

HALTON LUNE HYDRO



COMMUNITY HYDRO PROJECT



SHARE OFFER

You are invited to invest
in community owned renewable energy
in the heart of the North West

Share offer for second turbine

Target: £380,000

Offer closes: 31 March 2015

Contents

Summary of Offer	3
Important Information	4
Background	5
Our Team	7
Our Partners	9
Halton Carbon Positive	10
Community Benefits	11
Financial Projection	12
Member Returns	15
Share Offer	17
Terms and Conditions for applying for shares	18
Other Things We Need to Tell You	19
How to Apply for Shares	20

Halton Lune Hydro Ltd. (HLH or Society) is an Industrial and Provident Society developing renewable energy resources for the benefit of the community. HLH is registered with the Financial Conduct Authority in England and Wales under the Co-operative and Community Benefit Societies Act 2014. (No. 32233R)

Summary



You are invited to become a member of Halton Lune Hydro Ltd (HLH), an Industrial & Provident Society for the Benefit of the Community, by subscribing for shares in the Society. These shares will help fund the cost of building a 200 kW hydro scheme on the River Lune at Halton, Lancashire, the biggest community owned hydro scheme in England.

This share offer seeks to raise an additional £380,000 to complete the installation of two 100 kWe turbines at Forge Weir. £1,045,535 has already been raised in shares for the first turbine and infrastructure for the second. The first turbine is scheduled to be connected to the grid in December 2014. The second turbine is expected to be installed in July 2015 and generating electricity in December 2015.

Income will be generated from selling hydroelectricity directly to the award winning Lancaster Cohousing community and to the Grid, and from the Government backed Feed in Tariff (FIT). Net profits will be spent on projects for the benefit of the local community through the Halton Lune Trust.

The hydro will make our area more self-reliant and resilient in the face of rising energy costs, and will strengthen our local economy. The two turbines will generate approximately 1,000 MW of electricity per year, sufficient to power 300 average homes.

By purchasing shares you will:

- Participate in ownership of local renewable energy resources. You will have an equal vote with every other member regardless of your number of shares.
- Be eligible for interest paid on your investment. We expect to be able to pay 5% from when the first turbine becomes operational. If you qualify for income tax relief you may be eligible for 30% Enterprise Investment Scheme (EIS) tax relief.
- Help to generate clean, green electricity. This helps reduce emissions of carbon dioxide, the main greenhouse gas which causes global warming and climate change, by saving 575 tonnes of CO₂ a year.
- Bring environmental and social benefit to the community. Construction of the scheme will bring environmental improvements to the river bank, improve the movement of fish and eels over the weir, and generate more than £1 million to fund local recreational, energy saving heritage and conservation projects.

Important Information

This document has been prepared by the Directors of Halton Lune Hydro Ltd, who are responsible for its contents. Full details on legal compliance of this document and the terms of the offer and how to invest are set out in the main body of this document and the associated appendices. This summary should be read as an introduction only and any decision to invest made on the basis of the document as a whole. Nothing in this document constitutes investment, tax, legal or other advice by Halton Lune Hydro Ltd, its Directors or advisers..

The Offer

Share issue offer:	380,000 shares at £1 a share.
Minimum investment:	£250
Maximum investment:	£50,000
Share offer opens:	24 November 2014 at 12 noon
Share offer closes:	31 March 2014 at 5pm (unless closed earlier because of over subscription, or extended).

We are seeking £380,000, which is the estimated cost of Phase Two of the project, and the additional cost of Phase One. Phase One has created the structure for two turbines, so the extra cost of adding a second turbine after 12 months is for purchasing and installing the turbine and extra fish screens only. Installing a 2nd turbine at this stage will maximise revenue from the Feed in Tariff (FIT).

Individuals over the age of 16, couples, charities and other organisations may invest in this offer. Shares can be purchased for children under 16 and held for them by their parent(s) or guardian(s).

Members are invited to invest between £250 and £50,000. Industrial and Provident Societies may invest more.

If the sum is not raised in full, following the closure of this share offer, HLH will obtain a loan at commercial rates for the outstanding balance.

In addition to reading this share prospectus, please visit our website www.haltonlunehydro.org for updated information about construction progress and electricity generation.

Copies of all permissions, licenses, leases and agreements are available on request from Halton Lune Hydro Ltd.

Background



Halton's Industrial Past

Halton has been the site of industry powered by the River Lune since at least 1252, when the lord of the manor of Halton was recorded as owning 'two water corn mills worth forty shillings yearly'. There is also a record in the same year of there being a water powered fulling mill (the earliest mills used for the production of textiles).

During the Industrial Revolution a series of mills for cotton, silk and oil cloth were built extending from Forge Weir to the lower weir, opposite Halton Railway station. By 1870 there were six water wheels and four additional turbines.

At some point in the early 20th century there was a turbine generating electricity on Forge Weir, with a 'battery house' (now known as 'the Forge') storing electricity for times when the water flow was too low. Water power continued to be used until 1960, when the mills ceased operation.

Halton Mill, the village's last remaining mill, will use electricity from the hydro, so continuing the long tradition of water powered industry in the area.

Renewable hydro generated energy

The UK Government set a target in 2009 to generate 30% of electricity from renewable resources by 2020. Although much of this will be from wind power, they acknowledge that hydro, wave and tidal power will also play an important role. To encourage this development they introduced a Feed in Tariff (FIT) to ensure that schemes are financially viable. The FIT is guaranteed for 20 years and increases in line with inflation.

Hydro schemes use energy extracted from falling water. The amount of energy available from any given site is directly proportional to the actual volume of water passing the site (the flow) and the height through which the water falls at the site (the head).

