Osney Lock Hydro

You are invited to invest in community-owned renewable energy in the heart of Oxford.

Share Offer Document
April 2013

Target: **£250,000**

Deadline: **7 May 2013**

OSNEY LOCK HYDRO

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This document details and contains an invitation to subscribe for shares in Osney Lock Hydro Ltd. Osney Lock Hydro will be the first community-owned hydro project on the River Thames in Oxfordshire.

Osney Lock Hydro Ltd is an Industrial and Provident Society for the Benefit of the Community. It will generate income by selling renewable hydro-electricity. It aims to make a surplus income that will contribute to other environmental projects in the Oxford area.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR CAREFUL ATTENTION. It should be read in its entirety. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately 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 authorised person within the meaning of FSMA. Reliance on this document for the purposes of engaging in investment activity may expose an individual to a significant risk of losing all the money it has invested.

In any event, investors should appreciate that any investment they make is a recognition of their support for the development of renewable energy and, accordingly, a subscription for shares in Osney Lock Hydro Ltd should primarily be regarded as an investment for social and environmental purposes rather than one which will produce a significant financial return. It should also be noted that members of industrial and provident societies do not have access to the Financial Ombudsman Service (FOS) or the Financial Services Compensation Scheme (FSCS).

Nothing in this document constitutes investment, tax, legal or other advice by Osney Lock Hydro Ltd, its directors or advisers.

OSNEY LOCK HYDRO

8 April 2013

Your invitation to invest

You are invited to invest in Osney Lock Hydro IPS and own shares in the first community-owned hydro scheme in Oxfordshire. This scheme will enable us to harness the power of the River Thames to generate renewable electricity in the heart of Oxford, fund future community initiatives to further reduce our carbon footprint, and offer investors a financial return for their support.

Planning permission for the 49kW hydro has been granted, but construction needs to fit with the Environment Agency's building work at the site this summer. We must secure funding for the scheme, including £250,000 in share capital, by 7 May 2013. If we don't succeed in this, we may lose the opportunity forever.

The opportunity

We have been granted planning permission to build a hydro scheme on the small island adjacent to Osney Lock in Oxford. The benefits of the scheme will be threefold:

1 Generating clean, green electricity

Osney Lock Hydro scheme is estimated to generate 159,000kWh of green electricity each year. The total will be increased by 6,665kWh annually by the inclusion of solar panels on the roof of power house. This could significantly reduce the carbon footprint of West Oxford – generating electricity equivalent to that needed to power more than 50 homes a year.

2 Bringing environmental and social benefit to the community

The scheme will aim to generate at least £2 million to be donated to other local environmental projects during its first 40 years – enabling further reductions in CO_2, enhancing local biodiversity and inspiring others to follow our example.

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 Osney Lock Hydro, not only will you help achieve this vision of a greener future but we also aim to provide you with a greater return than you would currently gain by putting your money in the bank. If you are eligible for tax relief you may be able to recoup up to half the cost of your investment at the outset.

Your investment

Osney Lock Hydro is an Industrial and Provident Society for the benefit of the community. 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 company and only the Society can buy them back. While no assurances can be given in this regard, the Society may allow members to withdraw some or all of their share capital after 3 years, subject always to the Society's financial position at the time and the further terms and conditions outlined below.

Share offer timetable

Monday 8 April 2013	Offer period commences
Tuesday 7 May 2013	Offer period ends (unless closed early or extended)

Who can invest?

Individuals over the age of 16, couples, charities and other organisations may invest in this offer.

How much can I invest?

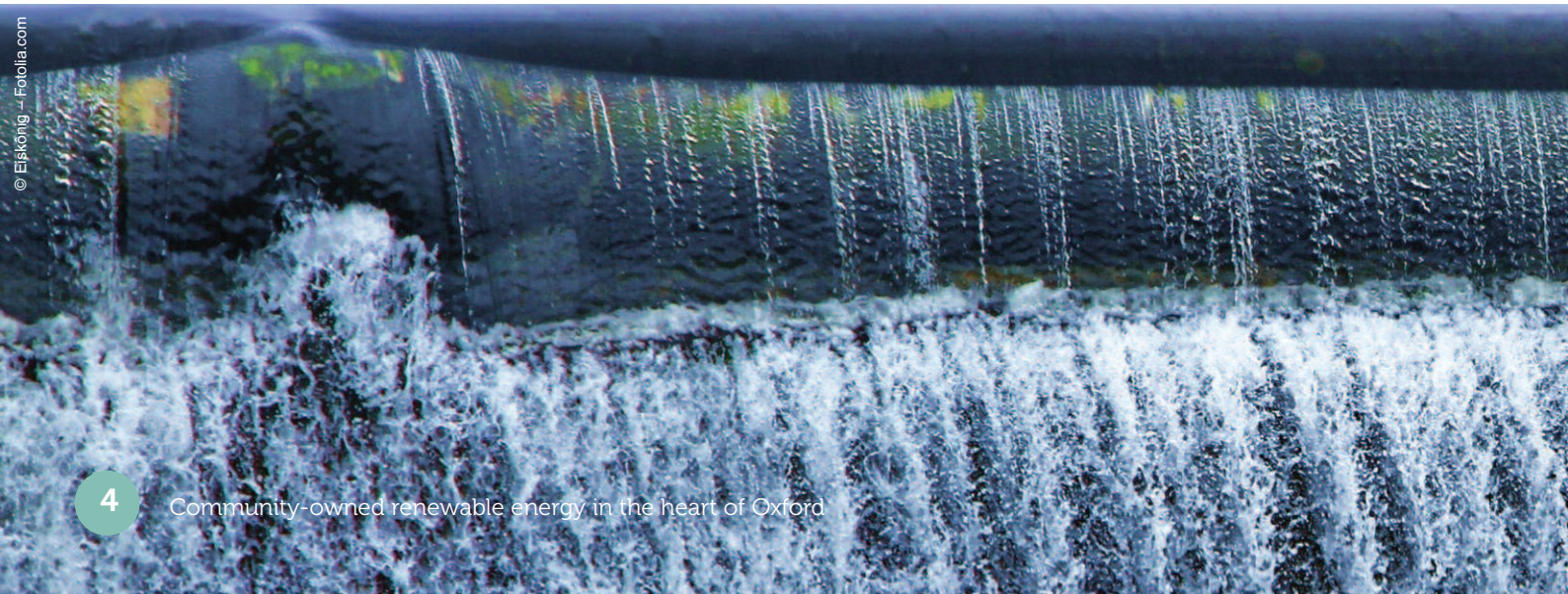
We are offering £1 shares, with a minimum investment of £500 and maximum investment of £20,000. Industrial and Provident Societies can invest more than £20,000.

