

HALSE AND DISTRICT COMMUNITY BENEFIT SOCIETY

SHARE OFFER



Dear [resident name],

Introduction

This share offer invitation is from the committee of the Halse and District Community Benefit Society (H&D CBS), which has been formed with the vision of purchasing the New Inn at Halse for the benefit of the community and to secure its future as a thriving community hub.

Share offer summary

Minimum target to be raised: £260,000

Maximum target to be raised: £400,000

Price per share: £1

Minimum share holding: £100

Maximum share holding: £50,000

Offer opens on receipt of this letter and closes on 30th September 2020.

The story so far

The New Inn at Halse was an 18th century coaching inn, formerly known as The Kings Arms, The Butchers Arms and The Red Lion. It became the New Inn in 1789. The pub has been very successful in the past and following an extensive renovation in 2005 was a thriving pub, restaurant and B&B business. Business has declined over the last 10 years and the pub now finds itself in need of new management and some investment. In March 2020 the current tenant announced he would leave at the end of August. At the same time the pub closed in response to COVID-19. A steering group made up of volunteers from the local community was formed to identify a way forward for the New Inn. The steering group engaged with the community and carried out a survey to find out what support there was for a community pub. It had 185 replies and the results were extremely positive towards the community acquiring the New Inn.

Over the last few weeks we have been working hard to establish the necessary business framework to make the saving of our local pub for the benefit of the community a realistic proposition. Funding of £275,000 has already been pledged to purchase shares in the project. Our target is £300,000 of funds from Shareholders. This, together with a further £100k of grant and loan funding, will allow us to buy the pub and complete the essential elements of refurbishment.

The Proposal

For most villages a pub is an important service; it is a meeting place, communication centre and an important lynchpin of village life. Much of the appeal of our village rests on its sense of community. It is the reason why many people have moved here and remain here. The presence of a community pub with a café and other services, would greatly enhance that community spirit and give Halse a stronger sense of place.

The Pub

The primary objective will be to establish a pub operation which meets the needs of the community. It must be a well run and profitable business. Feedback we have received through the questionnaire indicated that there is enthusiasm for a more extensive pub/café facility. The pub would serve reasonably priced but wholesome 'pub-grub', in addition there would be more restaurant style 'specials' offered at peak times. We want to provide food and facilities that suit the whole family, young to elderly and attract visitors from outside the district as well as engaging the close population. Other activities such as themed nights, quizzes and live music remain popular among our locals, and we envisage the return of Tuesday night skittles as soon as possible.

A local café

The idea of a café was eagerly embraced on the questionnaire and is something the H&DCBS would like to take forward. Initially targeted at peak mornings for locals and cyclists, it would provide a much needed social opportunity for us all as well as catering to the growing cyclist, tourists and walkers community.

B&B

The New Inn can provide five en-suite rooms for B&B. They will be reasonably priced in line with similar establishments locally and will provide a regular income throughout the year.

Aspirational future services

Other services that were popular in the questionnaire results were post office facilities and delivery collection. In addition, farm shop deliveries, art exhibitions and book exchange were some of the diverse range of services suggested by questionnaire respondents.

Business Plan

A business plan has been drafted and once completed will be available for all to view on the pub website (<http://www.newinnhalse.com/>). In summary it concludes that the financial viability of the New Inn as a trading entity has been analysed by both financial experts as well as experienced landlords who know the trade inside out. Their collective view is that the New Inn is most certainly financially viable as a country pub trading entity. Modelling of profit and loss shows a steady increase in profit and a healthy cash balance throughout.

A number of trading options over and above those currently offered will be introduced to ensure that turnover will surpass current levels. Many of these have community benefit at their heart. The extra income generated by these additional trading options will be used to cover additional staffing costs which are seen as needed to ensure the New Inn meets the demands and desires of its customer base.

The structural viability of the New Inn has also been professionally analysed and found in need of major repairs. The costs of these repair works have been identified and the professional view is that once this repair work has been undertaken then the New Inn as a building will be sound well into the future.