There are a number of 'community hydro' schemes in the UK that are already operating or currently being built using the same funding model as Halton Lune Hydro, including Stockport, Abingdon and New Mills in Derbyshire.

Halton Lune Hydro is expected to generate approximately 1,000 MWh of electricity every year – equivalent to the consumption of 300 homes, although this varies depending on the average house consumption figures used, time of day and time of year. This will enable CO2 savings of around 575 tonnes annually.

Halton Lune Hydro Ltd

Halton Lune Hydro (HLH) is a 'Society for the Benefit of the Community (Bencom), which is a form of Industrial Provident Society, registered with the Financial Conduct Authority. The registered objective of the Society is to "carry on any business for the benefit of the community in and around the parish of Halton with Aughton by developing and operating community renewable energy projects".

In 2008, Halton Community Association commissioned a feasibility study for a new hydro at Forge Weir and set up Halton Lune Hydro (HLH) to develop the project. Halton Carbon Positive was formed to obtain grant funding. HLH commissioned design studies and gained planning permission and, by mid December 2013, had received the necessary permits from the Environment Agency. HLH has leased the land on which the hydro will be built from United Utilities, who are pleased to have this project in their portfolio.

HLH has responsibility for design, procurement, construction and operation of the hydro, with support from hydro consulting engineers Hydro Survey of Kendal, Fishtek in Devon and Encraft of Leamington Spa.



Artist impression of how the scheme will look.

There has been welcome support by a number of organisations including Lancaster City Council, The Department of Energy & Climate Change (DECC) and The Department for Environment, Food & Rural Affairs (Defra). The Environment Agency (EA) have dedicated a great deal of expert time to ensuring that all matters within their scope have been fully addressed. Once the hydro is operating, the EA will work with HLH on routine fish counting and specialist sampling.

The first stage of the project started in mid December 2013. The environmental works include river bank protection, fish screens and best practice fish and eel/elver passes. This work is funded mostly by a grant from the Rural Communities Challenge Fund, administered by Defra.

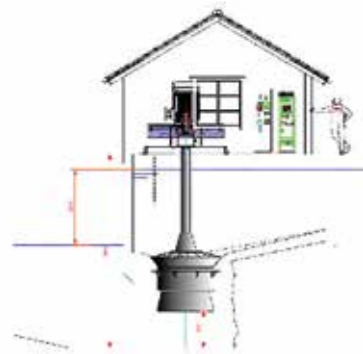
The first 100 kW Kaplan turbine is being installed and is expected to be operational by the end of December 2014. A second turbine is scheduled to be commissioned once the first has operated successfully for 12 months. This turbine will be eligible for the rate of Feed in Tariff prevailing at that time.

The hydro will use only a small part of the flow of the river at the weir (12m³/s maximum compared to an average of 34m³/s that often rises to 350m³/s). The water used reduces as river flow reduces, to the point of one or both turbines shutting down, to ensure that the weir and fish passes always have adequate flow of 4.7m³/s.

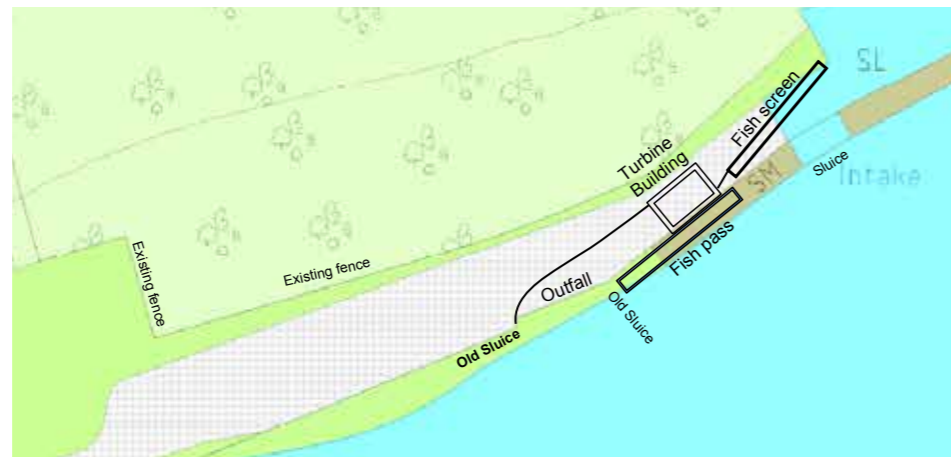
The River Lune is one of four UK Index rivers for Salmon and Sea Trout and so fish counting, trapping and restocking has happened for many years.

HLH fishery specialists have undertaken extensive analysis of ten years of Environment Agency (EA) monitoring data. They have worked with the EA to put together a package of work that not only improves fish passage over Forge Weir in both directions but also supplements the EA's current work with a new fish counter and trapping/sampling facility.

We believe the improvements made will help reduce the current decline in fish stocks, noticed especially through 2013 and 2014.



Turbine Design



Our Team

John Blowes CEng, FIMarEst, FIDGTE, MIMechE (Director)



John is a Chartered Engineer with electrical, civil and electrical project management experience, working in particular on renewable and fossil fuel based power stations, in the UK and overseas. John has sat on various committees associated with energy efficiency and the regulation of carbon emissions. He is a past President and Director General of the Institution of Diesel and Gas Turbine Engineers.

Alan Denham BSc, CEng, CEnv, MICE, MCIWEM, MIPHE (Director)



Alan is a Chartered Engineer and a Chartered Environmentalist. He recently retired from United Utilities with considerable project management experience leading multi disciplinary teams on contracts worth up to £47million. Alan was the project leader on the building of Halton's first community centre.

