



Lochbroom Community Hydro **SHARE OFFER**

Sgeama Cumhachd Dealain-uisgeach Coimhearsnachd Loch Bhraoin
TAIRGSE-EARRANN



Share Offer *Tairgse-earrann*

OPENS: 30th April 2016

A' FOSGLADH: 30th Gearran 2016

CLOSES: 31st August 2016

A' DÙNADH: 31st Lùnastal 2016

**An invitation to invest in a community-owned
hydro-electric generation scheme in Lochbroom**

*Cuireadh airgead a chur an seilbh ann an
sgeama dealan-uisgeach Loch Bhraoin, fo stiùir
na coimhearsnachd fhèin*



Share Information Booklet

Leabhran Fiosrachaidh mu na h-Earrannan

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR CAREFUL ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY. THA AM PÀÌPEAR SEO CUDTHROMACH AGUS FEUMAR A LEUGHADH GU LÈIR AGUS GU DÌCHEALLACH.

Lochbroom Community

Coimhearsnachd Loch Bhraoin



The Lochbroom Community is defined by an area that stretches from Elphin in the North to Braemore in the South and Dundonnell to the west. It includes **Loch Broom, Little Loch Broom, the Scoraig peninsula and Gruinard Bay** and the surrounding settlements of **Elphin, Strathcaniard, Rhue, Leckmelm, Braemore, Ullapool, Lochside, Dundonnell, Scoraig, Badcaul and Gruinard**. At the time of the 2011 census the area had a population of around 2350 people.

Ullapool, the largest settlement, is a small fishing village approximately 60 miles from Inverness, the largest city in the Highlands. The village, which is on the banks of Loch Broom, was designed by Thomas Telford and established in 1788 by the British Fisheries Society as a herring port. Since then it has grown and changed and whilst the harbour is still active, tourism has come to play a vital role in the local economy. It is also a cultural centre for the area with a theatre and three art galleries and it hosts annual guitar, book, dance and rock music festivals. Ullapool is the gateway to the Western Isles via a twice daily Caledonian MacBrayne ferry service.



Elphin is a crofting township about 15 miles north of Ullapool. The village contains a tea-room, several bed and breakfasts and a community hall. Half a mile south of Elphin is the Knockan Crag visitor centre, part of the North West Highlands Geopark which contains some of the oldest rock in Europe and can claim to be the birthplace of modern Geology.

Scoraig is a small settlement located on a remote peninsula between Little Loch Broom and Loch Broom. It is known for its remoteness (reachable only by boat or about five miles' walk), organic food production, and its pioneering use of wind power.



The township of **Dundonnell** sits at the foot of the An Teallach mountain complex, overlooking Little Loch Broom and is the base for the local Mountain Rescue.

Summary of the Proposal

Geàrr-chunntas an Tagraidh

This document contains an invitation to subscribe for shares in Lochbroom Community Renewables Ltd. (reg. no. 7126) to cover the cost of the first community-owned hydro scheme in Lochbroom.

LCR has been established as a Community Benefit Society¹ with the specific purpose of owning and operating community renewable energy schemes in the Lochbroom area to benefit the community of Lochbroom.

The proposed hydro scheme is called **BroomPower**. **BroomPower** will generate revenue by selling green hydro-electricity to the national grid. The income will allow **BroomPower** to contribute to other projects and initiatives within the area by gifting the net profits of the scheme to Ullapool Community Trust Limited (UCT) to be paid into a Community Benefit Fund. UCT is a registered charity (No. SC356419) with the objective of promoting sustainable development in the community of Lochbroom.

Investors should appreciate that any investment they make is to support the development of renewable energy and, accordingly, a subscription for shares in **BroomPower** should be regarded as both an investment for social and environmental purposes and one that could produce a fair financial return. It should also be noted that members of community benefit societies do not have access to the Financial Ombudsman Service of the Financial Services Compensation Scheme.

If you are in any doubt as to the action you should take you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (FSMA) or from another appropriately authorised independent financial adviser.

The content of this document has not been approved by an FSMA authorised person. Reliance on this document for the purposes of engaging in investment activity may expose an individual to a risk of losing all the money he/she has invested.

Nothing in this document constitutes investment, tax, legal or other advice by LCR, its directors or advisers.

