



Settle Hydro Ltd

An invitation to invest

This document details and contains an invitation to subscribe for shares in Settle Hydro Ltd.

Settle Hydro Ltd (Society) was established as an Industrial and Provident Society for the Benefit of the Community for the specific purpose of owning the Settle Weir Hydro Electric Scheme (Scheme). Settle Hydro Ltd will generate revenue by selling 'green' hydro-electricity. Any surplus will be used by Settle Hydro Ltd to benefit the local community through its twin aims of regenerating the local economy and promoting the environmental sustainability of Settle District.

Investing in Settle Hydro Ltd should be seen as a social investment, not a financial investment. Your money will fund a public-spirited 'not-for profit' organisation.

This document is important and requires your detailed attention. If you require any advice you should consult a bank manager, solicitor, accountant, stockbroker or other independent financial adviser authorised under the Financial Services Act 2000.

This offer closes at 5.00 pm on December 15th 2008

Registered office: 2 Garrs Lane, Grassington, BD23 5AT.



SETTLE HYDRO LTD

Settle Hydro Ltd is an Industrial and Provident Society for the Benefit of the Community and operates on a 'one member one vote' principle, irrespective of the size of a member's shareholding. The formation of Settle Hydro Ltd has been jointly sponsored by StART, Settle District Chamber of Trade and Settle Going Green. The Founding Board of Directors are Steve Amphlett (also Chair of Settle District Chamber of Trade), Ann Harding (also Chair of StaRT) and Helen Walker (also founding director of Water Power Enterprises CIC (h2oPE)), none of whom will receive any financial remuneration from the Society.

h2oPE

h2oPE was established to provide specialist services to facilitate and support community hydro electric schemes in the UK. h2oPE has been working with Settle Hydro Ltd since Jan 08. h2oPE has previously been responsible for Torrs Hydro New Mills Ltd (THNM) the first community Hydro Scheme funded by a public social share offer in the UK.

The THNM prospectus was launched in November 2007, raised £97,000 from over 200 members, over 60% of whom were from the local area. The scheme started construction in March 08 and is due to start producing electricity in September 08.

Settle Hydro Ltd has a partnership agreement with h2oPE, whereby h2oPE undertake the project management of the Scheme from on-site preparation through to production of electricity to the grid, in return for fees detailed later.

To cement this partnership arrangement h2oPE are represented on the board of Settle Hydro Ltd.

HYDRO POWER FOR THE DEVELOPING WORLD

Settle Hydro Ltd wishes to raise an extra £5,000 from this share offer as a contribution to the implementation of hydro schemes in the developing world. The 'green' electricity from these schemes will be used to power low energy lighting which will replace environmentally unfriendly kerosene lamps.

h2oPE works with partners to ensure that local people manage the project so all future maintenance is carried out by locally trained people and so the community develops its skills base and provides a long term sustainable energy solution for itself.

THE SCHEME

The proposal is to install a 50kW Archimedean screw hydroelectric scheme at Settle Weir at Bridge End Mill.

The Scheme will generate approx 180,000kWh (units) of electricity per year – enough for 50 average houses, saving 80 tonnes of carbon per year or 3,200 tonnes of carbon over an expected lifetime of 40 years.

The technology is the same as used in the successful scheme installed for Torrs Hydro New Mills Ltd, and there are another four examples in the UK, and approximately 40 such schemes in Germany, France and Italy.

SHARES OFFERED

Each share in Settle Hydro Ltd has a nominal value of £1. The minimum shareholding for an individual is £250 and the maximum (set by law) is £20,000.

While shares may be withdrawn, subject to 180 days notice and the 3 year holding period, the Board is keen to attract members who are committed to a long-term investment in Settle Hydro Ltd (initially a minimum of 10 years) to enable Settle Hydro Ltd to achieve its main aims. The Directors of Settle Hydro Ltd have the right to suspend withdrawals, but they do not presently intend to do so other than in exceptional circumstances. Please refer to the Investment Information for the Issue of Shares later in this document for further details.