If you would like to support community-owned renewable energy generation but wish to invest less than £500, you might like to consider investing in West Oxford Community Renewables (WOCoRe), the organisation responsible for the initial development of the Osney Lock Hydro project. WOCoRe has a track record of developing community-owned renewable energy schemes, and intends to invest in Osney Lock Hydro on behalf of its Members. You can learn more about its current share offer, which accepts investment starting at £10, on their website at www.wocore.org.uk. The WOCoRe share offer has been independently verified, but is not officially endorsed or verified by Osney Lock Hydro IPS or its Directors.

What do I receive in return for my investment?

We anticipate:

- A target interest rate of 4% per annum until 2033
- Interest payments from the end of the second year of operation
- Repayment of your initial investment after 20 years
- A vote: all Members will have one vote, regardless of how many shares they hold
- The right to elect the Osney Lock Hydro IPS Board



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Will my investment be eligible for tax relief?

We have applied to HM Revenues and Customs (HMRC) for advance assurance that the shares are eligible for tax relief under Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS), government-backed schemes designed to encourage investment in smaller companies.

If granted, SEIS will enable the first £150,000 of investment to qualify for 50% tax relief for individual investors and Capital Gains relief, and subsequent investment for tax relief at 30% under EIS.

This has a significant impact on your overall return as an investor, as the figures below, which factor in tax relief on your overall return, illustrate:

Projected return without tax relief: **4%**

With SEIS: **9.4%**

With EIS: **6.9%**

"Oxford grew up around the river and for years we relied on it for trade and industry. I love the idea of working with the river again, bang opposite the city's first power station, but this time using new, clean technology."

Saskya Huggins
OLH Director

Only the first £150,000 of investment may qualify for the higher SEIS rate, and this will be allocated to those investors who return their application form and payment first.

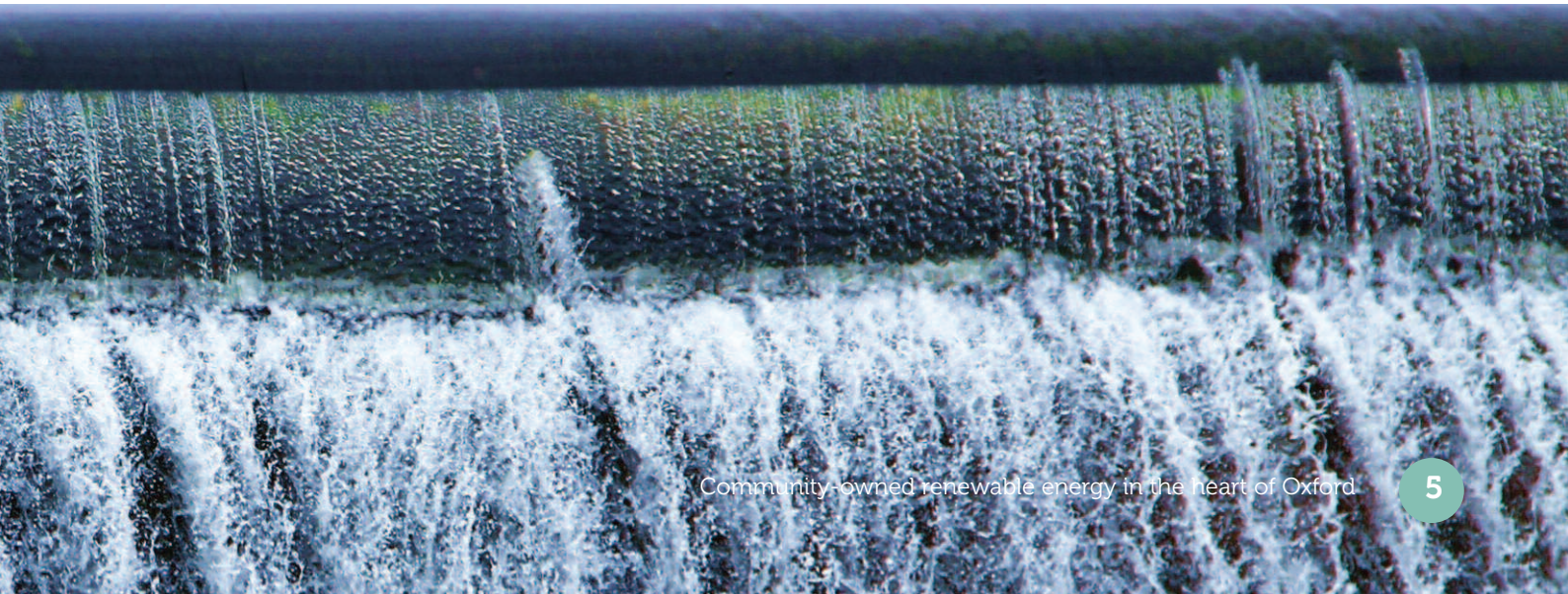
Please note: it is for individual investors to apply for the SEIS or EIS tax reliefs, so you have to be eligible as well as the company you are investing in. It is advisable to check with an accountant or financial advisor that you will be eligible, if this is important to you.

How to invest

Complete the appropriate application form at the end of this share offer document and return it, along with a cheque made payable to Osney Lock Hydro, to: OLH 16 Mill St, Oxford, OX2 0AJ. You can also help us measure progress against our target by pledging your support on-line at **www.osneylockhydro.org.uk**

Withdrawing capital

Although shares are technically withdrawable, no monies can be withdrawn for the first three years, and 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.



The project

Overview

Osney Lock Hydro Limited (OLH) has been established by a group of local residents to enable the development of a community-owned hydro scheme in the heart of Oxford, generating green energy and reducing our community's carbon emissions well into the next half of the century. It is the first community hydro scheme in Oxfordshire to gain planning permission in readiness for investment.

