

ALBION COMMUNITY POWER PLC

Dividend Reinvestment Scheme (issued June 2014)

Shareholders should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before investing in the New Shares.

The Dividend Reinvestment Scheme is not available to Shareholders resident in the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or their respective territories or possessions and the Application Form cannot be accepted from or within the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or their respective territories or possessions.

Risk Factors

- There is no assurance the Company will meet its investment objectives.
- There is no guarantee that an investment in the Company will qualify for Business Property Relief.
- There is no formal market in the Shares and it may be difficult for investors to realise their investment.
- There is no guarantee that target dividends will be paid.
- There are circumstances in which an investor could cease to qualify for the taxation reliefs offered by Business Property Relief, for example by not holding the Shares for a two year period before death or transfer or on disposal of the Shares. This could result in no relief or only partial relief from Inheritance Tax being available.

Key risks that are specific to the issuer or its industry

- The business plan of the Company is based upon the key assumption that Government legislation will continue actively to encourage the increase of renewable energy generation through its promotion of Feed in Tariffs, Renewables Obligation Certificates and the introduction of the Renewable Heat Incentives scheme. Any changes to those Government incentives could have a material adverse effect on the business strategy of the Company.
- The success of the Company's business is dependent upon it being able to secure suitable renewable energy projects to develop and operate.
- The Company's success depends on its ability to retain the executive directors who have particular expertise in the renewable energy sector.
- There is no guarantee that the Company's business strategy will be successful. The ability of the Company to identify and develop suitable renewable energy projects depends inter alia on planning consent for such projects.
- The Company may be unable to secure the timely supply of the equipment required for projects, or such equipment may be subject to mechanical failure or underperformance.
- Projects may be subject to construction or grid connection delays which could have a material adverse impact on the profitability of the Company.
- Adverse or extreme weather may affect the success of solar, wind and hydroelectricity projects and therefore the profitability of the Company.
- The Company may cease to be a trading company whose shares qualify for Business Property Relief.

Key risks that are specific to the securities

- An investment in the Company should be viewed as a medium to long-term investment and may not be suitable for all recipients of the Prospectus.
- There is no formal market in the Shares and it may be difficult for investors to realise their investment.
- Investments in unquoted shares may carry a higher risk than investments in quoted shares.
- No investors' compensation scheme or similar arrangement is available for claims relating to investments in the Company.
- Levels of dividends paid by the Company to its Shareholders are not guaranteed and may be lower than the target level of annual dividends of approximately 3 pence per Share.
- An investor will not qualify for Business Property Relief if he or she dies before the expiry of the two year qualifying period.

Introduction

The Board has introduced a Dividend Reinvestment Scheme whereby Shareholders may elect to reinvest the whole of the dividend received by subscribing for New Shares. The Scheme is available to all Shareholders in respect of their entire holdings. Such dividends will be subject to income tax in the normal manner. The Dividend Reinvestment Scheme allows Shareholders to increase their shareholding simply and without incurring dealing costs.

In making their decision whether or not to participate in the Dividend Reinvestment Scheme, Shareholders should note that the investment described in the Prospectus may not be suitable for all investors. Investors are accordingly advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000, and an appropriately qualified taxation adviser, prior to investing.

To take part in the Dividend Reinvestment Scheme, an Application Form, a copy of which is available from the Company's website, should be completed. This may be cancelled at any time by notice in writing to Share Registrars Limited at the address on the Application Form.

New Share certificates will be despatched within 30 business days of the New Share allotment date.

Tax Benefits For Investors

The following paragraphs are intended as a general guide only and are based on current legislation and HM Revenue & Customs (HMRC) practice, which is subject to change. If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser without delay.

The value of any tax relief depends on a Shareholder's individual circumstances. The summary below does not set out all the rules which must be met by a Shareholder and the Company. It is intended only as a general guide and is not a substitute for obtaining professional tax advice.