WHY WE NEED YOUR INVESTMENT

The total sum sought from the share offer is £100,000. If applications are received for an amount that exceeds £100,000, the Directors reserve the right to scale down and/or refuse some applications. Should the offer not raise enough in itself, h2oPE will seek to raise the remainder of the equity required from social investors or by increasing the loan.

Approximate Project Costs:

Equipment and construction:	£250,000	The following finance package is proposed:	
Project Management fee to h2oPE:	£30,000	Grants:	£125,000
Development costs incurred to date:	£15,000	Loan:	£75,000
Hydro scheme in the developing world:	£5,000	Settle Hydro Ltd members share issue:	£100,000
Total Costs:	£300,000	Total Finance:	£300,000

All costs are estimates only and subject to confirmation on completion of the detailed scheme design.

The grants are made up of a £50k grant from Future Energy Yorkshire, which has been granted subject to regulatory permissions and the other finances being raised. A grant of £75k has been applied for from Yorkshire Forward Renaissance for Market Towns, and this would be confirmed on further progress towards regulatory permissions and the finance raised by this share offer.

A ten year loan has been secured in principle from the Co-operative Bank for a maximum of £75,000.

The projected annual revenue for the scheme is estimated to be in the region of £25,000. This is based on quotations for electricity obtained prior to this proposal, the government levy of 2 Renewable Obligation Certificates (ROCs) per kWh and from the information about average water available over the last 20 years from the Environment Agency.

Pre tax surpluses are estimated to be in the region of £11,000 to £15,000 per annum. These surpluses will be used to meet the obligations of Settle Hydro Ltd which include loan repayments, tax and a balance between a fair return to shareholders and meeting the social obligations of the Society.

THE SOCIAL RETURN ON INVESTMENT

Interest to members will only be paid in accordance with Settle Hydro Ltd's aims to be of benefit to the community. Based on the above assumptions about the likely pre tax profits, and obligations to the Society, the Directors expect to be able to pay an annual interest on share capital up to a maximum of 7.5 % per year.

TAX RELIEF

On behalf of Settle Hydro Ltd, h2oPE have applied to HM Revenues and Customs for advanced assurance that if a member purchases shares over the value of £500, then the member will be eligible for Enterprise Investment Scheme tax relief. Under this scheme, shares must be held for 3 years and 20% of the value of the investment can be used as an 'income tax reducer' in the year that the shares are purchased. (Please seek independent financial advice on these matters.)

TIMETABLE

This offer will remain open from Sept 6 2008 to 15 December 2008. Please see the Investment Information for the Issue of Shares for the full list of risks to this project.

This project is subject to the successful application of regulatory permissions. The status of these permissions is as follows:

Permission	Status	Decision
Planning permission	Applied for	Expected Oct/Nov
Abstraction license	Applied for	Expected Nov/Dec

All grants awarded to the scheme are subject to these regulatory permissions being granted.

The regulatory permissions will follow a due legal process and Settle Hydro Ltd Directors will need to review the project in the event that these permissions are not granted. All monies raised by this share offer will be held in a holding account until the decision to go ahead with the project has been made.

Should the applications for regulatory permissions prove successful then the construction of the Scheme could commence by Jan 2009 and commercial production of electricity expected by mid 2009.

INVESTMENT INFORMATION FOR THE ISSUE OF SHARES

This document details and contains an invitation to subscribe for shares in SETTLE HYDRO LTD

It is important and requires your detailed attention. If you require any advice, you should consult with a bank manager, solicitor, accountant, stockbroker or other independent financial adviser authorised under the Financial Services Act 2000.

Investment Information

Please read this section carefully – it sets out the details of becoming a member and investor in SETTLE HYDRO LTD. Membership is open to individuals, corporate bodies, voluntary organisations and public sector investors.

Legal Information

This document is issued by SETTLE HYDRO LTD, registered number 30503R, as an Industrial and Provident Society incorporated in England and Wales on the 24th June 2008 under the Industrial and Provident Societies Act 1965. SETTLE HYDRO LTD is a society for the benefit of the community.

