



## **Invitation to Subscribe for shares in B4RN – Key information September 2016**

### **The company**

Broadband for the Rural North Ltd (B4RN) is a community benefit society established under the Industrial and Provident Societies Act 1965 and registered with the Financial Conduct Authority (FCA), company registration number 31352R. As a community benefit society B4RN must operate for the benefit of its constituency, the rural community, rather than for the benefit of its members and shareholders. It can pay interest on its shares but only at a level necessary to attract and maintain the investment needed to fund the network construction and operation. Any surplus funds must be used to benefit the community and not be distributed to shareholders.

### **Objective**

Our objective is to deliver very high speed future proof broadband to residential and business premises located in the rural areas of the North West. These are all in the last few percent of properties which will not get high speed broadband via the planned commercial upgrades. It will be delivered by installing fibre optic cables all the way out to each property, a model generally known as Fibre to the Home (FTTH).

### **Network**

The first phase (December 2011 plan) of the project aimed to deliver fibre to twenty one parishes in the Lune Valley to the east of Lancaster, containing approximately 3200 properties. However, since starting the project many more parishes have joined the project and our footprint now covers 41 parishes (and growing all the time), containing well over 5000 properties.

### **Cost of building the network**

The cost of building the originally planned network, leasing fibre to Telecity in Manchester and installing the necessary equipment was estimated to be ~ £3.5M. Most of the original network planned in 2011 has now been completed. This has been funded via £1.4M of shares purchased £1.3M of loans and volunteer effort from within the community. We are now in a new phase of adding additional parishes and areas in response to requests to expand to reach them. Each expansion will be funded by the community in the new area via the purchase of new shares or loans to meet the costs.

### **Investment**

The minimum shareholding will be £100 and anyone purchasing this will become a member of B4RN and entitled to vote at meetings and become involved in the strategy of the society. Under IPS rules investors may hold a maximum of £100,000 worth of shares in the B4RN. As a community benefit society a member is entitled to one vote irrespective of the number of shares they own. All shares are “withdrawable shares” and can only be sold back to B4RN. They have no potential for capital gains and will only be redeemed at face value. For the first three years the investment cannot be withdrawn nor will any interest be paid. From year 4 and onwards annual interest will be paid at a rate which will be determined by the board after taking into account the financial position of the society and FCA rules. At present our target rate is 5% which will be paid in the form of additional shares credited to the investor’s account. From year 4 onwards investors may apply to withdraw their investment. We intend to put aside an amount each year to fund these withdrawals. However the amount available will be subject to the company’s trading position and will be at the discretion of the board so there is no guarantee that it will be sufficient to meet all demands. First priority will be given to those investors wishing to withdraw the interest payments they have received in the

year, these will always be paid if requested. Next those members with special circumstances such as deaths and financial hardship. Finally any remaining requests will be handled on a first come first served basis until the withdrawals fund is exhausted. Our business plan shows the predicted allocations for withdrawals and we estimate being able to redeem all outstanding shares by 2027 if investors wish to cash in their shares. Clearly there are risks associated with buying these shares given that they are withdrawable only and this is subject to the society's position and the decisions of the board. You may feel it appropriate to take professional advice before investing.

### **EIS Tax Relief**

The shares issue is designed to be compatible with HMRC's Enterprise Initiative Scheme which gives a 30% tax relief against the value of the shares purchased. We have submitted full details of the share scheme to HMRC and have received a pre-approval certificate confirming eligibility for EIS relief. To qualify for EIS relief the investor have paid sufficient tax to cover the claimed tax relief in either the current or previous tax years. Applicants who wish to take advantage of the EIS scheme can indicate this on the application form and we will then send them the appropriate HMRC form for onward submission to their tax office.

### **Larger Investors**

These are investors purchasing at least £1500 worth of shares. They will be able to designate a property within the B4RN coverage area which we will connect without payment of the £150 connection charge. Investors taking advantage of this offer should be aware that they will be considered to be receiving value equivalent to this amount from B4RN against the purchase of shares. HMRC will therefore take this value into account when calculating any tax relief due. You may wish to discuss this with your financial advisor. Obviously investors from outside of our coverage area will not be able to receive this free connection and hence will be able to claim the full tax relief. Investors wishing to buy more than 1500 shares can take advantage of this offer for each complete 1500 purchased. They can either designate these additional properties themselves or leave it to the board to identify good cases which might need support with getting online. Unless told otherwise we will assume the investors home address to be the property designated for free connection. This incentive is subject to review by the board and may be cancelled in the future. This reflects the steady lowering of the risk profile of B4RN and hence the reduced need to offer incentives to invest. However once shares are bought the benefits offered at the time of purchase would apply irrespective of when the property is actually connected.

### **Application form**

B4RN publish two versions of the application form one of which investors will need to fill in, sign and return. One form applies to ordinary members of the community and the other to incorporated bodies wishing to invest. Please download the share application PDF from the website here: <http://b4rn.org.uk/resources/> or request it from [info@b4rn.org.uk](mailto:info@b4rn.org.uk) Cheques are to be made payable to "Broadband for the Rural North Ltd" or BACS transfers to: Broadband for the Rural North Ltd, Sort code: 08-92-99 account number: 65520211. (If paying by BACS please contact us via [info@b4rn.org.uk](mailto:info@b4rn.org.uk) to get a reference number) Please return the application form and any cheques to "B4RN Ltd, Station Yard, Kirkby Lonsdale Road, Melling, Carnforth LA6 2QY.