Inheritance Tax ("IHT") and Business Property Relief ("BPR")

BPR is expected to be applicable once a Qualifying Trade has been established for a minimum of two years. However, HMRC will not give guidance on whether or not a company has established a Qualifying Trade for IHT and BPR purposes. Consequently, there is no guarantee that BPR will be available to Shareholders.

Capital Gains Tax ("CGT")

A Shareholder who is an individual and who is resident or ordinarily resident in the UK who disposes of his or her Shares may have a liability to CGT on chargeable gains. The tax liability will depend on the availability of the annual exemption and of any tax reliefs/deductions such as capital losses. The current tax rate is 18 per cent. or 28 per cent. for individuals depending on their taxable income.

A disposal by way of redemption of Shares by the Company may be subject to income tax instead of CGT. Income tax would be due on the amount by which the sale proceeds exceed the original subscription price paid for the Shares. That amount would be treated as a distribution, and subject to the rate of income tax applicable to dividends, which for higher rate (40%) income tax payers is 25% and for additional rate (45%) income tax payers is 30.6%.

Dividends

The tax on net dividends will be a further amount of 25% for a higher rate (40%) income tax payer and 30.6% for additional rate (45%) income tax payers. No taxation will be withheld at source on any income arising from the Shares and the Company assumes no responsibility for such withholding.

Terms and Conditions of the Dividend Reinvestment Scheme

Definitions

“Board” or “Directors”	The board of directors of the Company
“Company”	Albion Community Power PLC
“Dividend Reinvestment Scheme” or the “Scheme”	The scheme, whose terms are set out in this document, whereby Shareholders may elect to receive New Shares instead of cash by way of dividend
“Application Form”	The form that enables Shareholders to participate in the Dividend Reinvestment Scheme
“New Shares”	Shares to be issued, from time to time, under the Scheme
“Shareholders”	Holders of the Shares
“Shares”	Redeemable Ordinary Shares of 1 penny each in the Company
“Scheme Administrator”	Share Registrars Limited [http://www.shareregistrars.uk.com/]

1. The Company shall invest the monies held within the Scheme (being dividends paid on Shares held by, or on behalf of, Shareholders participating in the Scheme) in the subscription for New Shares in the Company. The Company or the Scheme Administrator shall not have the discretion to vary such investments and Shareholders may not instruct the Company or the Scheme Administrator to make any other investments. The number of Shares held by any such Shareholder which are mandated to the Scheme shall be altered immediately following any change to the number of Shares registered in the name of such Shareholder in the register of members of the Company from time to time. Beneficial owners may join the Scheme in respect of the number of Shares of the Company specified on the Application Form available from the Scheme Administrator marked “Nominee Shareholdings” completed by the beneficial owner and the Shareholder in whose name the Shares are held.
2.
 - (a) On or as soon as practicable after a day on which any [first or second] dividend is paid to Shareholders (a “Reinvestment Day”), the funds held by the Company on behalf of each Shareholder shall be applied on behalf of that Shareholder in the subscription for the maximum number of New Shares as can be acquired with those funds.
 - (b) The number of New Shares issued to a Shareholder pursuant to condition 2 (a) above shall be calculated by dividing the aggregate value of the dividends paid on the Shares to which that Shareholder is entitled by the greater of (i) the net asset value per Share of the Company (as determined by the Board, which will normally be the most recently announced financial year end or half yearly net asset value per Share, as adjusted for the relevant dividend in question); and (ii) the nominal value per Share.
 - (c) No fractions of Shares will be issued under the Scheme. Any balance of cash remaining with the Scheme Administrator after the subscription shall be held by the Company or the Scheme Administrator on behalf of the Shareholder to whom it relates and added to the cash available in respect of that Shareholder for the subscription of Shares on the next Reinvestment Day. No interest shall accrue or be payable by the Scheme Administrator in favour of any Shareholder on any such cash balances.
 - (d) The Scheme involves the reinvestment of the whole dividend paid on each Shareholding each time a dividend is paid by the Company together with any cash residue brought forward from the previous dividend. Partial reinvestment of dividends is only permitted by nominees, who need to lodge an application for each Reinvestment day quoting the number of Shares in respect of which their election is made. Shareholders will remain in the Scheme so that all future dividends will be reinvested in the same way, until they give notice in writing to the Scheme Administrator that they wish to terminate their participation in the Scheme either in relation to a particular dividend or all future dividends.