Raising the funds needed to purchase, repair, refurbish where necessary, and redecorate has commenced. The level of community financial support offered has been astounding with pledges of community funding surpassing all expectations. Funding raised this way looks as though it will achieve the £260,000 minimum target. Grants and loans have been applied for and the goal of raising a total of £400,000 appears to be both feasible and achievable.

The full business plan and the rules of the H&D CBS are attached to this letter. All will be available to view on the New Inn website shortly.

The Structure

The Halse and District Community Benefit Society Ltd or H&DCBS (registration no 8456) has been formed using the model rules developed by the Plunkett Foundation and registered with the Financial Conduct Authority (FCA). In its rules is embedded the principle that if the society has a surplus, this may be made available for distribution to other community or charitable projects.

The primary objective of the society is to run the New Inn for the benefit of the community, and in the longer term, if there is any surplus, to use this for the benefit of the wider community of Halse and its surrounding district.

The activities of the H&DCBS – primarily overseeing the business of the New Inn - will be managed by the Management Committee. This will be made up of volunteers who have the appropriate expertise to fulfil the roles outlined below. An interim H&DCBS committee has been appointed from the Steering Group to serve until the first AGM. The first AGM must be held at the end of the first trading year 30th September 2021 and must be between 30th September 2021 and 31st March 2022.

At the first AGM, all members of the first committee will stand down and elections will be held for the next committee. Committee elections will take place annually thereafter at the AGM. The initial management committee comprises of the below eight founder members:-

Chairman: Stephen Hoole

Vice Chair: Mike Davis

Secretary and Treasurer: Heather Davis

Media & Communications: Nick Eakhurst

Operations Director: John Wrelton

Fund Raising And Grants: Ian Walker

Property Improvement and Maintenance: Kate Payne

Anyone who buys the minimum number of shares becomes a member of the H&DCBS and can vote at the AGM and stand in Management Committee elections.

In forming the H&DCBS we have taken care to ensure there is an Asset Lock on all of the assets the H&DCBS hold (essentially the pub). Although shares can be repurchased by the H&DCBS from investors should they wish to get back their investments, the building cannot be sold unless it is for the benefit of the community.

The Share Offer

This community share offer invites you to invest in the Halse and District Community Benefit Society Ltd (H&DCBS) so that we can acquire the New Inn, renovate the building and support its future operations. The pub business will be operated by a management couple. The H&DCBS Management Committee will oversee the operations and the finances of the business in conjunction with the management.

Each share is worth £1 and there is a minimum holding of £100 and a maximum of £50,000. Anyone who invests the minimum of £100 becomes a member of the Society and has a vote and therefore a say in the affairs of the business at General Meetings. The business operates strictly on a one member, one vote basis, regardless of how many shares you hold. Members must be 18 years old and over, although shares can be held in trust until a person becomes 18 years old.

The share offer will remain open to applications until 30th September 2020. However we plan to hold additional share offers in the future to allow newcomers to the area to participate and support this community venture.

It is recommended that you seek independent financial advice before making an investment. This should be regarded as a long-term social investment with modest financial returns and should be judged accordingly.

Returns on investment

To pay interest to shareholders, the interest rate for each year will be proposed by the Management Committee and put to a vote at the Annual General Meeting. The proposal will be based on the performance of the society and will prioritise the need to maintain reserves and community benefit. It is our intention to pay interest of between 1% and 2% annually, however no interest on investments will be paid by the H&DCBS for at least the first 3 years (see note on Tax relief on investment below). Thereafter, interest may be paid annually to members at a rate set by the management committee depending on performance of the pub and its surplus funding levels. It is each member's responsibility to declare such earnings to HMRC if appropriate.

It is important to note that the value of the shares will not increase and the H&DCBS will not pay dividends. The only financial benefit for members is the interest paid at the discretion of the Management Committee.

Tax relief on investment

Due to tight timescales, we have not yet received HMRC advance assurance that this Share Offer will qualify for SISR (Social Investment Tax Relief) relief. However we are meeting all HMRC rules and therefore it is likely that the scheme will qualify.