Brian Jefferson (Director)



Brian was the first person to propose that a community owned hydro be built at Halton and, together with Maureen Richardson from Halton Community Centre, worked to secure grant funding for the hydro. Brian is Chair of Halton Community Association and was, until recently, Chair of Halton with Aughton Parish Council.

Kevin Frea MSc, BPhil (Director)



Kevin originally qualified as a Physics Teacher, and now works part time with young people with special needs. In 2008 he gained a Masters in Human Ecology and has since been developing expertise in community owned energy. A founding Director of Gloucestershire Community Energy, he was Project Manager for their first solar PV installation. He is also Director of Energy Services for LESS (Lancaster) CIC.

Huw Johnston (Chair, Halton Carbon Positive)



Huw has 15 years industrial experience in Quality Management, Health & Safety Management, People Management and IT in both the Food and Engineering sectors. He lives at Lancaster Cohousing where he looks after his two young daughters. Huw administers the Rural Community Challenge Fund Grant for Environmental improvements on behalf of Halton Carbon Positive.

Jonathan Sear (Contracts Engineer)



Jon has an ecology degree and was a founding Director of Lancaster Cohousing. Jon works as a consultant on environment and transport policy as well as project management. Jon was client project manager for the new build Marsh Community Centre and for the Cohousing project.

Alison Cahn (Media and PR)



Alison is a BAFTA winning Journalist and Film Maker, now living at Lancaster Cohousing. Before moving to Lancaster she was Communications Director at Kingston University and now she works as a freelance journalist at the Environment Centre at Lancaster University. She is a Director of the Green Elephant Co-operative that runs Halton Mill and a partner in Forgebank Films.

Due Diligence

We decided that, in addition to our own calculations and those of several independent contractors, that we would commission an independent 'Due Diligence' report to provide additional reassurance to investors, given that we haven't had a bank carry out their own due diligence procedure. We chose Kate Gilmartin from the Micro Hydro Association and 'My Green Investment' because of her experience of many other micro hydro projects in the UK, including several other community ones.

The final conclusion of the report was that:

"This assessment has shown that the hydro scheme is a valid investment opportunity. The assessment has shown the technical approach of Halton Lune Hydro to be robust...However, with this investment, the rate of return figures can only be used as indicative, due to the many variables discussed. This report has determined that even under extreme modelled conditions, where the scheme generates significantly less than anticipated, the project should still provide a return that is comparable to other smaller hydro projects."

A full copy of the report is available at www.haltonlunehydro.org/due-diligence

Our Partners

Halton Lune Hydro Ltd. has received advice and support from a wide range of statutory, commercial and voluntary organisations.

Dave Hollings of Co-operative and Mutual Solutions Ltd has provided practical guidance on setting up an IPS and issuing shares, through the Co-operative Enterprise Hub.

Fishtek Consulting, founded in 1999, is our specialist fisheries consultancy offering a range of technical services, including fisheries impact assessments, hydro-power studies, fish pass design/fabrication and fisheries mitigation technology.

Chris Brett, Managing Director of Hydro Survey Ltd and a Director of the British Hydropower Association, has been providing expert advice. Chris is a member of the Institute of Engineering & Technology (IET) and the Institute of Civil Engineers (ICE).

Encraft, a leading consulting engineering company specialising in energy efficiency, low carbon buildings and distributed energy projects, are providing design and specification input to the hydro high and low voltage systems.

United Utilities PLC, who own Forge Weir, have leased the hydro allocated area to HLH. HLH will be putting money aside every year to restore the site to its original state at the end of the project, which hopefully won't be for 50 years or more.

Our legal advisor is Vivian Cowle of Cowle Smart Solicitors, Cheltenham. We have also received invaluable advice from Kathy Smyth, cofounder of Wey Valley Solar Schools Energy Co-operative.

The project has received significant financial support from:

- EDF Green Energy Fund (£4,000);
- Lancashire County Council Give-it-a-Go competition (£5,000);
- Department for Energy and Climate Change (DECC) Low Carbon Challenge Fund, (£8,000);
- Lancashire District Local Strategic Partnerships (£14200);
- The Rural Carbon Challenge Fund, with Halton Carbon Positive, (£258,800 ex VAT).

Funders and supporters



Halton Carbon Positive



Consultants



Halton Carbon Positive

Halton was selected in 2010 as one of twenty “test bed” communities in the UK to create a green and low carbon infrastructure that could significantly cut carbon emissions. The hydro project was awarded grant funding as part of this project. The organisations that form part of Halton Carbon Positive are:

Halton Community Association

The Halton Community Association (HCA), is a non profit making Registered Charity, run for the sole purpose of providing and maintaining a Community Centre for the inhabitants of the village of Halton and its wider community.

As well as being an early sponsor of the hydro and helping to gain grant funding, the Association is involved in overseeing the use of that grant funding for the construction of all the special environmental measures for the hydro area.



Lancaster Cohousing

Lancaster Cohousing (LCH) is an award winning community development, based upon ecological values, which is at the cutting-edge of sustainable design and living. The 41 private homes are built to Passivhaus and Code for Sustainable Homes 6 standards.

LCH have built a private wire network to accommodate the electricity generated by their PV and the hydro, including a sub station to export the surplus to the National Grid.

LESS (Lancaster) CIC

LESS was set up in March 2007 to promote sustainable lifestyles and provide sustainable solutions in Lancaster District. Current projects include energy advice and saving and food growing projects. LESS administers a fund generated from solar PV installed on an office building in Halton, to be spent on energy saving in the local area.