3. The Scheme Administrator shall immediately after the subscription of Shares in accordance with condition 2 hereof take all necessary steps to ensure that Shareholders are entered onto the register of members of the Company as the registered holders of the Shares issued to them in accordance with condition 2(b) above, and that share certificates in respect of such Shares are issued and delivered to Shareholders at their own risk as soon as is reasonably practicable (unless such Shares are to be uncertificated). Shareholders will receive with their share certificates (if any) a statement detailing:
 - (a) the dividend available for reinvestment;
 - (b) the price per New Share subscribed and the date of issue;
 - (c) the number of New Shares issued and the total cost; and
 - (d) the cash to be carried forward for investment on the next Reinvestment Day.
4. Application to join the Scheme can be made at any time. However, applications to join the Scheme need to have been received by the Scheme Administrator at least 15 business days prior to a dividend being paid, to be reinvested.
5. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
6. Each Shareholder warrants to the Scheme Administrator that:
 - (a) during the continuance of his or her participation in the Scheme he or she will remain the sole owner of the Shares mandated to the Scheme free from encumbrances or security interests;
 - (b) all information set out in the Application Form for participation in the Scheme is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator; and
 - (c) during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.
7. The right to participate in the Scheme will not be available to any person who has a registered address in any jurisdiction outside the United Kingdom. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made without such compliance. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
8. The Shareholder acknowledges that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Shareholders as a result of their participation in the Scheme unless due to the negligence or default of the Scheme Administrator or the Company (respectively), their servants or agents.
9. The Shareholder may at any time by notice to the Scheme Administrator terminate his or her participation in this Scheme, but at least 15 business days prior to a dividend being paid, and withdraw any monies held by the Company on his or her behalf in relation thereto. If a Shareholder shall at any time cease to hold any Shares in the Company, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme. Whenever a nominee sells Shares on behalf of the beneficial owner of such Shares, the nominee agrees to notify the Scheme Administrator of the full details of the sale as soon as practicable. Neither the Company nor the Scheme Administrator shall be responsible for any loss or damage as a result directly or indirectly of a failure by a nominee to comply with such obligation.
10. If a Shareholder withdraws from the Scheme and a cash balance remains of less than £1 that balance will not be repaid, but will be donated to a recognised registered charity.
11. The Company and the Scheme Administrator shall be entitled at any time to suspend the operation of the Scheme and/or to terminate the Scheme without notice to the Shareholders and/or to refuse to reinvest dividends due on Shares held by a nominee where the Scheme Administrator is unable to obtain confirmation as to the identity and Shareholdings of beneficial holders. In the event of termination, the Scheme Administrator shall, subject to condition 10 above, pay to each Shareholder all of the monies held by the Scheme Administrator on his or her behalf.
12. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Share Registrars Limited, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL.

13. The Scheme Administrator shall be entitled to amend the Scheme and conditions on giving one month's notice in writing to all participating Shareholders. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Shareholders unless in the Scheme Administrator's opinion the change materially affects the interests of Shareholders. Amendments to the Scheme terms and conditions which are of a minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Shareholders may be effected without notice.
14. By completing and delivering the Application Form, the Shareholder agrees to provide the Company with any information which it may request in connection with such application and to comply with current companies legislation or other relevant legislation (as the same may be amended from time to time).
15. Investors are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company can accept any liability in the event they do not receive any tax relief.
16. The Company shall not be required to issue New Shares hereunder if the Directors so decide.
17. These Scheme terms and conditions shall be governed by, and construed in accordance with, English Law and each Shareholder submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring an action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Shareholders in any doubt about their tax position should consult their independent professional adviser.