On approval, this would mean that eligible taxpayers who purchase shares for any amount up to the maximum of £50,000 can apply for income tax relief equal to 30% of the amount

invested, provided the shares are held for a minimum of 3 years. For more information see: <http://www.hmrc.gov.uk>

The H&DCBS will issue each eligible investor with the appropriate form to enable them to claim tax relief. It is the responsibility of each investor to make their own enquiries and to satisfy themselves as to their eligibility for each tax relief.

Withdrawing shares

You may be able to recoup your initial investment in the future by selling your shares back to the H&DCBS at the discretion of the Management Committee. To give the business a chance to establish itself there will be an initial period of 3 years during which time the buying back of shares will be restricted (except in the case of death or bankruptcy), but thereafter the expectation is that there may be profits to fund withdrawals within parameters agreed by the members.

These shares are not transferable and cannot be sold. The only way to recover the value of the shares purchased is to give three months notice to the Management Committee.

The Management Committee reserves the right to refuse a withdrawal request if it would endanger the business.

In the event that the building and other assets of the New Inn are sold, for whatever reason, the shareholders would be repaid their investment from the proceeds of such sale, after repayment of any debts. Any surplus would have to be paid to a charitable or community body as determined by the Management Committee.

Risks and Warnings

This is deemed to be a long-term social investment with modest financial returns. After several years when the pub has established a positive cash flow there will be limited opportunities to withdraw capital but the majority of shareholders will be expected to leave their investment with the pub for many years.

Restrictions on the withdrawal of your investment

The rules permit withdrawals after three years (earlier in the case of death or bankruptcy) but this is at the sole discretion of the Management Committee. Thereafter, if a large number of members wanted to withdraw their shares in a particular year, then there may not be sufficient funds available. In which case the requests may be prioritised in the order in which they were received, and the full amount requested may not be available.

Loss of capital

As with any business, the New Inn of the future will be subject to risks such as the failure to achieve the predicted level of turnover, profit levels fail to cover costs and restrictive government legislation. This list is not exhaustive, and any trading activity is vulnerable to change or unanticipated risk. We have prepared a business plan and firmly believe that with your support the business will be profitable, provided that we ensure we are responding to what you, our community, needs. A separate sub-committee is already working on this plan and proposals to make sure that the business is a success.

The member's liability for the business is limited to the value of their shares, therefore should the project fail, no further liability can fall on the shareholders.

No investment guarantees

This Share Offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman. A community benefit society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the whole of your investment could carry a risk, please consider it carefully in the context of the complete share offer document and, if needed, seek independent advice.

Data Protection

The H&DCBS will use its best endeavours to safely store, use and process personal data only for the purposes for which it is gathered and not keep it longer than necessary. Personal data will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the society and for communicating with members. We will not share any members' personal information with third parties.

Frequently asked questions

Q: What will you do if you don't raise sufficient finance through the community share offer?

A: We already have verbal assurances of pledges which will cover the cost of buying the New Inn. If the minimum target of £260,000 is not achieved, then we will review whether to proceed. If the society receives less than the minimum the share offer will be deemed to have failed unless the committee can find alternative financing to make the deal work. The more we raise through the share offer, the less reliant on loans we will be!

Once the H&DCBS closes the share offer, it will move to complete the purchase of the property. If for whatever reason this is not possible, money will be returned to shareholders within one month of the H&DCBS establishing definitively that it is unable to secure the property. Please make sure you provide your bank details on the application form. For the protection of investor funds, all share applications will be kept in an escrow (protected) bank account until such time as the decision is taken to proceed with the application

Q: Are joint applications allowed?

A: Yes. However you should note that only the first named investor on the application form will be a member of the H&DCBS with voting rights. If a couple would both like to be members, then each person should make a separate application.

Q: Can I invest on behalf of my children or grandchildren?

A: Yes, as long as they are over 16 years of age, you can buy shares on their behalf. You can buy gifts of shares for children by nominating them as your beneficiary and providing their contact details. On the day they become eligible for membership (18 years old) the H&DCBS will write to the giver and receiver asking for consent to give and receive shares/and become a member of the society.

Q: What happens to my shares if I die?