The share offer opens on 30th April 2016 and closes on 31st August 2016. However the Board of LCR reserves the right to extend this deadline if the amount raised is close to the amount required to proceed or to close early if the required amount has been raised.

Due care and attention has been taken in preparing this offer document. The process has been overseen by the founder members who can vouch that the information it contains is in accordance with the facts available and that there are no known omissions likely to affect the viability of LCR or the **BroomPower** project.

¹ A community benefit society is run primarily for the benefit of the community at large, rather than just for members of the society. This means that it must have an overarching community purpose that reaches beyond its membership. An applicant enterprise must also have a special reason for being a community benefit society rather than a company, such as wanting to have democratic decision-making built into its structure. Although a community benefit society has the power to pay interest on members' share capital, it cannot distribute surpluses to members in the form of dividends.



The Project *Am Pròiseact*

The project was initiated by Ullapool Community Trust (UCT) following a local ballot in 2013 suggesting 97% voter support for the development of a community hydro scheme. UCT gained funding for feasibility studies to find the most suitable site for a community renewable energy project in the community's area. These studies resulted in a site being identified at the Allt a' Mhuilinn burn in Lael Forest for a small-scale run-of-river hydro scheme.



As a Scottish Charity, UCT is not allowed to operate a hydro scheme. Therefore, in 2015 Lochbroom Community Renewables Limited (LCR) was established as a Community Benefit Society¹ with the primary objectives of:

- Developing and operating a renewable energy project or projects
- Providing an opportunity for public-spirited people and organisations to contribute financially to the community, with the expectation of a financial and social reward.
- Supporting the activities of Ullapool Community Trust in its charitable objectives

¹ Co-operative and Community Benefit Society Registration Number 7126

The first stage of the development has been to obtain the necessary permissions for the scheme build and planning permission has been gained from Highland Council, a water abstraction licence has been granted by SEPA and Scottish & Southern Electricity (SSE) has granted an export licence to enable the generated electricity to be sold to the National Grid. Feed in Tariff (FiT) pre-accreditation was acknowledged on 29 September 2015 and confirmed in February 2016. Legal missives have been agreed with Forestry Commission Scotland (FCS) and the terms of the lease for the site land have been agreed with a site entry date of 1 September 2016 for 41 years.

The next stage is to raise capital for the construction and operation of this scheme for the Lochbroom community. The funds raised will be used to purchase and install a 100 kW hydro-electric turbine on the Allt a' Mhuilinn which will feed into the national grid and generate income for the benefit of the local community. It is expected that construction will commence early 2017 with a view to grid connection in autumn 2017. Details of the timeline are covered later in this booklet.

The intention is that funds will be raised primarily through an issue of Community Shares and the nature and process of this is outlined in this booklet. In embarking on this venture LCR are aiming to achieve the following:

- An environmentally acceptable renewable energy project which will remain in the control of the Lochbroom community through its community investment membership
- An investor membership which will have equal voting powers irrespective of the size of their investment; one member one vote
- An income generating, renewable energy scheme where all net profits will be invested in the local community for community benefit
- An asset which will remain for the benefit of the community in perpetuity via an 'asset lock'
- A Community Benefit Society which will serve the Lochbroom Community

Online *Air-loidhne*

You can keep up to date with progress through our dedicated website, and Facebook page.

www.broompower.org

www.facebook.com/BroomPowerHydro

The Opportunity An Cothrom

The benefits of the scheme will be threefold:

1

Generating clean, green electricity and environmental benefit

The LCR scheme is estimated to generate, on average, 479,000 kWh of green electricity each year. Renewable energy has an important role to play in addressing the key issues of climate change and security of supply.

'Run of river' hydro schemes generally have very few environmental impacts provided they are well designed and the implementation of the schemes are carefully planned. The Scottish Environment Protection Agency (SEPA) has set out specific guidance, which the LCR hydro scheme is following as part of its license conditions. This ensures that suitable provision is made for aquatic life and habitat and that water level in the burn is not allowed to get too low.

Furthermore, the turbine and generator powerhouse will be adequately soundproofed to minimise sound pollution to neighbouring properties. The pipeline from the intake to the powerhouse will be buried and the scheme will have limited visual impact on the landscape once operational.