Community Benefits



Outside the Centre @ Halton

One of the key ambitions of this project is to raise more than a million pounds to support and encourage a thriving, involved, active and sustainable community. We will do this by working with organisations which have the benefit of the local community at heart.

Halton Lune Trust

All the surplus income from Halton Lune Hydro will go to the Halton Lune Trust, a charitable organisation registered with the Charity Commissioners. The Trust will distribute these profits for public benefit within and around the Parish of Halton with Aughton in line with the Trust Objectives, and under Charity Commission rules.

The distribution process will place special emphasis on activities that encourage the social involvement of all individuals and voluntary groups within the community in the following ways:

Improving and enhancing recreation and sporting activities.

Projects could include improving children’s play areas and sports provision for all age groups; better provision of local allotments; improving walking/ cycling routes to the nearby Bowland Area of Outstanding Natural Beauty.

Supporting energy efficiency and carbon reduction.

The Parish Plan promotes the adoption and implementation of sustainability throughout the Parish and so the funding could be used to promote:

- Reducing home energy use by improving insulation, adoption of smart meters and thermostats, help with best tariffs, operating practices etc.
- Reducing home water use and protecting water resources for example rain water storage.
- Using sustainable home building materials and household products.
- Encouraging the use of renewable technologies eg. heat pumps and small scale solar PV.
- Improved public and community transport.

Conservation and heritage

The parish has a heritage that extends back to the Roman era, and was important in both the Medieval period and the Industrial Revolution. Funding will be available to bring this wealth of material to life for residents and visitors alike.

Trustees of Halton Lune Trust are:

- John Urry**, Professor of Sociology at Lancaster University.
- Peter Lambson**, who worked in the aircraft Industry and then as a science teacher.
- Chris Baxter**, an engineer specialising in energy.
- Ronald Hepwood**, a farmer and Parish Councillor.

Financial Projections

Financial projections in tabular form, prepared and approved by the Board, are summarised on the following pages.

HLH has provided a projection based on the cost of installation, including all development costs, operational costs and forecast revenues. The figures are based on contracts pending or entered into and estimates received by HLH. The Directors take responsibility for the reasonableness of the projections in this offer.

Returns to Members are calculated according to projected income and expenditure during the life of the project. The annual amount available for payment as interest to Members' capital, as determined by the Directors and approved at the AGM, is divided by the amount of Members' equity to give a projected rate of return.

The projections are based on a project and contract term lasting 20 years. At the end of 20 years all investments will be returned to members. The hydro will continue to operate, generating income from the

1	Estimated capital cost of project with two turbines	£1,698,535
2	IPS Shares already issued	£1,045,535
3	This share issue	£380,000
4	Predicted interest rate paid to shareholders	5%
5	Annual generation T1 (Scenario 1 kWh)	672,087
6	Annual generation T2 (Scenario 1 kWh)	280,945
7	Annual generation T2 (Scenario 2, kWh)	610,835
8	Annual generation T2 (Scenario 2, kWh)	255,340
9	FIT rate for T1 (kWh)	£0.2076
10	FIT rate for T1 (predicted, kWh)	£0.1407
11	Electricity Purchase Agreement (predicted, kWh)	£0.06
12	RPI used in forecasting income and expenditure	3.1%
13	Annual Administration, Maintenance and Servicing	£45,000
14	Cost of Lease as % of revenue (increases in Year 10)	2.5% to 5%
15	Bond to United Utilities to restore site	£51,000

sale of electricity at market rates, with profits continuing to be distributed to the local community.

Base Figures and Assumptions

The following tables are based on predicted generation, scenarios 1 & 2, from the Due Diligence (DD) Report (available at www.haltonlunehydro.org/due-diligence).

The surplus income payable to Halton Lune Trust in the two scenarios varies between **£1,802,968** and **£1,228,335**.

The income for export of electricity is based on the prevailing rate achieved at auction by small hydro schemes of £0.06 per kWh. We also expect to receive an enhanced rate of £0.0782 for all electricity sold directly to Lancaster Cohousing, but this is not included in calculations as accurate usage projections are not available at the time of publication.

We have assumed that all capital is repaid after 20 years. However, in practice, we expect to be able to repay capital as we accumulate it, so reducing share interest payments significantly over the period. (Table 3)

Table 1 Two turbines, based on Scenario 1

Year	Income			Expenditure					
	T1	T2	Total	Admin etc	Share Interest	Lease & Bond	Total	Avail to HLTrust	Capital Reserve
1	£179,850	£0	£179,850	£45,000	£71,276.75	£6,850	£133,127	£46,723	£10,000
2	£185,425	£56,908	£242,334	£55,000	£71,277	£8,458	£177,175	£65,158	£42,440
3	£191,174	£58,672	£249,846	£56,705	£71,277	£8,646	£183,312	£66,534	£46,684
4	£197,100	£60,491	£257,591	£58,463	£71,277	£8,840	£189,932	£67,659	£51,353
5	£203,210	£62,366	£265,576	£60,275	£71,277	£9,039	£197,079	£68,497	£56,488
10	£236,722	£72,651	£309,373	£70,215	£71,277	£10,134	£223,721	£85,652	£72,094
15	£275,760	£84,633	£360,393	£81,795	£71,277	£20,420	£264,038	£96,355	£90,546
20	£321,237	£98,590	£419,826	£95,284	£71,277	£23,391	£285,117	£134,709	£95,165
21	£74,259	£101,646	£175,905	£98,238	£0	£11,195	£109,433	£66,472	£0
Totals	£4,956,355	£1,544,795	£6,501,150	£1,537,996	£1,425,535	£309,116	£4,698,182	£1,802,968	£1,425,535

