

# Redgrave Community Society Limited



*"working for the Community"*

## An Opportunity to buy shares in Redgrave Community Society Limited

A booklet is enclosed with this letter setting out an opportunity to purchase shares in Redgrave Community Society, which owns the Cross Keys Pub.

The Management Committee has received a number of enquiries since the original share offer in August 2017, from people interested in buying shares and also from existing share-holders (who are referred to as "members" who want to buy some more shares.

This new share offer will enable us to meet that demand and increase the working capital of the enterprise.

To enable as many people to become members (share-holders) of the Society as possible, you can buy just one share for its face value of £50, or as many as you like up to a maximum of £20,000 equivalent to 400 shares.

**This new share offer will be limited to a total of 620 shares (£31,000). In the event of over-subscription, applications will be accepted on a first come, first served basis, with priority given to those who have already indicated their interest in buying shares.**

The aim will be to pay interest on the shares when the company is making a profit ( but please note, because of the administrative cost this will not be possible on holdings of fewer than 5 shares)

### **Tax Relief**

If you are a tax payer, there may be some very helpful Income Tax relief, as well as Inheritance Tax relief on investments in this Society. We shall be making an application to HM Revenue & Customs in this respect shortly.

### **Contact us for more information:**

Much more information is in the Share Offer booklet and on our website:

[www.redgravecommunitysociety.com](http://www.redgravecommunitysociety.com), including the latest Business Plan, audited accounts and the Society's RULES which govern the way the Society is organised and run.

If there are still things which are not clear and you are thinking of buying shares, let us know. We'll be pleased to help.

**Registered Address: Lilac Cottage, The Street, Redgrave, Suffolk, IP22 1RY**  
Redgrave Community Society Limited is a Community Benefit Society registered by the  
Financial Conduct Authority (Register No. 7589)

This enterprise has a small team of professional employees supported by a considerable number of VOLUNTEERS.

The **Management Committee** (which is the equivalent of a Board of Directors) is also made up entirely of VOLUNTEERS.

The whole team of Volunteers is a crucial element in the success of the Society and if you are not already one of them, perhaps you would like to have more information about how YOU could help, too.

Looking forward to receiving your share application,

Yours sincerely

A handwritten signature in black ink that reads "Stephen". The signature is written in a cursive style with a large initial 'S'.

Stephen Eason  
Chairman of the Management Committee  
Redgrave Community Society Limited

This share offer is unregulated, as it is exempt from the Financial Services and Markets Act 2000 and subsidiary regulations, which means there is no right of complaint to the Financial Ombudsman, nor can you apply to the Financial Services Compensation Scheme.

# Redgrave Community Society Limited



*"working for the Community"*

## A NEW COMMUNITY SHARE OFFER

An Open Share Offer  
beginning 1<sup>st</sup> September 2019

The objective of this new share offer is to enable everyone who missed the initial **share offer** to buy shares and become **Members** of Redgrave Community Society, so they have a voice in the future of our community enterprise.

It will also provide a much needed increase in the working capital.

If you would like to participate, please read the following information carefully and let us know if you need any additional detail.



Stephen Eason  
Chair of the Management Committee



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## INTRODUCTION

Ever since the original news of the Cross Keys closing, there has been extraordinary enthusiasm for taking over the pub as a community venture to develop it as a centre for all types of community activities.

While it has to run as a profitable business, there was going to be the opportunity to create a social “hub” which would cater for all sorts of different interests.

Sufficient money was quickly raised to buy the freehold of the Cross Keys in Redgrave, to meet a deadline set by the previous owners.

This all happened in 2017 and the attractive Free House was secured for the future use and benefit of the local community.

A massive commitment from numerous volunteers involved many hours of hard work fund raising and completing an astonishing refurbishment of the premises so the Pub could be re-opened at the beginning of March 2018.

So many people have willingly given extraordinary time and energy to get this community venture up and running and it has undoubtedly built a vibrant social community in the process. Much more can and will be achieved in the future as the Society really begins to flourish.

**REDGRAVE COMMUNITY SOCIETY LIMITED** was established as a **community benefit society** similar to a co-operative society, to provide the greatest degree of democracy to its Members, as well as protection for the community enterprise. **The shares are issued in this society and it owns the Cross Keys.**

The initial share offering was a “time bound offer”, which meant applications for shares could only be made within a fixed “window” of time. This was necessary to ensure adequate funds were raised within the tight timeframe.

Since then a number of enquiries have been made by people interested in either becoming new Members or wanting to increase their existing holdings.

The Management Committee also want to make additional working capital available, and this has led to this new share offering being made.

## MORE ABOUT THE SHARE OFFER.....

The new shares will be issued on the same terms as the other shares already issued.