2

Bringing financial and social benefit to the community

Our conservative Financial Projections indicate that the scheme will generate, through sales of electricity to the grid, around **£90,000** per annum in gross revenue, rising in line with inflation for the 20 years of the Feed in Tariff (FiT) guarantee. After that the revenue is likely to be less, depending on the commercial electricity price at the time. The total revenue over the 20 years is therefore forecast to be in excess of £2.3m with a surplus of around £0.5m available for community benefit projects and investment in the community growth plan.

The surplus will vary from year to year depending on a number of factors including interest payments and, of course, the weather. If Lael has a wet year then the surplus may be more than if we have a dry year.

It is important that we raise as much money as possible through this share issue. The more we raise through shares, the more likely the scheme is to succeed and the more profits we will have to invest in community projects.

3

Offering you a financial return for your support

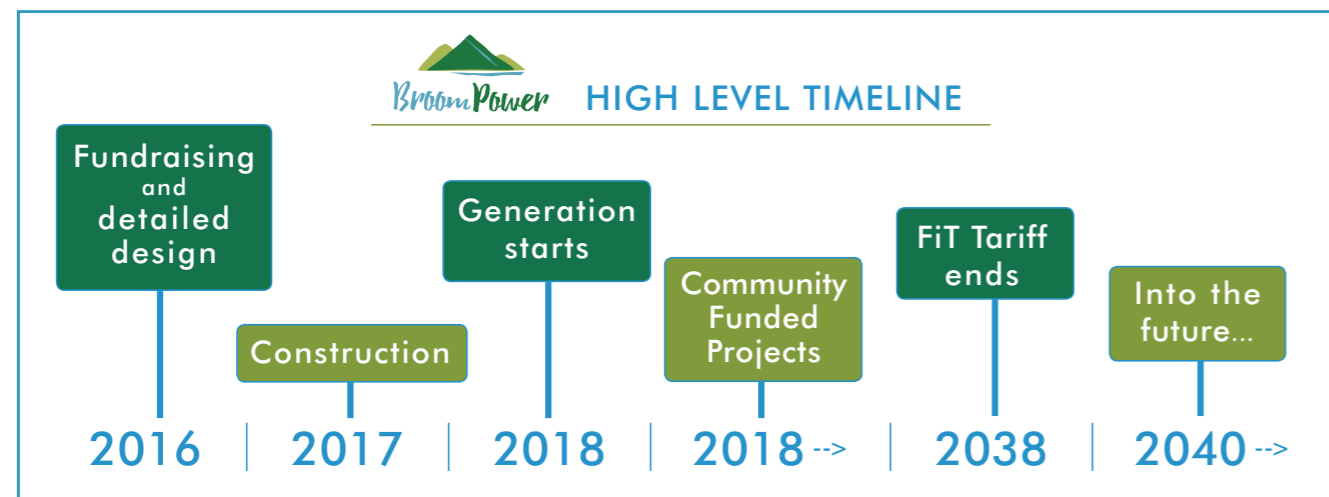
The project will not be possible without the support and commitment of investors. If you invest in LCR's **BroomPower** project you will help to achieve this vision of a green future and enable LCR to help you to a potentially greater financial return than you would currently gain by putting your money in the bank.

Note: Both UCT and LCR boards are staffed by volunteers and there will be no financial gain for board members (unless they are also investors).



Project Timeline

Clar-ama a' Phroiseict



The key planned activities during 2016-18 are listed below.

	START DATE	END DATE
Design contract tenders	Jan 2016	Apr 2016
Share Issue	Apr 2016	Aug 2016
Agreement with banks	Feb 2016	Aug 2016
Construction contract tenders	Apr 2016	Aug 2016
Financial closure	Aug 2016	Sep 2016
Award contracts	Sep 2016	Oct 2016
Order turbine	Oct 2016	Oct 2016
Construction	Apr 2017	Aug 2017
Grid connection	Sep 2017	Sep 2017
Commission scheme	Sep 2017	Oct 2017
Commence Operation	Oct 2017	
Community consultation on CBF	Jan 2018	
First receipts from sale of electricity and FiT	Mar 2018	
First share interest and CBF payments	Oct 2018	

Why we need your investment

Tha feum againn air ur taic

Because of LCR's special status as a Community Benefit Society we are able to raise funding at much lower cost by using Community Shares. This means more of the profit made by LCR can be given back into the Lochbroom community via a Community Benefit Fund.