Table 2 Two turbines, based on Scenario 2

Year	Income			Expenditure					
	T1	T2	Total	Admin	Share Interest	Lease & Bond	Total	Avail to HLTrust	Capital Reserve
1	£163,259	£0	£163,259	£45,000	£71,277	£6,850	£133,127	£30,132	£10,000
2	£168,320	£51,721	£220,041	£55,000	£71,277	£7,901	£176,618	£43,423	£42,440
3	£173,538	£53,325	£226,863	£56,705	£71,277	£8,072	£182,738	£44,125	£46,684
4	£178,918	£54,978	£233,895	£58,463	£71,277	£8,247	£189,340	£44,556	£51,353
5	£184,464	£56,682	£241,146	£60,275	£71,277	£8,429	£196,469	£44,678	£56,488
10	£214,885	£66,030	£280,914	£70,215	£71,277	£9,423	£223,009	£57,905	£72,094
15	£250,322	£76,919	£327,240	£81,795	£71,277	£18,762	£262,380	£64,860	£90,546
20	£291,603	£89,604	£381,206	£95,284	£71,277	£21,460	£283,186	£98,020	£95,165
21	£67,408	£92,381	£159,790	£98,238	£0	£10,389	£108,627	£51,163	£0
Totals	£4,499,136	£1,403,995	£5,903,131	£1,537,996	£1,425,535	£285,730	£4,674,796	£1,228,335	£1,425,535

Table 3 Repaying capital as accumulated (Scenario 2)

Year	Income			Expenditure					
	T1	T2	Total	Admin	Share Interest	Lease/Bond	Capital Reserve	Total	Avail to HLT
1	£163,259	£0	£163,259	£45,000	£71,277	£6,850	£10,000	£133,127	£30,132
2	£168,320	£51,721	£220,041	£55,000	£69,155	£7,901	£42,440	£174,496	£45,545
3	£173,538	£53,325	£226,863	£56,705	£66,821	£8,072	£46,684	£178,281	£48,581
4	£178,918	£54,978	£233,895	£58,463	£64,253	£8,247	£51,353	£182,316	£51,580
5	£184,464	£56,682	£241,146	£60,275	£61,429	£8,429	£56,488	£186,620	£54,526
10	£214,885	£66,030	£280,914	£70,215	£45,042	£9,423	£72,094	£196,774	£84,140
15	£250,322	£76,919	£327,240	£81,795	£23,825	£18,762	£90,546	£214,928	£112,312
20	£291,603	£89,604	£381,206	£95,284	£500	£21,460	£95,165	£212,409	£168,797
21	£67,408	£92,381	£159,790	£98,238	£0	£10,389	£0	£108,627	£51,163
Totals	£4,499,136	£1,403,995	£5,903,131	£1,537,996	£805,411	£285,730	£1,425,535	£4,054,672	£1,848,459



Member Returns

We anticipate:

- A target interest rate of 5% per annum until 2034
- Interest payments from the end of the 1st year of operation
- Repayment of your initial investment after 20 years
- All Members will have one vote regardless of how many shares they hold
- All Members will have the right to elect the Halton Lune Hydro Board
- All Members will have the right to stand as a Board Member

Returns to members are calculated according to projected income and expenditure during the Project Period using the assumptions stated in the Offer Document.

Tax benefits may also be available to investors, which could further increase the effective return on investment.

We are offering investors the opportunity to subscribe for 'withdrawable' shares – these are shares that cannot be sold, traded or transferred between members, unlike the 'transferable shares' typical of a limited Society, and only HLH can buy them back. The shares will never go up in value and may have their value reduced to zero if Halton Lune Hydro Ltd is failing. The Board of Directors may decide to allow members to withdraw some or all of their share capital after 3 years subject to the money being available in the Society. A fund has been set aside to allow some members to withdraw their share capital each year, but we cannot give assurances that you will be able to withdraw your share capital before the end of the scheme.

We strongly encourage investors to view their investment as being a 20-year commitment to the project – a one-off investment to generate a long-term financial benefit to you, and a lifetime of environmental and social benefit to the community.

Enterprise Investment Scheme Tax Relief

HM Revenue and Customs (HMRC) have granted Seed Enterprise Investment Scheme (SEIS) tax relief of 50% to shareholders who made the first £150,000 of investment.

Halton Lune Hydro Ltd. have applied to HMRC for Enterprise Investment Scheme (EIS) tax relief of 30% for previous investors to date.

Please note: it is for individual investors to apply for EIS tax relief, so you have to be eligible as well as the Society you are investing in. It is advisable to check with an accountant or financial advisor that you will be eligible, if this is important to you. You can also get more information about EIS and find out how to apply at HMRC's information site:

www.hmrc.gov.uk/eis

Risk factors

As Halton Lune Hydro Ltd has been incorporated with limited liability, the liability of its Members will be limited to the amount paid for their shares. This means whatever happens, all you could possibly lose is the value of your shares. However, prior to making any decision to subscribe for shares in the Society, you should carefully consider, together with all other information contained in this document, the specific risk factors described below which are considered by the Directors to be material in relation to the Society.

These risk factors are not set out in any particular order of priority and should not be regarded as exhaustive or a complete and comprehensive statement of all potential risks and uncertainties associated with the Society. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Society's operating results, financial condition and prospects.

Social investment

Investing in Halton Lune Hydro Ltd should be seen as more of a social than a financial investment. We cannot guarantee a safe haven for your money or even that you will ever receive back all the money you invest.