Set on a small island adjacent to Osney Lock, opposite the site of Oxford's first electrical power station, the proposed scheme will be on one of only three sites suitable for hydro generation in the city. This project, which has been under development since 2002, has been brought to investment-readiness by West Oxford Community Renewables (WOCoRe) – a local group with a track record in successfully delivering community-owned renewable projects.

Planning permission has been granted to build the proposed 49kW hydro scheme. OLH has now been set up as an independent Industrial and Provident Society for the Benefit of the Community. Although WOCoRe and OLH are wholly independent organisations, we share a common objective of helping to reduce the carbon footprint of West Oxford by 80% by 2050. OLH's objectives are to raise the funds required to build the scheme and then manage the hydro project once it is operational.

The civil engineering work for the hydro scheme must be scheduled to coincide with the Environment Agency's work to improve the weir and buck gates at the site in the summer of 2013, and will take around six weeks. The generator will be built the following winter, with power generation starting in February 2014.

Osney Lock Hydro projected performance

We want to harness the power of the River Thames to generate a more sustainable future for our community. The performance of Osney Lock Hydro will therefore be measured both directly through the green energy it generates and indirectly through the community benefits achieved with our income.

1 Generating green electricity

At the heart of the hydro scheme will be an Archimedean screw hydropower system, suggested by the Environment Agency for its efficiency, robust design and 'fish friendliness'.[1] Our initial lease from the Environment Agency is proposed to be for a term of 50 years. With a 25 to 40 year lifespan, the screw within the concrete hydro casing should only need to be replaced once during this time.

The hydro scheme is predicted to generate more than 159,000 kWh of clean electricity annually. Although some CO_2 emissions will result from the construction of the scheme, once operational this type of hydro has one of the lowest carbon footprints of all electricity-generation technologies, emitting very little or no CO_2.[2] An additional 6,665 kWh of green electricity is projected to be generated annually by the inclusion of 7.75 kWp solar photovoltaic panels on the power house roof. Together they should generate electricity equivalent to that used by 50 homes – saving 83 tonnes of CO_2 each year.

The amount of electricity generated at any one time will depend on the flow of the river. The performance figures quoted are an average estimate based on five years of actual measured flow data, and take into account restrictions likely to be imposed by the Environment Agency as part of the negotiations.

2 Generating an income stream

The majority of the electricity generated by the hydro scheme is planned to be sold to the Environment Agency and used to power Osney Yard, with the remainder exported and sold to the national grid. Additional income will also be generated for the first 20 years of the scheme from the Feed-in Tariff. The scheme is expected to generate around £50,000[3] income in its first full year of operation. Income will cover the project running costs and loan repayments.

It should also enable us to make interest payments to investors, without the support of whom the project would not be possible, and fund community groups who share our aims. The economics of energy generation mean that payback on the scheme will take time. While any investment should primarily be regarded as an investment for social and environmental purposes rather than one which will produce a significant financial return.

3 Generating £2 million for community benefit

Crucially, we aim to generate over £2 million of community benefit from the scheme during its 40-year lifetime. In the early years, funds made available by OLH will be limited, due to the cost of debt servicing, but will rise significantly once the loan is paid off and shareholders' capital returned.

By funding projects that help reduce energy use, support biodiversity and contribute to a more sustainable future, the impact of the hydro scheme will go far beyond that of providing green electricity.

The hydro scheme itself is part of a broader project that provides an opportunity to showcase renewable energy generation in action, inspire others to strive for a more sustainable future, and create an educational and reflective space by the river for everyone to enjoy.

Osney Lock Hydro technical and advisory team

Design and project management: OEx Ltd, Oxford
Hydropower consultants: Mannpower Ltd, York
Engineering design: Buro Happold (Birmingham office)
Cost consultants: Northcroft Ltd, Oxford
Flood risk assessors: AKS Ward Ltd, Oxford
Environmental consultants: APEM (Oxford office)
Noise consultants: Sound Solution Consultants Ltd, Ipswich
Solicitors: Blake Lapthorn (Oxford Office)

1 For more on the benefits of the Archimedean screw hydropower system, see **www.mannpower-hydro.co.uk**

2 *Parliamentary Office of Science and Technology, Postnote, October 2006, Number 268*

3 Please note, all electricity and income-generation figures are projected annual averages and assume the project has a 40-year lifespan.

Project financing

Costs:

The total development costs of the project are (or are estimated to be) as follows:

Initial feasibility	£14,000
Set-up costs: marketing and legal	£10,000
Project development	£50,000
Renewable energy project build	£550,000 (including fish pass and set-up costs)

Financing:

Initial feasibility costs have been covered by grants, and costs associated with marketing the project have been generously supported by a grant funded by Intelligent Energy Europe.

We aim for the remaining £600,000 to be funded as follows:

£350,000 loan

We are nearing completion of the approval process for a £350,000 loan from the Charity Bank. This is expected to be a 20 year term, with interest charged at 6.5%.

£250,000 equity investment

We need to raise the remaining £250,000 in share capital. This includes a £50,000 investment which the IPS WOCoRe has agreed to commit to once £200,000 has been secured.

We are seeking to cover additional costs associated with the delivery of the broader educational project through grant funding.

Income:

There are three proposed sources of income from the scheme:

The Feed-in Tariff (FiT)

This will be paid on the whole amount of energy generated. The starting rate for electricity generated by the hydro scheme is 20.21p/kWh and it rises every year according to the Retail Price Index. The FiT payments will last for 20 years. The FiT for electricity generated by the solar PVs is also payable for 20 years, with a starting rate of 13.99p/kWh.

Direct sale of electricity

The Environment Agency have agreed in principle to buy electricity from the project to supply the Osney Yard and will pay a rate that is the same as the one it pays through its National Contract. We estimate that the Environment Agency will use 80% of the electricity generated.

Exporting electricity to the grid

We plan for electricity not used by the Environment Agency to be sold through a Power Purchase Agreement to an energy supplier. We estimate that 20% of the energy generated will be sold in this way.