Our Rules state that at least 51% of the total membership must be comprised of members who reside or are based in the areas covered by the Lochbroom postcodes. If we reach our funding target before the closing date of the share issue, the offer will close early and priority will be given to investors from Lochbroom. If it is necessary to reject any applications from outside Lochbroom this will be done on a 'first come, first served' basis. Conversely, if we fail to reach the target, LCR has provisional agreements in place for additional funds.

LCR is confident though that the full value of the project will be raised and there are other examples of communities achieving this for broadly similar schemes (see Applejuice www.applecrosshydro.scot and Sunart www.sunartcommunityrenewables.org.uk).

Investing in LCR is principally a social investment, but will provide investors with a fair financial return.

You should expect to invest for a minimum of 5 years and investors can only withdraw shares within the first three years of trading at the absolute discretion of the LCR board. A proportion of the total share capital will be repaid each year starting in 2019 and the Directors will endeavour to match repayments to member's preferences where possible. You can indicate your preferred retention period on the Share Application form and this can be updated at any time by contacting the Secretary of LCR at its registered address.

Shares in LCR will never go up in value, but can have their value reduced to zero if LCR was to fail.

Investors can expect a reasonable rate of return

on their investment. The level of interest will be proposed by the LCR Board each year and approved by members at the AGM. Investment returns are capped by the rules that govern LCR and the maximum level is 2% over the Co-operative Bank base rate or 5% whichever is the higher.

Membership of LCR is open to individuals over the age of 16 years, corporate bodies, voluntary organisations and public sector investors. A Share Application form for individuals is provided with this booklet and a corporate form is available to download from www.broompower.org.

Based on the assumptions about the likely profits, the Directors hope to be able to pay an interest on share capital of 4% (gross) per annum.

The share price will be £1, purchased in increments of £50, with a minimum investment of £300 and a maximum of £90,000. Group investments, investments on behalf of children and grandchildren and payment by instalments will all be accepted. Each investor (or group) will receive one vote regardless of the amount invested and the level of your investment will remain confidential..

What do I receive in return for my Investment?

- A target interest rate of 4% (gross) per annum
- Interest payments starting in 2018
- A vote: all members will have one vote each, regardless of how many shares they hold
- The right to elect the LCR Board of Directors and to participate in the Annual General Meeting which decides the future and running of the business
- The opportunity to become one of the volunteer directors of LCR

LCR Limited is registered with the Data Protection Registrar (ZA155272) and will take care to hold and use all personal data in accordance with their guidance.

Project Financing

Ionmhais a' Phròiseict

Business Assumptions and Financial Projection

In preparing this financial projection, a simplified and conservative view on funding has been taken; the calculations assume no funding from interest-free loans or Gift Aid. The aim is to have the scheme generating electricity by Nov 2017 making Year 1 2018

Profit and Loss (£1000's)

Year ending	2016	2017	2018	2019	2020	2021	2022	2023	2028	2033	2038
Income	0	0	44	91	93	96	98	101	114	129	146
Trading Expenditure	0	0	-7	-13	-13	-14	-14	-14	-16	-18	-21
Gross Profit	0	0	37	78	80	82	84	87	98	111	125
Depreciation*	0	0	0	-43	-43	-43	-43	-43	-43	-43	-43
Share Interest	0	0	-18	-36	-35	-34	-32	-31	-21	-11	-2
Community Benefit Fund	0	0	0	-5	-10	-10	-15	-13	-20	-50	-50
Net Profit	0	0	19	-6	-8	-5	-6	0	14	7	30

* Depreciation indicated assumes a maintenance contract supplied with guarantees from the manufacturer. LCR is advised that whilst under the initial year's warranty we would not need to depreciate the capital asset significantly until the first full year of operation i.e. at March 2019

Capital Cost

The total funding requirement is £900,000 which is made up of the build costs of the project plus funds to cover the cost of running the scheme until LCR receives income from energy generation

Our aim is thus to raise all of this funding through the community share issue. Our minimum target is £800,000 and we are currently in discussion with financial institutions, a private investor and three local companies, any of which could fill this gap if need be. We are also still fund raising for gift capital as well as making sure our share issue reaches the maximum audience. We do not expect that any of these alternative arrangements, if needed, will have terms or conditions that would mean a significant increase in interest payments or have terms of withdrawal that would negatively affect LCR's ability to repay shares. If the minimum target is not achieved the offer will not proceed and applicants will have their money returned

Operating the Hydro

Ag Obrachadh an Sgeama

LCR will initially be run by a group of founder members. These founder members form the current LCR Board and work on a voluntary basis. It is these founder members (Directors) who will decide on the initial share allocation and who will run the Society until the first Annual General Meeting.

