

Invitation to subscribe for shares in Broadband for Surrey Hills Ltd ("B4SH")

May 2020

The Society

Broadband for Surrey Hills Ltd (known as B4SH) is a registered society under the Co-operative and Community Benefit Societies Act 2014 (registration number 7656).

Day-to-day operations are overseen by a board of directors who are answerable to the society's members.

B4SH's annual accounts and statutory return are available to view on the Mutuels Public Register maintained by the Financial Conduct Authority (FCA).

The society aims to:

- Provide high speed broadband to domestic and business premises located in the rural areas of the Surrey Hills, especially those areas which are poorly served by their current broadband suppliers;
- Promote the take up of broadband and the Internet and the use of information and communication technology generally;
- Provide opportunities for public-spirited people and organisations to contribute to the community, financially or by volunteering, with the expectation of a social dividend, rather than personal financial reward

As a community benefit society, B4SH must operate for the benefit of its defined community (ie its potential clients) rather than only for the benefit of its members and shareholders. B4SH 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.

B4SH's Network

Our planned broadband network connects into the Zayo fibre network north of Albury, Surrey and then runs south into the Surrey Hills. We offer hyperfast connectivity, 1000 Megabits per second symmetric service (same speeds up and download).

We have already received a huge amount of interest and pledges of support from individuals throughout the Surrey Hills. B4SH is building out its network, as investment and support from volunteers permits.

The first phase of network development was into Silent Pool, south Albury to Weston Yard, to The Bothy in Albury Park Estate and then across Blackheath to Shamley Green. Thereafter the network will grow according to investment and subscriber interest. Each expansion of the network will need to be funded by the community via the purchase of new shares.

We are modelling ourselves on, and receiving technical support from, the highly successful Broadband for Rural North (B4RN) who offer a corresponding service to the community in Lancashire/Yorkshire/Cumbria. We will connect into B4RN's data centre equipment at Telehouse North in London, which provides worldwide connectivity and facilities for the continuous monitoring of our network.

Funding the cost of building the network

The cost of purchasing and installing the necessary equipment and leasing fibre from Zayo, the fibre connection into Telehouse North, is estimated to be £750,000.

B4SH has raised £409,000 and will continue to raise money for its capital requirements. Shares will be eligible for Social Investment Tax Relief (SITR).

Investment and membership of B4SH

Anyone purchasing shares becomes a member of B4SH and is entitled to vote at general meetings and become involved in the strategy of the society. The minimum shareholding is £500 and the maximum shareholding is £100,000. As a community benefit society, each member is entitled to one vote at general meetings, irrespective of the number of shares they own.

Withdrawal of investment and risks of investing

All shares are "withdrawable shares" and can only be sold back to B4SH. They have no potential for capital gains and will only be redeemed at face value. For the first four years the investment cannot be withdrawn nor will any interest be paid. From year 5 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 the target rate is 3% which is paid in the form of additional shares credited to the investor's account annually.

From year 5 onwards investors may apply to withdraw their investment. B4SH intends to put aside an amount each year to fund these withdrawals, however the amount available will be subject to the society's trading position and will be at the discretion of the directors, so there is no guarantee that there will be sufficient funds put aside in a particular year to meet all demands for withdrawal. First priority will be given to those investors wishing to withdraw the interest payments they have received in the year. Any remaining requests will be handled on a first come, first served basis until the withdrawals fund is exhausted.

B4SH estimates being able to redeem all outstanding shares by 2030 if investors wish to redeem their shares, although this is dependent on the society's performance.

Clearly there are risks associated with buying these shares given that B4SH is a start-up company. Anyone buying shares could lose some or all of the money they invest. There is no recourse to the government's Financial Services Compensation Scheme or to the Financial Ombudsman Service. Any withdrawals of capital are subject to the society's financial position and the decisions of the directors, and there is no potential for capital gains. You may feel it is appropriate to take professional advice before investing.

The Social Investment Tax Relief (SITR) Scheme - tax relief for investors

The rules surrounding issues of B4SH shares are designed to be compatible with the Social Investment Tax Relief scheme. For an individual (not corporate) purchaser, these schemes can result in income tax relief (at 30%) and capital gains tax deferral against the value of the shares purchased. B4SH has submitted full details of the initial share issue to HMRC and has received an advance assurance opinion from HMRC confirming that the issue meets the qualifying conditions of the SITR scheme.

Applicants who wish to take advantage of the SITR scheme needs to indicate this on their application forms at the time of investing and B4SH will then send the customer a compliance certificate for investors to return to HMRC with their annual tax return. To qualify for SITR income tax relief the investor must have paid sufficient income tax to cover the claimed tax relief in either the current or previous tax year.

Please note that investors who are 'connected' to Broadband for Surrey Hills Ltd may not be eligible for SITR. 'Connected' for SITR purposes means any employees or paid directors of B4SH, and their associates (business partners, spouses or civil partners, parents, grandparents, children and grandchildren). Simply being a customer of B4SH does not mean that you are 'Connected' for SITR purposes.

An overview of SITR can be found at <https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief>

SITR has recently undergone some changes which came into effect on 15 March 2018. The changes to SITR can be found at <https://www.gov.uk/government/publications/income-tax-enlarging-social-investment-tax-relief/income-tax-enlarging-social-investment-tax-relief>

Investors of £2,000 or more will benefit from our £150 router set-up charge being waived. This benefit is classed as "value received", however as it is not more than £1,000 HMRC class it as an "insignificant receipt".

Shares application form

B4SH publishes two versions of the application form (one for individuals, one for organisations). Investors will need to fill out the appropriate one, sign it and return it to B4SH. Application forms are available to download from the B4SH website: www.gigupanddown.net or by emailing enquiries@B4SH.org.uk.