is a founding board member and lives in Kent.



Julie Salmon

Julie is a member of the Chartered Institute of Taxation who started her training as a corporate tax adviser with Ernst & Young and has over 25 years' experience working for a number of multinational companies. In all of these roles Julie has been closely involved in corporate governance and compliance. She has a Diploma in Environmental Policy from the Open University and a Post Graduate Diploma in Renewable Energy in the Built Environment from the Centre for Alternative Technology in Wales. Julie is a founding board member.



Ian Smith

Ian has worked in the electricity industry for more than 35 years, much of this on the development and operation of power generation projects in UK and overseas. Ian has been involved in renewable energy technologies since 2004. He has a Masters degree in renewable energy from the Centre for Alternative Technology in Wales. Ian joined the board in 2016.





Patti Whaley CMG

Patti became an advocate of community and renewable energy when she was Director of Resources at the sustainability charity Forum for the Future. Patti has worked with social justice and environmental charities as a senior manager or trustee for over 30 years, including Amnesty International, ActionAid, the British Institute for Human Rights, the Food Ethics Council, and Safe Passage International. She is also a qualified chef, an organist at two churches near her home in Faversham, Kent, and an avid student of Russian. Patti joined the board in 2020.

Remuneration

Directors are unpaid and, beyond reimbursement of expenses, receive no other benefits.

Conflicts of interest

The board is not aware of any actual or potential conflicts of interest between directors and any of its partners listed below.

Penny Shepherd is nominated by OCE as a director of COAM Members Ltd, the parent company of our community-owned asset manager Bright Renewables. She is currently Chair of COAM Members Ltd (until December 2021). These roles are unpaid and beyond reimbursement of expenses, she receives no other benefits from them.

Legal proceedings

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

Disclosure

None of the directors of OCE have, for at least the past five years, received any convictions (for any fraudulent offence or otherwise), or been involved in any bankruptcies or receiverships, or received any public recrimination or sanction by a statutory or regulatory authority or designated professional body, or been disqualified from any function by any court.

Partners

Bright Renewables is the UK's first fully community owned Asset Management company. It provides asset management services to OCE across its full portfolio.

PSH Operations provides Operations and Maintenance services for the Orchard Farm Solar Array.

The Ethical Renewable Company Ltd (T.E.R.C group) provides Operations and Maintenance services for our rooftop array at The COOK Classics Kitchen.

Neville Registrars has provided share registry services for over 80 years across multiple sectors. It manages our share and bond registers and acts as our receiving agent for this share offer.



Share Offer

Withdrawable shares will be issued each with a par value of £10 on acceptance of a valid application on the Terms and Conditions of this share offer document and subject to the board rights outlined below. The shares, which will not be traded on any stock exchange, have been created under the Co-operative and Community Benefit Societies Act 2014.

Targets

Our target is 160,000 withdrawable shares. The board reserves the right to increase this target if the purposes as outlined in this share offer document require further funds.

Investment amounts

Although marketing will be concentrated within our local area, there is no geographical restriction on share ownership and we welcome applications from the UK and beyond. Different minimum investment amounts apply for different residential locations.

The minimum amounts that can be subscribed are:

- ☀ **£250 for investors with an address in Swale and Medway**
- ☀ **£500 for investors with any other UK address**
- ☀ **£10,000 for investors with a non-UK address**

The maximum investment is £100,000 including any shares from previous OCE share offers.

The higher minimum investment amount for investors with a non-UK address has been set because of the additional costs of undertaking non-UK money laundering checks. These costs can be of the order of £100 for investors in Europe and £200 in the rest of the world. We will consider investments of £500 or above from investors with overseas addresses if they agree to meet the additional administration costs, including the costs of these checks. If you would like to consider this, please contact Neville Registrars on info@nevilleregistrars.co.uk or **0121 585 1131** before making your application.

At this time, this does not affect alterations to your address after your application has been accepted or transfer of your shares to overseas beneficiaries on death.

All payments must be in pounds sterling and drawn on a UK bank account in the name of the applicant. Future interest and capital repayments will be made in sterling and currently by cheque or to a UK bank account. Other interest and capital repayment options may be considered on payment of associated administrative costs.

If your location is outside the UK, it is your responsibility to confirm that your country of residence permits you to invest in and receive interest from a UK Society.