There will be a total of up to 12 directors in future. UCT has the right to appoint up to two directors, with the rest elected from among the members of the society.

Community Benefit Payment

The surplus from the BroomPower scheme will be gifted to UCT and will be paid into a Community Benefit Fund. The details for the process of disbursement of this fund will be determined by a full Community Consultation prior to the surplus being generated.

All communities are different, but here are some examples of the projects that have been done by other small communities:

Eday in Orkney www.edaypartnership.org/projects

Udny in Aberdeenshire udnycommunitytrust.org.uk

Morven in Argyll www.morvern.org/development

The hydro scheme is a long-term income-generating project lasting for at least 20 years, probably much longer. It is impossible to detail how surplus from the scheme will be spent several years into the scheme however the intention is that this will continue to provide monies for the Community Fund and through this will support projects and activities for the benefit of Lochbroom Community and that have been decided through consultation with the Community.



The Risks

Na Cunnartan

As LCR has been incorporated with limited liability, the liability of its members will be limited to the amount paid for their shares. However, prior to making any decision to subscribe for shares in LCR, you should carefully consider, together with all the other information contained in this document, the specific risk factors described below which are considered to be material in relation to the society.

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



Risk Factors:

All projects involve an element of risk. Successful projects manage and mitigate the risks appropriately. The following risks, or areas of risk, have been identified and the current management will seek to manage these and any emerging risks through the project: The following risks, or areas of risk, have been identified and the current management will seek to manage these and any emerging risks through the project:

- Original estimates for the hydro-electric capacity of the river would have allowed a much bigger scheme. The choice of a smaller turbine was largely to reduce financial risk during the first few years of operation as by choosing a smaller turbine the flow rates and rainfall are less critical and efficiency is improved.
- The budget for the project includes a significant contingency to mitigate variation in capital costs and construction issues. Full survey work has been undertaken and reports by professionals experienced in this type of construction have been prepared to inform the construction process. All technical reports are available through our web site.
- Additional flow measurements are being taken from the river to augment the Low Flows (calculated) data used to design the scheme. This will give tighter parameters in the design and choice of the turbine.
- LCR obtained all permissions in time to pre-register the project for the Government incentive scheme (The Feed In Tariff). This de-risks the financial performance of the scheme.
- The construction risk will be mitigated by ensuring qualified contractors are selected with a good track record of delivery of similar projects. All contractors will be suitably insured and the construction process will be closely supervised by a project manager so that any problems can be dealt with at an early stage. Slippage time has been built in to cope with any adverse weather conditions. The turbine will be ordered as soon as possible to allow for the projected build time.
- It is the intention to fully fund the project by issuing Community Shares. This should reduce the financial risk as LCR will be more in control of the process and able to build reserves without having first to satisfy the banks requirements for priority over the assets. In practice, if a top up loan is still needed because insufficient funds are raised through the share issue the financial risk is higher and rises, as the bank involvement rises, to a point where the project is not viable. Simply put, the more raised through shares the better financially.

Other legal considerations

Stuthan laghail eile a dh'fheumas sinn innse dhuibh

LCR was registered with the Financial Conduct Authority on 13th May 2015. Our governing document, *LCR Rules and Registration*, can be found on the Funding page of our website www.broompower.org

As with any investment there is risk involved. Should LCR 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 LCR is wound up, its assets will first be used to meet its liabilities; next to repay members for their shares; finally any surplus remaining will be passed on to a charity, society or other asset-locked body serving the Lochbroom community.

If a member dies the repaid value of the shares will normally be added to the estate for probate purposes. The application form at the end of this document offers the option for you to nominate a recipient for the value of the shares in the event of your death.