A: Your shares will form part of your inheritance and can be transferred under the terms of your will. The rules allow a person to nominate a beneficiary who can receive the shares (up to £5000 and the society holds the nominations list); anything above that is dealt with via probate.

Q: What are the minimum and maximum investment amounts?

A: The minimum that you can invest is £100 (i.e. 100 shares at £1 each). The maximum has been set by the Management Committee at £50,000.

Q: What happens if the funding target is reached?

A: If the total funding target is reached within the initial share offering time-scale we may still accept any further applications if it means we can reduce our borrowing. Share capital will be allocated on a first come first served basis. The number of shares allocated will be capped if the offer is over subscribed.

Q: Can my shares go up in value?

A: Community shares cannot go up in value, but if the business is failing, they can lose value.

Q: When will I start to receive interest payments?

After 3 years, if the Management Committee considers the finances to be secure enough to do so. We aim to pay annual interest in the range of 1% to 2% annually.

Q: Can I sell my shares?

A: No. The legislation for community benefit societies is very clear that shares cannot be traded or transferred. The statutory asset lock is designed to ensure that any increase in share value is only used for community benefit.

Q: When can I withdraw my shares?

A: According to the Rules of the CBS shares cannot be withdrawn for at least three years (except in exceptional circumstances such as death or bankruptcy), and then only if the CBS has sufficient reserves to do so without jeopardising the business.

Q: Can I get tax relief on my investment?

A: Due to tight timescales, we have not yet received HMRC advance assurance that this Share Offer will qualify for tax relief. However we are meeting all HMRC rules and therefore it is unlikely that the scheme would not qualify.

Q: Will my personal information be secure and kept confidential?

A: Personal data will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the CBS, and for communicating with members. We will not share any members personal information (names, addresses, phone numbers etc) with third parties.

What you need to do now

If you have already decided to support the Community Benefit Society by buying shares, please complete the form attached which is a formal application for a share holding. The form should be printed off and signed as indicated.

Making payment

The Community Benefit Society account details are:- xxxxxxxx

We would prefer you to transfer monies by BACS if possible. Otherwise, please make cheques payable to:- xxxxxxxx

Share certificates will be issued once the funding is in place and the New Inn has been secured. We anticipate that you will received your certificate in October.

We appreciate that many of you will want your pledges to be kept confidential and so only one member of the steering group will open the envelopes and will provide the rest of the group with the totals only.

If you have any questions about the formation of the Halse and District Community Benefit Society or the proposed share structure then please feel free to speak to: Stephen Hoole, Old Cider House xxxxxxxx or Mike Davis, Manor Farm 07846956036

Yours sincerely,

NAME

Title (EG. Chair of Management Cttee

NAME

(e.g. Secretary of Management Cttee)

Halse and District Community Benefit Society Limited
APPLICATION FOR SHARES AND MEMBERSHIP

- Each share costs £1. Minimum investment is £100.
- You can buy in batches of £100s
- Shareholders must be 18 years and over
- By investing you are applying for membership of the Halse and District Community Benefit Society

To invest by bank transfer or cheque, complete and return this form to:-

Halse and District Community Benefit Society Ltd
C/O Manor Farm
Halse
Taunton
Somerset
TA4 3AB

Or Scan and Email to halsecommunitypub@gmail.com

Account Name: **Halse and District Benefit Society Ltd**

Sort Code:

Account Number:

Acceptance will be notified by email or post. By applying, you accept that your personal data will be held for the purposes of maintaining a register of members and potential members (as required by the rules of the H&DCBS) and for communicating with members.

Full name (inc. Middle name):.....

Address:.....

.....Postcode:.....

Date of Birth:.....Email:.....

Telephone:.....Mobile:.....

I agree to the conditions as set out in the share offer:

Signed.....Date:.....

I, as signed above, wish to buy shares to the value of:...£.....

I have paid by BANK TRANSFER / I enclose a CHEQUE (please make payable to 'Halse and District Community Benefit Society')

If you are planning to transfer these shares to a nominated beneficiary on their 18th birthday, please provide their contact details:-

Name.....DOB.....

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Halse and District Community Benefit Society Ltd

Registration Number: 8456

Email.....Phone.....