> "Although the Osney Lock Hydro scheme may only contribute a small fraction of clean energy to the national mix, it can have huge knock-on benefits in paving the way for similar community-led projects – raising awareness of the potential for renewables and capturing the abundance of currently untapped, clean, renewable energy available in the UK."
>
> **Paul Spencer, OLH Director**

The combined income from these three sources will start at around £50,000 per year.

The risks

As Osney Lock Hydro 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 OLH, 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.

However, 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 Osney Lock Hydro should be seen as more of a social than a financial investment. Osney Lock Hydro cannot guarantee a safe haven for your money or even that you will ever receive back all the money you invest.

Interest

Osney Lock Hydro IPS is permitted to pay interest on your shares, but by law we cannot offer a generous interest rate and may pay no interest at all. The timing of interest payments and rate of interest will be determined by the Board of Directors.

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 Archimedean screw. Costs for the Power House are based on our Cost Consultants' report and should not be exceeded. Should quotations come in above the anticipated cost limit, Osney Lock Hydro IPS 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.

The building project is being developed in close consultation with the Environment Agency, who is carrying out works to replace the weir and buck gates at the site. The design and build of the hydro and weir, occupying the same channel in the river, have to be carefully co-ordinated. The Environment Agency has been very supportive of our project, and without its good will and assistance the project would not be possible. In particular, capital costs for the hydro project take into account a contribution from the Environment Agency to account for efficiencies they gain from working with us to deliver the hydro project alongside the replacement of the buck gates. However, we are required to work to the agreed design and build schedule that the Environment Agency sets out. Should these change, we may have to alter our design, timetable for construction or meet any other additional conditions imposed by the Environment Agency in order to proceed.

A key factor influencing the Environment Agency's build schedule is the weather, including the impact of rain on river flow at the site. Should the Environment Agency consider conditions not to be suitable, the build schedule may be substantially delayed.

We will keep investors 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.

If the project does not proceed, your investment will be returned to you.

The Directors have identified the following additional risks:

- Osney Lock Hydro IPS may not raise sufficient capital to develop the hydro scheme at Osney Lock, in which case your investment will be returned.
- The project may be delayed or incur additional costs due to technical, legal or financial matters or to fulfil planning conditions, such as the requirement to investigate archaeological finds.
- The amount of electricity generated by the hydro scheme is linked to volumes of water in the Thames at Osney Lock. This varies both day-to-day and across years, and may be lower than assumed in our financial modelling.
- There may be interruptions to the generation of electricity caused by financial or legal matters or mechanical/electrical failure of equipment, poor installation or damage. Osney Lock Hydro IPS will hold insurance, including cover against loss of income.
- The price of electricity charged to the Environment Agency for Osney Yard is set at the same level as the retail price the Environment Agency pays to others suppliers through its National Contract and can go down as well as up.
- The assumed proportions of the electricity generated that is supplied to the Environment Agency Osney Yard and exported back to the grid may vary depending on the actual electricity demand at the yard.
- The Feed-in Tariff scheme may be reviewed at a future date and conceivably discontinued.
- The Water Abstraction Licence proposed to be granted by the Environment Agency is anticipated to be granted for an initial period of 12 months, to 4th February 2014 and thereafter until determined by either party giving the other notice in writing. Although there is a 'Presumption of Renewal' the License may not be renewed or there may be changes to the conditions of the License.
- Regulatory permissions may be withdrawn.
- 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 Directors will seek to protect investors against these risks through prudent management practices.

About us

Osney Lock Hydro IPS is one of a number of community-led initiatives in West Oxford which aim to combat climate change by cutting our community CO_2 emissions by 80% by 2050, encouraging residents to live more sustainably, and contributing to a more cohesive and resilient community.

Osney Lock Hydro Directors bring together a wealth of skills and experience in the sectors of social enterprise, energy, engineering and fundraising. They share a commitment to creating a project that delivers social, environmental and financial benefits to the community for decades to come. Board members donate their time to carry out their duties as Directors in managing Osney Lock Hydro IPS and do not claim expenses.

Board of Directors

Ali Lloyd
Ali has worked in the UK energy industry for over 20 years in a variety of commercial management roles. He currently works for an economic consultancy based in Oxford, providing commercial advice to large renewable energy projects, and is a Director of West Oxford Community Renewables Ltd. Ali has a detailed knowledge of electricity market policy and regulations, particularly in relation to renewable energy. In a previous role he was responsible for managing commercial aspects of a large renewable power station. Ali holds Bachelor's and Master's degrees in Mechanical Engineering. He lives on Osney Island with his wife and two children, and was involved in the Osney Island residents group which initially developed the idea for a hydro scheme at Osney Lock.

Dr Barbara Hammond
Barbara has worked as an academic focused on sustainable development and as a civil servant running the UK renewable energy programmes, during which time she set up the first capital grants programmes to support renewable energy technologies. She worked for Sir David King during his time as Government Chief Scientific Advisor, to help influence international partners on climate change in the run up to the UK presidency of the G8 and the EU in 2005. She also worked closely with Sir David King and Sir Nicholas Stern on the Africa Commission report, with particular regard to the role of science and innovation in the development of the African nations. She went on from there to work as Low Carbon Economy Director at SEEDA and returned to Oxford to work in 2010. Barbara is now Chief Executive of the Low Carbon Hub, Director of Low Carbon Oxford, and Chair of West Oxford Community Renewables Ltd. Barbara has a degree in Modern Languages, a Doctorate in Sustainable Urban Design, and is qualified as a landscape architect and urban designer.

Ruth Finar

Ruth is a graduate in Economics and Sociology and has a masters in Information Management. She has worked as an information scientist, a computer systems and business analyst in the private and public sectors, has been a partner in an information management consultancy, and was Research & Planning Manager and a project consultant for social services and community care departments. Ruth has a Diploma in Gestalt Psychotherapy, is a UKCP-registered psychotherapist, and currently works as a self-employed psychotherapist and supervisor in private practice. She is particularly interested in the psychology of responses to environmental issues, and has trained with Joanna Macy. She was a member of the Ecopsychology Group of PCSR – Psychotherapists and Counsellors for Social Responsibility. Ruth has lived in West Oxford for 10 years, was a founder member of West Oxford Waste-Watchers, a founding Trustee and Treasurer of Low Carbon West Oxford, and is a Director of West Oxford Community Renewables Ltd.