Interest

Good practice requires that such interest payments should only be paid from current operating profits.

Future value of shares

There is no prospect of shares in this Industrial and Provident Society ever being worth more than their nominal value.

Construction costs and timetable

The costs to build the scheme outlined in the share offer document are estimates based on the information available to us at the time of going to print. The capital costs used in the Directors' forecast are based on current fixed price quotations for the civil engineering work and installing the first turbine. Should quotations come in above the anticipated cost limit, Directors will work with our designers and project manager to attempt to find cost savings that deliver the project to the required total capital investment.

Investors will be kept informed of any significant changes to construction costs and timetable. Small increases in capital costs will be met by the monies raised in this share issue. It may be necessary to raise further capital to cover more significant cost increases through loans or securing additional investment.

The Directors have identified the following additional risks and will seek to protect investors against these risks through prudent management

- The price of electricity can go down as well as up, however the FIT is guaranteed for 20 years.
- Changes in Government legislation may affect the scheme.
- The rate of FIT received by the second turbine will depend on the date of commissioning of the first turbine. If this is delayed beyond 30th December 2014 then the second turbine will receive the FIT rate applicable in January 2016, after a scheduled derogation on 31st December 2015.
- The amount of electricity generated by the hydro scheme is linked to the volume of water flow in the river. This varies both day-to-day and across years and may be lower than assumed in our financial modelling. We do however have data going back 30 years that we have based our modelling on.
- The Abstraction License will be periodically reviewed by the EA. This could lead to a change in the license conditions.
- The project could be delayed due to technical, financial, legal or other matters.
- There may be interruptions to generation of electricity caused by mechanical or electrical failure of equipment, damage to Forge Weir, or other unforeseen reasons.
- Costs associated with the management and maintenance of the project and debt servicing may increase beyond the rate of inflation currently allowed for within our financial modelling.
- The grant administered by Defra for environmental works may have to be repaid in part if the first turbine is not commissioned within the agreed timescales.
- Ofgem may down grade the FIT band if Turbine 1 performs at over 100kW. (Care will be taken to ensure that this turbine only performs within its permitted installed capacity.)

Share Offer

This offer is being made so that:

- A hydro scheme, comprising of two 100 kWe turbines, can be installed at Forge Weir on the river Lune to generate electricity.
- The local community may benefit from the Society's activities.

£380,000 ordinary Shares of £1 are offered at par and payable in full on acceptance of an application on the Terms and Conditions of this Offer Document. The shares, which will not be traded on any stock exchange, have been created under the Industrial & Provident Societies Act 1965.

Successful applicants will receive share certificates and their details and holdings will be recorded in a share register to be kept by Halton Lune Hydro Ltd. at their Sales Office: Halton Lune Hydro Ltd, Halton Mill, Mill Lane, Halton, Lancs, LA2 6ND. Each person or organisation issued with Shares becomes a Member of Halton Lune Hydro Ltd, with membership rights defined in the Rules

The principal rights are:

- One vote per shareholding on resolutions of the Members, including in relation to the appointment of Directors.
- The right to receive a proportionate annual interest payment as a return on the investment in shares (subject to available surpluses).
- The right to the return of the original investment at the end of the life of the project, or at stages as determined by the Directors and subject to available surplus assets and any new business of the Society.
- As a member, eligibility for election to the Board.

Interest Payment/Dividend Rights

Interest will be paid on the balance of each Member's account at rates which will reflect annual financial

performance. (Each Share carries a right to an equal part in any declared dividend, although it is not the intention to declare dividends in addition to annual interest payments). The date on which entitlement to interest (or any dividend) arises will be announced each year. It is envisaged that any interest (or dividend) unclaimed for a period of 7 years will be cancelled for the benefit of Members. There are no restrictions on interest and dividend payments.

Rights to Share in Profits/Surpluses

All members are entitled to share in interest (and dividends) declared out of annual profits, such payments to be divided equally between the total Shares in issue. This means that a Member with 10,000 shares has a single vote but will receive interest or dividends on all 10,000 shares. When the Halton Lune Hydro scheme comes to an end, Members may choose to liquidate Halton Lune Hydro Ltd, in which case assets will be realised and the net proceeds applied in repaying Members' share capital.

Redemption of Shares

Redemption of Shares may take place in accordance with Rule 27 of our constitution which, subject to approval of the Board, permits Shares to be withdrawn. However, in order not to jeopardise commercial activities, shares cannot be withdrawn for 3 years and no more than 5% of the issued share capital as at 1st January in each year shall be withdrawable during the ensuing year. This right of redemption may be suspended by the Board.

Taxation of returns to Members

Interest payments made to Members will be subject to United Kingdom taxation. It is expected that payments will be made gross and investors will be responsible for declaring this income on their tax returns. Should dividends be declared, members will receive notional tax credits under current legislation. Taxation rules may be subject to change.

Terms and conditions for applying for shares

Before completing the Application Form you should consider taking appropriate financial and other advice, particularly in relation to any aspect of the Offer Document which is not clear to you.

Your application

You cannot withdraw your application for shares after we receive your application form and cheque. 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 reason for their decision. If the share offer is over-subscribed (i.e. the share offer attracts applicants for more than the amount needed to finance the construction of the Halton Lune Hydro scheme), shares will be allocated in order of receipt of application, and with priority given to anyone living within twenty five miles of the project.

Once the full amount needed to finance Halton Lune Hydro has been raised, the Directors of Halton Lune Hydro will give notice of closure of the share offer, and any applications received after this time will be returned to applicants. Your application will be considered for approval at the first convenient Board of Directors meeting after the closing date for the offer and therefore you should not expect an immediate response.