Shareholdings

The minimum shareholding which you can apply for under this prospectus is £250 and the maximum is £20,000, except for other industrial and provident societies which have no limit on their investment.

Larger sums can be made available to SETTLE HYDRO LTD as donations, grants or loans. Please contact the Secretary at the registered address for further information.

Advanced assurance from HM Revenue and Customs has been applied for that, in principle, the shares in SETTLE HYDRO LTD are capable of complying with the terms of the Enterprise Investment Scheme. The directors intend to conduct the business of SETTLE HYDRO LTD to enable shareholders to apply for tax relief under the Enterprise Investment Scheme (where applicable).

To comply with the requirements of HM Revenue and Customs for the Enterprise Investment Scheme, the rules of SETTLE HYDRO LTD require shareholders to hold their shares for a minimum term of 3 years. Shareholders cannot withdraw their shares during the first 3 years for which they hold them. The 3 years will begin to run when SETTLE HYDRO LTD begins to trade with a trade recognised under the Enterprise Investment Scheme.

Please NOTE: SETTLE HYDRO LTD and its directors do not guarantee that any particular investment in SETTLE HYDRO LTD will be eligible for tax relief under the Enterprise Investment Scheme. This is an issue upon which individual potential investors should seek their own advice.

All applications are subject to the terms set out in the Rules of SETTLE HYDRO LTD. There is only one class of ordinary withdrawable share. The shares are not transferable. Subject to the 3 year holding period, the shares are withdrawable on 180 days notice. In the case of joint investments, all investors concerned must agree to a withdrawal. Shares will be repaid at the original price (subject to the comments hereafter). The Directors of SETTLE HYDRO LTD have the right to change the notice period for withdrawals, or to suspend withdrawals, but they do not presently intend to do so other than in exceptional circumstances.

The Directors have the right to write down the value of shares, if the liabilities of SETTLE HYDRO LTD (and its share capital) should exceed the value of its assets. Shareholders who then withdraw their shares will only receive the written down value of their shares.

In the event of SETTLE HYDRO LTD ceasing to trade, shareholders will be re-paid up to a maximum of £1 for every £1 share owned, once all creditors have been repaid in full. Please see the "risk factors section" below.

Nomination option

In the event of the death of a shareholder, the repaid value of the shares will normally be added to the estate for probate purposes. You may (if you so wish) elect to nominate a recipient for the value of the shares (but only up to £5,000) and thus (under current legislation) remove the value of the shares (up to £5,000) from your estate for probate purposes (but not tax purposes).

Voting

Each member has one vote regardless of the size and value of their shareholding. It is proposed that investor members will be kept informed of SETTLE HYDRO LTD's services and developments through an occasional newsletter, a website, the annual reports and the Annual General Meeting.

Dividends

Provision is made in the SETTLE HYDRO LTD Rules for paying interest on the share capital at such rate or rates as may be determined by the board of directors from time to time. In line with the Rules, the directors intend to pay interest which will allow the society to contribute financially to the local community through grants. Therefore, investors should not expect an interest which mirrors the returns of commercial investments.

Risk Factors

The directors have identified the following risks:

- The price of electricity can go down as well as up.
- Changes in Government legislation may affect the scheme.
- The Renewables Obligation Certificate scheme may be reviewed at a future date and is anyway due to end in 2027
- The volume of water in the Ribble may vary due to unusual weather patterns and may reduce the flow of water.
- The Abstraction License is due to be reviewed in 12 years time. Although there is a 'Presumption of Renewal' the License may not be renewed or there may be changes to the conditions of the License.
- The project may be delayed due to technical, financial or legal matters.
- There may be interruptions to the generation of electricity caused by financial or legal matters.
- There may be interruptions to generation of electricity caused by mechanical/electrical failure of equipment.
- There may be circumstances in which the weir is damaged, causing an interruption to generation of electricity.
- The capital costs are based on quotations gained prior to this share issue. Any increase in capital costs will be met by the grant monies and monies raised in this share issue.
- The project is dependent on regulatory permissions being granted.
These permissions have only been applied for in August 2008.