Applications are accepted at the discretion of the board.

We encourage individuals who are not classified as high net worth individuals or self-certified sophisticated investors not to invest more than 10% of their net assets (excluding their home) in investments such as community energy shares. You should never invest money in community energy shares that you may need to access quickly or cannot afford to lose.



Interest payments

The target interest rate for this share offer is 4% per annum. Interest will be paid in accordance with our share interest policy as described in the “Financial Information” section.

All interest payments are paid annually, usually in November, for the year ending the previous March. Please see the “Financial Information” section for details of our share interest policy.

The first time that shares receive a distribution of interest, the interest they receive will be calculated from the date of allocation.

Taxation on interest payments

Interest payments will be made gross and Members will be responsible for declaring this income on their tax returns.

If you are a basic rate taxpayer you are currently able to earn up to £1,000 in savings income tax-free. Higher rate taxpayers will be able to earn up to £500. See the HMRC website for details.

Shares are not eligible for the Enterprise Investment Scheme tax relief or Social Investment Tax Relief. Shares will normally be exempt from inheritance tax providing they are held for two years. You should seek further advice from a financial advisor or accountant on tax matters as appropriate.

Provisions on death or bankruptcy of a Member

In accordance with the Society’s Rules, on the death of an individual Member of the Society, their personal representative can apply for withdrawal of the share capital or for transfer of the shares to another person. Return of share capital within a reasonable time under this provision will be prioritised by the board over any other return of Members’ capital.

Share transfer is also permitted on the bankruptcy of a Member.

Asset lock

The Society has an asset lock incorporated into our Rules, ensuring that our assets can never be cashed in by, or transferred to, private individuals or commercial interests for their own advantage. This means for example that in the event of the Society being wound up, any proceeds would be used to repay share capital to shareholders up to a maximum of £10 per share. Any surplus above this amount would be gifted to another society or charity with an asset lock with similar objectives.

Privacy

You can view our privacy policy on our website at www.orchardcommunityenergy.org.



Terms and Conditions

Offer timetable and conditions

The initial offer period is from July 2021 to 31 October 2021. The offer will be closed early if fully subscribed and reopened immediately otherwise. Until 31 July, the offer is open only to those holding our 2016-17 community bonds. From 1 August 2021, it will be open to all eligible applicants. The Directors may extend the share offer at any time and may choose to accept additional finance during or after the offer period. This includes increased levels of debt. The Directors reserve the right to temporarily suspend and reopen the offer based on the society's need for share capital.

Shares will be allocated first on 1 November 2021. Following that shares will be allocated on 1 January 2022 and then every three months against all applications and payments received in the preceding period. Interest will be accrued from the date of allocation. Details of successful applicants and their holdings will be recorded in a share register managed by Neville Registrars on our behalf.

Eligibility

Membership is open to any individual (at least 16 years of age), any incorporated organisation (an organisation with a registration number from either Companies House or the FCA) or any nominee of an unincorporated body that supports the aims of the Society.

Where an organisation applies to become a Member, the application needs to include the name of a nominated representative, but the nominated representative can be changed in the future by appropriate notification to OCE by the member organisation. Joint Members hold a single vote and may nominate one person to exercise this. In the absence of other evidence, it will be assumed that this is the first named individual.

Sale or withdrawal of shares

Shares are offered at their par value of £10. The value of each share cannot rise, but could fall. Shares are not tradable or transferable except on the death or bankruptcy of a Member.

You may seek to withdraw your shares after one year from the date of issue giving three months' notice. Such a withdrawal is at the discretion of the directors of OCE. The directors of OCE have the right to change the notice period for withdrawals, or to suspend withdrawals. OCE will not repay you more than you paid for the shares.

Although shares in OCE are withdrawable at the discretion of the directors, you may not be able to withdraw them if OCE does not have sufficient funds available at the time you want to withdraw your shares. In the case of joint investors, all investors concerned must agree to the withdrawal. In some circumstances, the directors may be compelled to write down the value of your shares. Should you then wish to withdraw your shares, you will receive only their written down value.

By accepting the terms of this share offer, you agree that OCE may return the value of your shares and then cancel them at any time. For example, it may do this if it has surplus capital available above that required to service withdrawal requests.