Your payment

Shares are payable in full on application. The Directors will acknowledge receipt of your cheque and application. They may cash your cheque as soon as it is received. HLH will hold your money on trust for you in a separate account until the Directors have considered your application. The Directors will return your money to you (within 28 days of the Board of Directors meeting at which they consider your application) if they decide not to issue shares to you. If they decide to issue you with fewer shares than you applied for, they will return the balance to you (within 28 days of the Board of Directors meeting).

All monies subscribed will belong to Halton Lune Hydro Ltd (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). Halton Lune Hydro Ltd will not pay you interest on any money it returns to you.

Your promise to us

You promise that:

- Your cheque will be honoured on presentation.
- You, as an individual, are at least 16 years of age.
- You have authority to sign the application form. If you are signing it for another person, you will provide the Directors with evidence of your authority to sign if they ask to see it.
- You will supply us with proof of your identity and address, if the Directors ask for it. We may need to do this to comply with the Money Laundering Regulations 2003. The Directors may have to hold back your shares until they see this.
- You are resident in the United Kingdom.
- You are not relying on any information or representation which is not included in this document.

Demutualisation

You may not benefit financially from your shares if Halton Lune Hydro Ltd converts, or transfers its business or is wound up. In this case, the only financial benefits you may receive from your shares are:

- The possibility of interest (at a low rate).
- The possibility of the return of the money you pay for your shares.

If the Society has any money left over after paying all its debts and liabilities and repaying the value of your shares, this money must be donated to other community projects with an asset lock serving the Halton area.

Miscellaneous

The laws of England apply to this document and any subscription made for shares in Halton Lune Hydro Ltd and the Courts of England and Wales have exclusive jurisdiction in relation to any disputes arising out of the same. You will be bound by the Rules of Halton Lune Hydro Ltd. (as may be amended from time to time) if the directors issue shares to you. The registered office of Halton Lune Hydro is: Rectory Cottage, Foundry Lane, Halton, LA2 6LT .

Other things we need to tell you

Anyone interested in making an application for shares to Halton Lune Hydro Ltd is strongly advised to take appropriate independent advice. The list of risks contained in this document is not necessarily comprehensive. Shares in the Society are not 'investments' for the purposes of the Financial Services and Markets Act 2000 (FSMA), therefore you do not have the level of protection that you might otherwise be offered by that Act or subsidiary regulations. In particular, this document does not need approval (and has not been reviewed, authorised or otherwise approved) by an "authorised person" under section 21 of FSMA or by any regulatory body.

As a community benefit society, Halton Lune Hydro Ltd is registered with, but not authorised or regulated by, the Financial Conduct Authority and therefore any money you pay for shares is not safeguarded by any depositor protection or dispute resolution scheme. In particular, you will have no right of complaint to the Financial Ombudsman Service nor any access or entitlement to the Financial Services Compensation Scheme.

Halton Lune Hydro Ltd was converted from a Society Limited by Guarantee and registered with the Financial Conduct Authority on 5 November 2013 (registered number 32233R). We use governing documents provided by Cooperatives UK (www.uk.coop), with advice from Cooperative and Mutual Solutions Ltd. (www.cms.coop) who have advised us in the preparation and launch of this share offer. Our governing document, the Rules of Halton Lune Hydro Ltd, is available to download at www.haltonlunehydro.org/rules and explains member rights as well as the management and constitution of the Society. As with any investment, there is risk involved. Should Halton Lune Hydro Ltd get into financial difficulties:

- We may not be in a position to pay interest
- We may have to suspend your rights to withdraw shares
- You may lose all the money you pay for your shares

If Halton Lune Hydro Ltd is wound up, its assets will first be used to meet its liabilities; next to repay members for their shares; and finally any surplus remaining will be passed onto a charity, society or other body with similar objectives.

The Directors of Halton Lune Hydro Ltd have taken all reasonable steps to ensure that the facts stated in this document are clear, fair and not misleading in all material respects and that there are no other material facts, the omission of which would make misleading any statement in this document. To the extent permitted by relevant law and regulation, the Directors and Halton Lune Hydro Ltd expressly disclaim and exclude any and all liability based on this document and for any errors or omissions contained in it. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

All statements of opinion contained in this document, all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of Halton Lune Hydro Ltd represent the assessment of the directors based on information available to them as at the date of this document but are not to be read as guarantees or assurances that the particular events will in fact come about. Accordingly, no representation is made or warranty given as to the accuracy, completeness, achievability or reasonableness of any such projections, views, statements or forecasts.

Can you afford to be without the money you would pay for these shares?

If not, PLEASE do not buy any shares.

How to Apply for Shares

Please read the whole of this document and refer to The Rules of Halton Lune Hydro Ltd (available at www.haltonlunehydro.org or on request from Halton Lune Hydro Ltd., Halton Mill, Mill Lane, Halton, LA2 6ND) before making an application for shares.

You may make an individual, joint, or corporate application for Shares - please use the appropriate application form.

You may also hold shares on behalf of a children. Shares purchased on behalf of a child nominee will be held in the name of the Applicant and transferred to the child upon reaching the age of 18. Any returns payable in respect of the Shares will be paid direct to the child. It is not possible to become a member twice, this means you cannot become a member in your own right and also be a member holding shares on behalf of a child.

You may nominate a person to whom you wish the shares to be passed after your death. In the event of death of a shareholder, the repaid value of the shares will normally be added to the estate for probate purposes. Nominating a recipient for the value of these shares (up to £5,000) removes the value of these shares from your estate for probate purposes (but not tax purposes).