The directors will seek to protect against these risks through prudent management practices.

Social Investment

Investing in SETTLE HYDRO LTD should be seen as a social and not a financial investment. SETTLE HYDRO LTD does not guarantee a safe haven for your money.

SETTLE HYDRO LTD is permitted to pay interest on your shares. The society will pay only a low rate of interest on money paid for its shares and may pay no interest at all. Please note:

- By law we cannot offer a generous interest rate
- We are unlikely to pay more than a nominal interest to our shareholders for several years.
- You should not expect to receive any interest on your shares.

Shares in this industrial and provident society cannot be sold or traded and there is no prospect of them ever being worth more than their nominal value.

Subject to the 3 year holding period, you may be able to withdraw your shares on 180 days notice. If you withdraw your shares SETTLE HYDRO LTD will not repay more than you originally paid for your shares.

The value of your shares may fall. Although shares in this industrial and provident society are withdrawable, you may not be able to withdraw the full price you pay for them if the society does not have sufficient funds available at the time you want to withdraw your shares. In some circumstances, the directors may be compelled to write down the value of your shares. Should you then wish to withdraw your shares, you should expect to receive only their written down value.

You may lose the value of your shares. As an industrial and provident society, SETTLE HYDRO LTD does not need to be authorised by the Financial Services Authority to take deposits by issuing these withdrawable shares. It is not regulated, to the extent that it is taking deposits by issuing withdrawable shares. Therefore, the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. SETTLE HYDRO LTD has paid up capital and reserves of £3.

Our shares are not "investments" for the purposes of the Financial Services Act 1986. Therefore, you do not have the level of protection that you might otherwise be offered by the Act. In particular, this document does not need approval (and has not been approved) by an "approved person" under Section 57 of the Financial Services Act 1986.

This issue of shares is not regulated by the Financial Services and Markets Act 2000 or subsidiary regulations.

This document is not regulated by the Prospectus Regulations 2005. Those regulations do not apply because there is a specific exemption for industrial and provident societies that conduct their business for the benefit of the community.

Should SETTLE HYDRO LTD get into financial difficulties:

- We may have to suspend your rights to withdraw your shares
- We may have to write down the value of your shares
- You may lose all the money you pay for your shares

You should buy shares only with money you can afford to have tied up, without interest, and without capital appreciation, for several years or longer.

You should buy shares only with money that you are prepared to lose.

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

If not, do not buy the shares.

If you are in any doubt about the information contained in this document, you should consult an Independent Financial Adviser authorised under the Financial Services Act 1986, or you should seek advice from a solicitor or accountant.

The documents that are available for your inspection are as follows:

- The Rules of SETTLE HYDRO Limited

You may inspect these, during normal business hours at the registered office with prior arrangement.

Terms and Conditions for applying for Shares

Your Application

You cannot withdraw your application for shares after we receive your application form.

The directors do not have to accept your application for shares. They may decide not to issue shares to you or may allocate you less shares than you applied for. They do not have to give any reason for their decision.

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

The directors will acknowledge receipt of your cheque and application. They may cash your cheque as soon as it is received. SETTLE HYDRO LTD will hold your money on trust for you in a separate account until directors consider your application, which will be after the offer closes.

The directors will return your money to you (within twenty eight days of the Board of Directors meeting at which we consider your application) if they decide not to issue shares to you. If they decide to issue fewer shares to you than you applied for, they will return the balance to you (within twenty eight days of that Board of Directors meeting).

The money will belong to SETTLE 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).

The company will not pay you interest on any money it returns to you.

Your promises to us.

You promise that:

1. Your cheque will be honoured on presentation.
2. You, as an individual, are at least 16 years of age.
3. 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.
4. 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.
5. You are a British Citizen and resident in the United Kingdom

Demutualisation – protection from “carpet-baggers”

You may not benefit financially from your shares if SETTLE 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:

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

The directors draw your attention to your obligations under rule 14 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 that (and your obligations under Rule 14.2 of our Rules) 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 law of England applies to these terms.

The courts of England and Wales have non-exclusive jurisdiction.