Nomination of shares on your death

Please contact us if you wish to make such a nomination. OCE will respect your wish in so far as the law and our Rules permit. If you are a joint shareholder and have not completed a nomination, your shareholding will pass to the other joint shareholder(s) on your death.



Application and payment procedure

Before completing an application, you should consider taking appropriate financial and other advice. In completing your application you are making an irrevocable offer to enter into a contract with the Society.

Under Money Laundering Regulations, our receiving agent, Neville Registrars, will need to complete basic identity checks. You may need to provide additional evidence of your identity and address. By applying, you agree to such checks. Your application may be rejected or a decision on it delayed if satisfactory checks cannot be completed.

Non-UK residents must take responsibility for ensuring that there are no laws or regulations in their own country that would prevent them from investing in or receiving income from a UK Society.

Applications can be made online via www.orchardcommunityenergy.org/invest, helping us to minimise costs and speeding the application process. All applications will be handled by our receiving agent, Neville Registrars, which also maintains our share registry. If you do not have internet access or are unable to apply online, please contact Neville Registrars on info@nevilleregistrars.co.uk or **0121 585 1131**.



By making an application, an applicant offers to subscribe, on these Terms and Conditions, for the number of shares specified, or such lesser number as may be allocated. An applicant who receives shares agrees to automatic membership of OCE and to be bound by its Rules. An application once made cannot be withdrawn. The price of each share is £10. The minimum per applicant depends on your current residential address and is described elsewhere in this document. The maximum per applicant is 10,000 (ie. £100,000), subject to an overall maximum holding in OCE of 10,000 shares (ie. £100,000). Multiple subscriptions will be accepted providing that they do not result in a Member holding more than the maximum.

You cannot withdraw your application for shares after we receive it. Any new amounts to be invested are payable in full on application – different arrangements apply for reinvestment of the capital value of bonds (which must be requested by 31 July). We encourage payment by bank transfer (up to £100,000) or debit card (up to £20,000 and only available via online application). If you wish to pay by cheque, please contact Neville Registrars on info@nevilleregistrars.co.uk or **0121 585 1131** before making your application for details of how to do this. All payments will be presented on receipt and must be in pounds sterling and drawn on a UK bank account in the name of the applicant. Incomplete or inaccurate applications may be accepted as if complete and accurate.



The directors do not have to accept your application for shares. They may decide not to issue shares to you or may allocate you fewer shares than you applied for. They do not have to give any reasons for their decision. Neither OCE nor any of its directors or agents can provide investment advice, tax advice or recommendations to investors.

Your money will be held in an OCE client account until the directors consider your application. This money will be ring-fenced and the Society will not access or make use of it until shares are issued. The money will belong to OCE (and the directors will no longer hold it on trust for you) as soon as the directors issue shares to you (to the extent that they take it as payment for shares).

The directors will return your money to you (within 28 days of the close of the share offer) if they decide not to issue shares to you. If they decide to issue fewer shares to you than you applied for, they will return the balance to you (within 28 days of the close of the share offer). The Society will not pay you interest on any money it returns to you. No deductions will be made for the costs of this share offer.

Dissolution

Your attention is drawn to Rule 104 of the Rules governing OCE (see www.orchardcommunityenergy.org/for-members), which requires Members to give up any personal financial benefit from the conversion, transfer, dissolution or winding-up of the Society. On dissolution or winding-up of the Society, any surplus assets (after payment of any liabilities) will not be distributed to any Members but will be transferred to some other non-profit body or bodies nominated by the Members, which is or are subject to the same degree of restriction on the distribution of surpluses and assets as the Society. On a conversion, amalgamation and/or business transfer, the society or company into which the society converts, amalgamates or transfers its business must have objects similar to those of the Society.

Miscellaneous

This share offer and any agreement entered into for the purchase and sale of shares in the Society is governed by the law of England and Wales. The courts of England and Wales have exclusive jurisdiction. You will be bound by the Society's Rules if the directors issue shares to you.



Contact Us

Please visit www.orchardcommunityenergy.org/invest for details of how to apply to become a Member and buy shares.

For other questions about Orchard Community Energy or the share offer, please use the Contact Us form at orchardcommunityenergy.org or email us at info@orchardcommunityenergy.org.

If you do not have internet access, please contact our registrar Neville Registrars on **0121 585 1131** to discuss how we can provide you with this information.