Please fill in the form attached if you would like to do either of these things.

Once you have filled in the appropriate application forms please make a BACS payment to Halton Lune Hydro Ltd, Cumberland Building Society.

**Sort Code: 16-52-21 Account No: 5241263
(or send a cheque payable to 'Halton Lune Hydro Ltd')**

and post the form(s) to:

Halton Lune Hydro Ltd., Halton Mill, Mill Lane, Halton, LA2 6ND.

The closing date for applications is 31 March 2015.

Application form

For use by **individual (and joint) applicants**

I wish to become a member of Halton Lune Hydro Ltd in accordance with the Rules and apply for :

Ordinary shares to the value of: £ _____. I enclose a cheque for this amount made payable to 'Halton Lune Hydro Ltd.' (For this offer the minimum shareholding is £250 and the maximum £50,000.)

Name and address (PLEASE USE CAPITAL LETTERS). For more than two joint applicants, please photocopy this form and ensure that each applicant completes and signs the form.

	Applicant	Joint Applicant
First name(s) in full		
Last name		
Address		
Town/city		
Postcode		
Telephone no.		
Email		
Contact name		

Data protection and money laundering

The data provided by you on this form will be stored within a computerised database.

This data will be used only for Halton Lune Hydro Ltd purposes and will not be disclosed to any third party. It is a condition of the offer that to ensure compliance with the Money Laundering Regulations 2003, Halton Lune Hydro Ltd may at its absolute discretion require verification of identity of any person seeking to invest.

Please send your completed application form and payment to:

**Halton Lune Hydro Ltd,
Halton Mill,
Mill Lane,
Halton,
LA2 6ND**

Payment can be made by BACS:
Cumberland Building Society
Sort Code: **16-52-21**
Account No: **52412623**

Agreement

- I have read the Share offer Document, including risk factors.
- I wish to become a member of Halton Lune Hydro Ltd.
- I agree to be bound by the Terms and Conditions included in the Share Offer Document and the rules of Halton Lune Hydro Ltd. (see www.haltonlunehydro.org)
- I understand that the Board of Directors of Halton Lune Hydro Ltd may reject my/our application, and our not obliged to tell me/us why it has been rejected.
- I consent to receiving formal notices by email and links to formal documents on Halton Lune Hydro Ltd's website.

Signed as a Deed

Applicant	
Signature	
Print name	
Date	
Joint Applicant	
Signature	
Print name	
Date	

Application form

For use by corporate applicants

I wish to become a member of Halton Lune Hydro Ltd in accordance with the Rules and apply for :

Ordinary shares to the value of: £ _____. I enclose a cheque for this amount made payable to 'Halton Lune Hydro Ltd.'

Official name and correspondence address of corporate applicant (PLEASE USE CAPITAL LETTERS)

Full official Society name	
Address	
Town/city	
Postcode	
Telephone no.	
Email	
Registered Society Number	
Contact name	

Agreement

We agree to be bound by the Terms and Conditions included in the Share Offer Document and the rules of Halton Lune Hydro Ltd. (see www.haltonlunehydro.org)

I understand that the Board of Directors of Halton Lune Hydro Ltd may reject our application, and are not obliged to tell us why it has been rejected.

Signed as a Deed

Director	
Director/Secretary	
For and on behalf of	
Date	

Please send your completed application form and payment to:
Halton Lune Hydro Ltd., Halton Mill, Mill Lane, Halton, LA2 6ND

Data protection and money laundering

The data provided by you on this form will be stored within a computerised database. This data will be used only for Halton Lune Hydro Ltd purposes and will not be disclosed to any third party. It is a condition of the offer that to ensure compliance with the Money Laundering Regulations 2003, Halton Lune Hydro Ltd may at its absolute discretion require verification of identity of any person seeking to invest.

Holding shares on behalf of children and nominations of shares on death

I wish to nominate a person to whom I wish my shares to be transferred on my death.

You can choose to:

- Hold shares on behalf of children and/or
- Nominate a person to whom you wish your shares to be transferred on your death.

Please fill in the relevant sections below.

Holding shares on behalf of children

If you wish to hold shares on behalf of someone who is under 16, please fill in that person's details below (noting EIS and other tax relief issues). (PLEASE USE CAPITAL LETTERS)

First name(s) in full			
Last name		Date of birth	
Address			
Town/city		Postcode	

Nomination of shares on your death

You can nominate a person aged 16 or over to whom you wish your shares to be transferred on your death. Trustees will need to be appointed for a nominee under 16 years old. Halton Lune Hydro Ltd will respect your wish in so far as the law and our Rules permit. If you are a joint shareholder, your holding will pass to the other joint shareholder(s) on your death unless you complete the form below. (PLEASE USE CAPITAL LETTERS)

First name(s) in full			
Last name		Date of birth	
Address			
Town/city		Postcode	

Agreement

I understand it may not be possible for Halton Hydro Ltd to action this request and I and my heirs will not hold the Society responsible for its actions. I understand that these instructions can only be revoked or amended by my giving clear written instructions to the Secretary of Halton Hydro Ltd at its Registered Office. I understand that trustees will need to be appointed if my nominee is under 16 years of age.

Signed as a Deed

	Applicant	Witness
Signed		
Print name		
Date		

Find out more at: www.haltonlunehydro.org
Email: investments@haltonlunehydro.org
Phone: 01524 220010
Twitter: @haltonlunehydro

Halton Lune Hydro Ltd. (Reg. No. 32233R).
Halton Mill, Mill Lane, Halton, Lancs. LA2 6ND.

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