Saskya Huggins

Saskya has over 20 years' experience in the voluntary sector and has worked with a wide range of organisations, from entirely volunteer-run initiatives to national and global charities such as Comic Relief, UNICEF and Oxfam. During this time, Saskya has been involved in strategy development, fundraising, multi-agency collaborative projects and corporate social responsibility. She now works primarily in the field of sustainability. Her voluntary work includes running Low Carbon West Oxford's Low Carbon Living Programme – encouraging people to take practical action to make significant, sustained cuts to their carbon footprint. Saskya also vice-chairs the Friends of West Oxford School, coordinates the West Oxford Playground Appeal, and is a Director of West Oxford Community Renewables Ltd. She is a member of the Institute of Fundraisers, holds a Natural Sciences degree, a certificate in voluntary sector management, and in 2011 studied Social Marketing at the Open University. Saskya lives in West Oxford with her husband and two children.

Paul Spencer

Paul has worked in the renewable energy and environmental sector for over a decade. He currently works for a local public sector organisation, coordinating its carbon and energy management plan which includes implementing and developing low carbon and renewable energy projects. Paul previously launched and for six years ran a successful international renewable energy magazine, during which time he became convinced of the massive contribution that renewables can make to the global energy mix. He holds a Science PhD and professional qualifications in energy assessment and energy management. Paul lived on Osney Island for three years from 2000, and was a founding member of the residents group that began looking at ways to channel water power from Osney Lock weir to generate clean electricity. He currently lives in Woodstock with his wife and three young children.

Questions and answers

1 Has a 'community share offer' been tried before?

Yes. This sort of community share offer is now becoming an established way of raising finance for renewable energy projects that go on to generate a benefit for the community. This is the 'double carbon cut' model pioneered in West Oxford through Low Carbon West Oxford and West Oxford Community Renewables and described in the publication 'Power to Make it Possible' which can be downloaded from www.wocore.org.uk.

Successful solar PV community share schemes include Oxford North Community Renewables which, in 2011, raised £150,000 in four weeks to finance the installation of a community-owned solar panel array at the Cherwell School.

Several community hydro schemes part-financed through share offers are also successfully running in other parts of the country. These include:

- Settle Hydro in North Yorkshire
- Stockport Hydro in Greater Manchester
- Torrs Mill Hydro in Derbyshire

2 Who owns the land?

The hydro site belongs to the Environment Agency, which is offering us a 50-year lease on the island.

3 What is the current status of the project?

After 12 years in development the long-envisaged hydro scheme is ready for construction, providing we can raise the necessary investment funds by 7th May 2013. The scheme has:

- planning permission
- an indication from the Environment Agency that it proposes to grant an Abstraction Licence controlling how it uses the water to generate energy
- an engineering design that has been agreed by the Environment Agency
- an agreement in principle to lease land from the Environment Agency which will be in place before the work starts
- an architectural and a landscape design that meet the conditions set by the Planning Permission
- a full cost report giving a cost limit for the project
- fixed price quotations for the civil engineering work and the installation of the Archimedean screw
- an agreement with the Environment Agency that it will buy the electricity generated at an agreed price
- contracts for the civil engineering work, which will be signed in early May 2013, as long as funding has been secured
- the WOCoRe board has agreed in principle to hand over the development of the project to Osney Lock Hydro IPS, should sufficient funding be secured.

4 When will building work take place?

The civil engineering needs to be scheduled to coincide with work the Environment Agency will be undertaking to improve the weir and buck gates at the site in the summer of 2013, and will take around six weeks. The generator will be installed the following winter, with electricity generation due to start in February 2014.

5 Why does the work have to happen this summer?

Construction of the hydro scheme is timed to coincide with the Environment Agency's building work which is scheduled to take place in July 2013. The civil engineering for the replacement buck gates is such that it would make it difficult for us to develop a hydro scheme at a later date.

6 What is the lifespan of the hydro scheme?

The concrete footings will be built to last well beyond the initial 50-year lease we have on the land. The screw within the concrete hydro casing has a 25 to 40 year lifespan, so should only need to be replaced once during this time.

7 Why have we chosen an Archimedean screw?

This technology was suggested to us by the Environment Agency for its efficiency, robust design and fish-friendliness. It has been used for pumping water for over 2,000 years. The hydro scheme uses the technology in reverse to generate power from water. Its advantages include:

- high overall efficiency, of up to 77%. Efficiency maintained across a large flow variation, even down to a river flow of only 20% of the maximum.
- fish-friendly
- robust, simple machinery requiring low maintenance. No complex control systems required.

8 How much electricity will the hydro scheme generate?

The proposed 49kW hydro installation is estimated to generate, on average, 159,169kWh of electricity a year. The amount of electricity generated at any one time will depend on the flow of the river. The performance figures quoted are an average estimate based on five years of actual measured flow data, and take into account restrictions imposed by the Environment Agency during negotiations regarding the granting of an Abstraction Licence. The solar PV panels are predicted to generate an additional 6,665kWh a year.

9 What will be the hydro's operating costs once it is up and running?

Operating costs include:

- **day-to-day checking and maintenance:** This will ensure that the grille at the top of the screw is clear of debris. We expect this work to be done by local volunteers, suitably trained and equipped with the right gear. We therefore do not expect this to be a cost to the project.
- **annual maintenance checks:** These will be carried out through a contract with Mannpower Ltd and is likely to be £1500 per annum.
- **rent:** This will be payable to the Environment Agency for the lease of the land. We are negotiating this and expect it to fall somewhere between 5 and 7% of annual income. Our financial model assumes 6%.
- **business rates:** We are working with Oxford City Council to establish whether the project will be liable for business rates and, if so, what the rebate would be for an IPS. National policy on this point is unclear: searches to date suggest that the project would be too small to attract a business rate. But if it does, the City Council may apply a waiver of 80% of the charge because of the social objectives of Osney Lock Hydro IPS.
- **insurances:** We are working with our broker to finalise insurance costs for the project and have allowed £1500 per year in our financial model to cover this.
- **administration:** We have allowed £1500 per year in our financial model to cover administration and accountancy costs.
- **contingency:** Our financial model includes a contingency allowance of 10% of operating costs. We will also keep a £20,000 reserve in place to cover unexpected events.