We encourage prospective members to view their investment as a long-term commitment to the project – a one-off investment to generate a long-term financial benefit to yourself and a lifetime of environmental and social benefit to the Lochbroom community. Shareholders should be prepared to tie up their capital for a number of years. Share capital cannot be withdrawn for the first three years of investment and thereafter only at the Directors' discretion. Please note, the Directors may resolve at any time to return excess capital to members in the proportions in which they provided it to the society. Also Directors reserve the right to refuse an application for withdrawal of investment to protect the stability of the society's financial position.

Failure to proceed Mura nì sinn adhartas

All monies raised by this share offer, all money donated and all interest-free loans will be held in a holding account until the decision to go ahead with the project has been made.

If a decision NOT to go ahead is made, all monies raised through the share offer will be returned IN FULL to the parties concerned.

Investors are not exposed to any risks associated with a repayment of the development loan from the Scottish Government Community And Renewable Energy Scheme (CARES) as, if the project does not proceed, the lenders will write off the loan as a grant.

About us

Mur deidhinn

LCR and **BroomPower** are currently run by a volunteer team of local people each with different relevant expertise and roles within this development stage of the project.



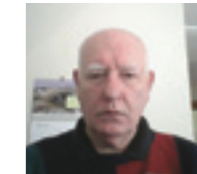
Tim Gauntlett,
Chair, Share Issue and
Fundraising Events

Tim retired in April 2012, was previously an analytic psychotherapist and clinical supervisor, working in private practice, Leeds University and NHS. He moved to Ullapool in 2014 from West Yorkshire, having been a regular visitor to the area for more than 30 years. Founder and Chair of Yorkshire Supervisors Forum 2005-2012.



Neil Gerrard,
Treasurer

Neil brings over twenty years of community development experience including IT, Business Administration and Finance training, social enterprise development, and renewable energy development. Before retiring Neil managed HIE's community renewable energy programme and sat on the Scottish Government's CARES advisory group.



Andy Kaye,
Company Secretary

Andy moved to Lael at the end of 2011 towards the end of a career in the insurance and finance industry spanning nearly 50 years. He held director level positions in a number of well-known financial institutions. His last ten years or so was as a self-employed consultant. Andy has a broad experience in innovation and project work involving multiple functions and organisations and he brings considerable financial and organisational ability to LCR.

Sandy Osborne, Technical

Jason Leon, Technical

Paul Copestake,
Technical and Environment

Bill Badger, Environment

Dave Maxwell,
Communications, Share Issue
and Project Management

Sarah Di Rollo,
Communications, Share Issue
and Grant Funding

Diane Campbell,
Fundraising Events

Rebekah Lwin,
Governance, Grant Funding
and UCT Liaison.

Sandy MacKenzie,
UCT Liaison.

We also wish to acknowledge:

- **Ewan Young** (former UCT Development Officer), **Jan Breckenridge** (former UCT Project Officer), **Flick Hawkins** (current UCT Chair) and those others involved in the early development work of this project prior to the formation of LCR
- **Lisa MacDonald** for the Gaelic translations.

For more information about the team see www.broompower.org/volunteers

How to invest

Mar a chuireas sibh airgead an seilbh

Please complete either the Personal or Corporate application form enclosed inside this booklet or downloadable from the website (www.broompower.org)

Return your completed application form, along with a cheque made payable to **Lochbroom Community Renewables Limited** c/o UCT, Ullapool Village Hall, Market Street, Ullapool IV26 2XE.

BACS payments can be made to: **Lochbroom Community Renewables Limited**,
sort code **83-28-01**
account number **00117980**
and include your name and postcode in the description.

You must still also send the application form back to us.

If you do make a BACS payment, can you let us know by emailing ElsieR@broompower.org or by telephoning **07342 794 136**.

Alternatively, you can invest via the BroomPower page on the Microgenius Community Shares platform www.microgenius.org.uk



Additional Information

The Lochbroom Community Renewables Limited Business Plan, technical documentation plus additional background information regarding the scheme can be found on our website www.broompower.org.

Project Supporters

LCR gratefully acknowledge the support and funding provided by the following organisations

Ullapool Community Trust (ullapoolcommunity.org)

Highlands and Islands Enterprise

Local Energy Scotland

The Highland Council

Community Shares Scotland

The Community Shares Standard Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice.

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: communityshares.org.uk





Broom Power

Powering our community
A' Neartachadh ar Coimhearsnachd