You will be bound by the rules of SETTLE HYDRO LTD (as may be amended from time to time) if the directors issue shares to you.

The registered office for SETTLE HYDRO LTD Limited is: 2 Garrs Lane, Grassington, BD23 5AT

Advisers and Bankers

Solicitors: - Coffin Mew LLP, Kings Park House, 22 Kings Park Road, Hampshire, SO15 2UF

Bankers: - The Co-operative Bank, PO Box 250 Skelmersdale, WN8 6WT

How to invest - Individual Applicants

To become a member requires the purchase of shares. Each share costs £1. Each shareholding member has one vote, regardless of the size of their shareholding.

For this offer, the minimum shareholding is £250. The maximum permissible shareholding is £20,000. Applications must be received at the office of SETTLE HYDRO LTD no later than 5.00pm on Monday 15 December 2008.

Application form

I/We wish to become a member of SETTLE HYDRO LTD in accordance with the rules, & apply for:

£250 £500 £20,000 Other £..... of shares, and enclose payment for that amount.
(cheques payable to SETTLE HYDRO LTD).

Name and address

For joint applications, all applicants (up to 4 persons) must sign.

(please photocopy this form if there are more than 2 joint applicants).

Joint applications

First name(s) in full
Last name
Address
.....
.....
Telephone
E-mail

Nomination form

If you wish to nominate a person to whom you wish your shares to be transferred to on your death, please tick the box and complete a "Nominee Appointment Form".

Agreement

I am at least 16 years old.

I agree to be bound by the Terms and Conditions included in the attached prospectus and the Rules of SETTLE HYDRO LTD

I understand that the Society's Board may reject my application and does not have to tell me why it has been rejected.

Data protection & money laundering

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

Signed as a deed

Please sign here

A witness to your signature must sign here

.....

.....

Date

Date

Please return, enclosing your cheque, to: SETTLE HYDRO LTD, 2 Garrs Lane, Grassington, BD23 5AT

How to invest - Corporate Applicants

To become a member requires the purchase of shares. Each share costs £1. Each shareholding member has one vote, regardless of the size of their shareholding.

For this offer, the minimum shareholding is £250. The maximum permissible shareholding is £20,000. Applications must be received at the office of SETTLE HYDRO LTD no later than 5.00pm on Monday 15 December 2008.

Application form

We wish to become a member of SETTLE HYDRO LTD in accordance with the rules, & apply for:

£250 £500 £20,000 Other £..... of shares, and enclose payment for that amount.
(cheques payable to SETTLE HYDRO LTD).

Official name and correspondence address

Full official name

Address

.....

.....

Registered No.

Contact Name

Telephone

email

Agreement

We agree to be bound by the Terms and Conditions included in the attached prospectus and the Rules of SETTLE HYDRO LTD

I understand that the Society's Board may reject my application and does not have to tell me why it has been rejected.

Data protection & money laundering

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

Signed as a deed

Director

Director/Secretary

.....

.....

For and on behalf of

Date

Please return, enclosing your cheque, to: SETTLE HYDRO LTD, 2 Garrs Lane, Grassington, BD23 5AT

Nominee Appointment Form

This form should only be completed if you wish to nominate a person to receive your shares on your death.

Full name

Address
.....
.....

(We will use this address when we write to you)

You can nominate a person to whom you wish your shares to be transferred on your death. We will respect those wishes (so far as the law and our Rules permit).

If you are a joint holder and you do not wish your holding to pass to the other joint shareholder(s) then you must complete this form. You may nominate a person to whom you wish your joint shareholding to be transferred on your death.

Please name your choice of nominee below.

Nominee's full name

Nominee's address
.....
.....

I understand that it may not be possible for Settle Hydro Limited (the Society) 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 the Society at the registered office.

I understand that trustees will need to be appointed if my nominee is under 16 years of age.

Signed as a deed

Please sign here

A witness to your signature must sign here

.....

.....

Date

Date

Please return, enclosing your cheque, to : SETTLE HYDRO LTD, 2 Gars Lane, Grassington, BD23 5AT