10 Who gets the electricity?

The electricity is proposed to be sold to the Environment Agency for use in its buildings at Osney Yard, and it will pay a commercial rate for the electricity. Any electricity not needed by the Environment Agency will be exported and sold to the grid. Unfortunately electricity cannot be supplied directly to local houses as the grid does not allow for this.

11 What about any potential negative impact from the project?

As well as aiming to maximise the environmental benefits from the project, we have taken great care to minimise possible negative impacts of the scheme, and have commissioned a number of independent expert assessments looking at its potential impact on biodiversity, noise and flooding. This information formed a key part of the rigorous process we have been through in order to be granted planning permission and for our application to be supported by the Environment Agency. You can download the reports from our website **www.osneylockhydro.org.uk**.

The site has been designed to minimise noise through sound-proofing, incorporates a fish pass to ensure fish can travel freely upriver, and native planting to enhance local biodiversity.

Unfortunately the Oxford City Council Tree Officer did not accept our plan to retain all the trees on site. You can read the Tree Officer's opinion in full on our website. We are taking expert advice to ensure that the replanting at the site is both aesthetically and environmentally enhancing to the area.

12 Will it affect the risk of flooding or navigation on the river?

There will be no extra flow down river as a result of the scheme being in place, although there may be a very localised effect to water flows, in that less water will flow over the main weir when the screw is operating, as water will be diverted down the Archimedean screw which will be directly adjacent to the buck gates. Permission to divert water over the hydro scheme is still required to be granted by the Environment Agency in the form of an Abstraction Licence. The conditions of such licences deal with the potential impact on flooding. The licence issued to Osney Lock Hydro IPS will also take into account the licence already issued to the nearby hydro scheme at Osney Mill. As our hydro consultant Mannpower explains: *'the Licence requires the system to shut down if the level falls too low, and in all other circumstances the level is controlled by the lockkeeper opening the gates.'*

13 Why do you need a fish pass?

The Environment Agency has to make sure that the ecological qualities of UK rivers are maintained or enhanced when new schemes are built. One of its main concerns is to make sure that fish can swim up and down the river as they need, particularly migrating fish like salmon, so the Environment Agency has made it a requirement of supporting any new hydro scheme that a fish pass is built.

14 What is the relationship between Osney Lock Hydro IPS (OLH) and West Oxford Community Renewables (WOCoRe)?

Although WOCoRe and OLH are wholly independent organisations we share a common objective of helping reduce the carbon footprint of West Oxford by 80% by 2050.

This project, has been brought to investment-readiness by WOCoRe. OLH was set up in early 2013 specifically to manage the development and running of the Osney Lock Hydro scheme, and four of the five founding Directors of OLH are also currently Board members of WOCoRe. The board of WOCoRe has agreed in principle to handing over the development and management of the project to OLH. This agreement is on condition of OLH raising sufficient funds to carry out the project. We will seek professional advice as to the most effective way to affect such a hand over. The WOCoRe Board have also agreed in principle to invest £50,000 in OLH.This investment will only be made after a minimum of £200,000 share capital has been raised from other sources.

15 Who will manage the project?

The project will be owned by Osney Lock Hydro IPS (OLH). The OLH Board will manage the project, working with professional designers, engineers and project managers to deliver the hydro scheme. The OLH Board will manage the on-going operations and maintenance, working with experienced hydro consultants for the annual maintenance checks.

16 How do I know the project will be properly managed?

The OLH Board consists of Directors with experience of developing and managing renewable energy projects. The Board can be changed if Members are not satisfied with the way it is running the project. The Directors' CVs are available for viewing on request.

17 How do I participate in OLH?

Through purchasing shares you become a member of OLH, giving you the right to participate in its decision-making. OLH will operate for the benefit of the community on a 'one member, one vote' principle, irrespective of the size of a member's shareholding. Members will elect the Board of Directors at the Annual General Meeting (AGM) on a three-year rotation, to manage OLH's affairs. The founding members will stand for re-election at the first AGM and a new Board will be elected.

18 How will OLH deliver its community benefit?

A key part of our vision for the project is the creation of an on-going income stream to support environmental projects to achieve even greater energy savings and carbon reduction.

In the initial years of the project, we will need to focus income on building up a maintenance and contingency reserve to ensure we can pay for any repairs to the scheme. We also need to pay back our loan and deliver financial returns to investors, without whom the project would not be possible.

During this phase, community investment will be delivered in two ways, firstly through a payment of 1p per kWh generated to Low Carbon West Oxford, and secondly, through the donation of surplus income to support environmental projects.

Once our loan has been repaid, the amount available for community benefit will increase, and will rise again once Members have had their capital returned at the end of 20 years. We estimate that over the first 40 years of the project, the total value of this benefit will be at least £2 million.

19 How will revenue be spent by OLH once the hydro is fully operational?

The Directors intend that the revenue from the generation, sale and export of electricity by OLH will be used to cover operating costs each year as follows:

- legal requirements, eg. Financial Services Authority fees.
- Necessary administrative services, such as insurance.
- Any maintenance, repair etc for the generating equipment.
- A contingency fund to cover unexpected events and replacement of inverters, the electrical power converters that change direct current to alternating current.
- Payment of the interest and capital on a proposed loan from the Charity Bank.
- Payment of 1p per kWh generated to the charity Low Carbon West Oxford. This represents a small proportion of the overall community benefit we hope to deliver, but signals our commitment to the project generating direct benefit for the community.

After these costs, any remaining surplus moneys would be disbursed at Directors' discretion as follows:

- Members may be paid a return on their investment, to include annual interest payments and, if not previously redeemed, capital returns at the end of 20 years.
- Additional financial support to environmental projects, enabling further carbon reductions.

20 What happens if OLH does not raise enough money?

In the event that this share issue does not raise the full amount needed to finance the hydro scheme, OLH Directors will consider and decide on alternative options. If, in the opinion of the Directors, this changes the fundamental nature of the project, you will be given the opportunity to withdraw your application.

21 What happens if OLH raises enough money before the deadline?

In the event that this community share issue raises the full amount needed to finance the hydro installation at Osney Lock before the deadline, the Directors will give notice of closure of the share offer. Any applications received after notice of closure will be returned to the applicant.

22 What happens to my shares if I die?

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. If you have claimed SEIS tax relief, you will be able to avoid Inheritance Tax on the shares if you include them in your will.

23 Can I hold shares on behalf of children?

Members must be at least 16 years of age. You have the option of holding shares on behalf of someone who is under 16. There is a form for this purpose at the end of this document.

24 Does my investment qualify for Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS) tax relief?

The directors of OLH have sought advance assurance from HM Revenue and Customs that shares in OLH are eligible for tax relief under the SEIS for the first £150,000 of share subscriptions and for EIS thereafter.

SEIS gives individual investors 50% income tax relief on the amount paid for shares if shareholders pay enough UK tax. It also gives relief from capital gains tax for assets sold in fiscal year 2013/14 if the proceeds of sale are reinvested in the shares which are subscribed for.

EIS gives individual investors 30% income tax relief on the amount paid for shares if shareholders pay enough tax.

We hope to receive a decision from HMRC in mid April, and will announce the outcome on our website **www.osneylockhydro.org.uk**. The availability of any UK tax relief, including EIS and SEIS, depends on the individual circumstances of each investor. No guarantee or other assurance is given that the activities of the Society will be such as to attract or retain any qualifying status for tax purposes and any person who is in doubt as to their tax position should consult their professional taxation adviser.

25 Can I cash in my shares?

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 community. Shareholders should be prepared to tie up their capital for the full 20 years. Share capital cannot be withdrawn for the first three years of investment, and then 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.

26 Other legal stuff we need to tell you

Anyone interested in making an application for shares in Osney Lock 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, Osney Lock 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.

Osney Lock Hydro Ltd was registered with the Financial Services Authority (the predecessor regulator to the Financial Conduct Authority) on 5 March 2013 (registered number 31983R). We use governing documents provided by Wessex Community Assets (www.wessexac.co.uk), specialists in community investments who have advised us in the preparation and launch of this share offer. Our governing document, the Rules of Osney Lock Hydro, is available to download at www.osneylockhydro.org.uk, and explains member rights as well as the management and constitution of the Society.

As with any investment, there is risk involved. Should Osney Lock Hydro 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 Osney Lock Hydro 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 Osney Lock Hydro 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 Osney Lock Hydro 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 Osney Lock Hydro 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.

Terms and conditions for applying for shares

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 (ie the share offer attracts applicants for more than the amount needed to finance the construction of the Osney Lock Hydro scheme), shares will be allocated in order of receipt of application, and with priority given to anyone living within ten miles of the project.

Once the full amount needed to finance Osney Lock Hydro has been raised, the Directors of Osney Lock 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. OLH 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 Osney Lock 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).

Osney Lock 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 OSNEY LOCK 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.

The Directors draw your attention to your obligations under Rule 14 of the Rules of Osney Lock Hydro regarding the windfall if the Society converts, transfers its business, or is wound up. Should any greater financial benefit come into your hands, it will belong to such charity or community benefit society as we may nominate from time to time. You are to hold the benefit on trust for that charity or community benefit society. To secure this (and your obligations under Rule 14.2 of the Rules of Osney Lock Hydro) you appoint as your attorney the person holding office (from time to time) as our Secretary. That appointment is irrevocable. Your attorney has power to sign – on your behalf – an undertaking for which we may ask in accordance with Rule 14.3.

Miscellaneous

The laws of England apply to this document and any subscription made for shares in Osney Lock Hydro 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 Osney Lock Hydro (as may be amended from time to time) if the directors issue shares to you.

The registered office of Osney Lock Hydro is: 16 Mill Street, Oxford OX2 0AJ.

For use by corporate applicants

Application Form for purchase of shares in Osney Lock Hydro Ltd.

OSNEY LOCK HYDRO

We wish to become a member of Osney Lock Hydro Ltd in accordance with the Rules and apply for:

Ordinary Shares to the value of: £

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

Full official company name	
Address	
Town/city	
Postcode	
Telephone no.	
Email	
Registered Company number	
Contact name	

Agreement

We agree to be bound by the Terms and Conditions included in the Share Offer Document and the Rules of Osney Lock Hydro Ltd. which can be viewed at the website www.osneylockhydro.org.uk

I understand that the Board of Directors of Osney Lock Hydro Ltd may reject our Application and is 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 (cheques made payable to 'Osney Lock Hydro Ltd') to: Osney Lock Hydro Ltd, 16 Mill Street, Oxford, OX2 0AJ.

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 Osney Lock Hydro Ltd purposes and will not be disclosed to any third party. It is a term of the offer that to ensure compliance with the Money Laundering Regulations 2003, Osney Lock Hydro Ltd may at its absolute discretion require verification of identity of any person or company seeking to invest.

For use by individual (and joint) applicants

Application Form for purchase of shares in Osney Lock Hydro Ltd.

OSNEY LOCK HYDRO

I/we wish to become a member of Osney Lock Hydro Ltd in accordance with the Rules and apply for:

Ordinary Shares to the value of: **£** and enclose a cheque for this amount, made payable to Osney Lock Hydro Ltd. For this offer the minimum shareholding is £500 and the maximum £20,000. Applications can be received at Osney Lock Hydro Ltd, 16 Mill Street, Oxford, OX2 0AJ until the Directors declare the offer closed.

Name and address (PLEASE USE CAPITAL LETTERS)

For more than two joint applicants, please photocopy this form and ensure each applicant completes and signs the form.

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

SEIS and EIS tax relief

It is our hope that the scheme will be approved for SEIS and EIS. If the scheme is approved, only the initial £150,000 invested will be eligible for SEIS, with remaining investment eligible for EIS. This will be allocated on a first-come-first-served basis to applicants who have declared themselves eligible as taxpayers.

I would / would not** like my investment to be included in the initial £150,000 of shares. I am a UK taxpayer.

*Delete as appropriate

Priority application

If we raise more investment than we require, priority will be given to applicants who live within a ten-mile radius of Osney Lock. *I do* / do not** live within ten miles of Osney Lock (the site of the project). *Delete as appropriate

Agreement

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

Signed as a Deed

First applicant	Joint applicant (if applicable)
Signature	Signature
Name in print	Name in print
Date	Date

Please send your completed application form and payment (cheques made payable to 'Osney Lock Hydro Ltd') to: Osney Lock Hydro Ltd, 16 Mill Street, Oxford, OX2 0AJ

If you wish to nominate a person to whom you wish your shares to be transferred on your death, please tick the box ☐ and complete the form overleaf.

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 Osney Lock 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, Osney Hydro Ltd may at its absolute discretion require verification of identity of any person seeking to invest.

Notices by email and documents on our website

To reduce our administrative costs, we would like to be able to send you formal notices by email and refer you (by email) to documents posted on our website. By signing this form you are consenting to receiving such notices by email and accessing documents through our website.

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

OSNEY LOCK HYDRO

(PLEASE USE CAPITAL LETTERS)

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).

First name(s) in full
Last name
Date of birth
Address (if different from that supplied on application form overleaf)
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.
Osney Lock 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.

Personal details of your nominee

First names (in full)
Last name
Address
Town/city
Postcode

I understand that it may not be possible for Osney Lock 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 Osney Lock 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	Date
Name in print	
Signature of Witness	Date
Name in print	

Please send your completed form to: Osney Lock Hydro Ltd, 16 Mill Street, Oxford, OX2 0AJ

Advisers and bankers

Solicitors: Blake Lapthorn, Seacourt Tower,
Botley Road, Oxford OX2 0FB

Bankers: The Co-operative Bank

List of additional documents available for your inspection

You can inspect the detailed documents produced in developing the project by prior appointment at: Blake Lapthorn solicitors, Seacourt Tower, Botley Road, Oxford OX2 0FB. These include the following documents:

1. Financial model
2. Flow data and flow analysis
3. Engineering, architectural and landscape design drawings
4. Planning approval
5. Abstraction Licence
6. Cost report

The registered office for Osney Lock Hydro is: 16 Mill Street, Oxford, OX2 0AJ.

This share offer has been developed with support from the Low Carbon Hub.

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www.oxford.gov.uk OXFORD CITY COUNCIL

Supported by INTELLIGENT ENERGY EUROPE

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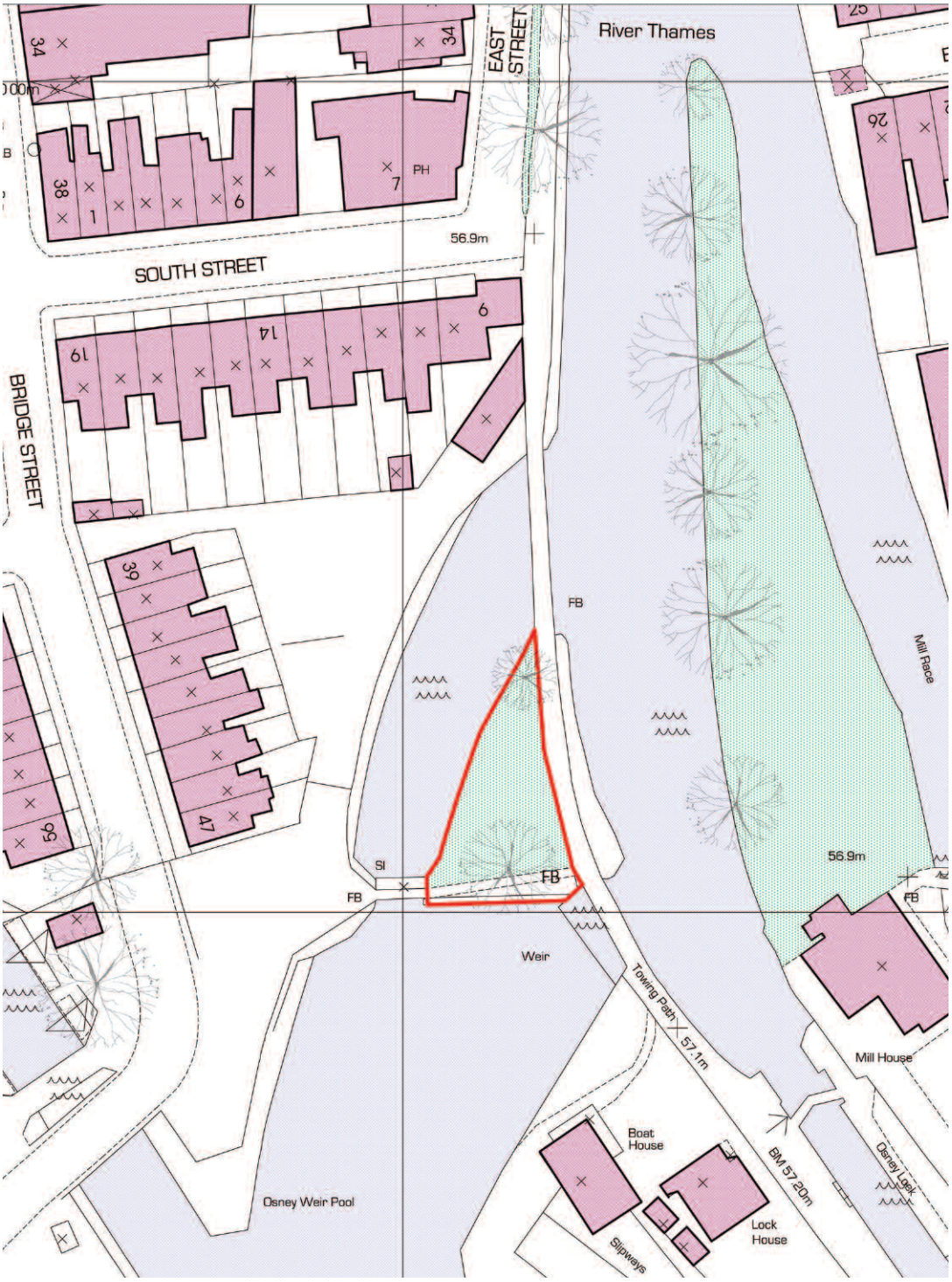

OSNEY LOCK HYDRO

www.osneylockhydro.org.uk

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