If you are considering buying shares now, it is important that you read the whole of this booklet. By investing in this community owned venture, you will have the opportunity to have a say in the management and running of the Pub.

The Rules of a community benefit society are quite different to a normal limited company and you should seek professional advice if you are unsure about any aspect (for the Rules, see: [www.redgravecommunitysociety.com](http://www.redgravecommunitysociety.com))

The main purpose of such a society is “to advance the interests of the community as a whole”. However, it is also necessary to trade in a manner that will generate a profit.

## Voting rights

Each Member has one vote, regardless of the number of shares they hold.

The Members (shareholders) own the business and have a share in its future and a say in the running of the business – not on a day to day basis but they control the strategic direction of the Society.

## Terms of the shareholdings

Although intended to be a longer term community investment, you may apply to withdraw your capital after a minimum of three years should you need to.

Acceptance of the application to withdraw remains at the discretion of the Management Committee and will depend on the financial circumstances of the society at the time.

All shares have a fixed value and can only be sold back to the society. Any profits the society makes will either be re-invested in the pub or used for other

community projects or used to pay interest to the members. The decision will be up to the members.

## What is a Community Share Offer ?

All enterprises need capital to start, grow and be sustainable. This capital is usually provided by the shareholding owners of the enterprise, funding from lenders and, of course, from the profits of the business itself.

The important difference between a typical limited company's shares and Community Shares lies in the *priority of interests*.

In an enterprise owned by Community Shares, the objective of the business is to benefit the COMMUNITY in the first place, whereas the structure of a typical limited company is to benefit the shareholders.

Members of the Community are encouraged to buy shares in the enterprise and become part-owners. Shareholders, or Members, are more likely to do everything they can to ensure success of the business by becoming loyal volunteers, customers and supporters of the enterprise.

## The Shares

This Community Share Offer is being made by this Society which is registered by the **Financial Conduct Authority** under the **Co-operative and Community Benefit Societies Act 2014**. This legal form provides limited liability status, just like company law, but unlike companies, shares in this type of society are non-speculative and voting is truly democratic.

To give as many people as possible the opportunity to participate, there is no minimum number of shares which can be applied for but, due to the administrative costs, if interest becomes payable, it will only be paid on holdings of £250, or more..

When profitable trading is well established, the Society aims to pay interest to Members. That interest can be at a rate up to *"5% per annum, or 2% above the base rate of the Bank of England, whichever is greater"* (this interest will be subject to income tax)<sup>2</sup>.

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<sup>2</sup> Payment of interest does depend on the profitability of the business and is not guaranteed.

As the aim of Redgrave Community Society Limited is to benefit the community, measures are in place to avoid the potential threat from speculators. These include the “one member, one vote” provision already mentioned and also the inclusion of a statutory “**Asset Lock**”.

In the event of the Society being wound up and the value of the Society’s assets exceeding the value of the share capital, Members will still have no more than their original investment returned. Any excess value would be transferred to another community organisation having similar community benefit aims.

This is known as an “Asset Lock”. However, as the shares are issued by a corporate body, Members have no liability beyond the value of the shares they buy.

### Incentives to buy.....

As an incentive to encourage people to invest in higher risk community businesses such as ours, starting up or growing, the Government offer some attractive tax concessions.

**Social Investment Tax Relief, or SITR**, enables an investor to claim a refund of **income tax** he or she has paid in the tax year when the investment is made (or even the previous year), up to 30% of the amount invested in the Society. This means that someone investing £10,000 would be able to claim a refund of £3,000 from the income tax otherwise due.

**Capital Gains Tax** relief under SITR Rules is also available.

A successful application was made to HM Revenue & Customs (HMRC) for this tax relief on the original shares issued and **we intend to apply for “advance assurance” that similar relief will be available on the new shares**. This does not guarantee the relief will be given when the final *Declaration of Compliance* is submitted by us to HMRC, but gives cause for optimism provided nothing significant has changed in the meantime.

Unfortunately, employees and their families are not eligible for tax relief under SITR Rules. (detailed rules apply).

## Inheritance Tax

Because our Society is “trading”, it is also likely to be eligible for **Business Relief**. This would mean that 100% of your investment could be **free of Inheritance Tax** once the shares had been held by you for just two years (assuming they were still held when you die).

N.B. The comments here are a simplified summary of very detailed tax and eligibility rules, and our interpretation. The actual legislation, including amendments in subsequent finance acts and EU Directives, will be paramount.

## Eligibility

You must be at least 18 years old.

## The Risks to my capital

In the event the business fails it may be placed into liquidation, in which case a liquidator would be appointed who would realise the assets and distribute them to creditors. Effectively this would mean selling the freehold of the Cross Keys (on the basis that the property would be the main asset at the relevant point) and the creditors would be paid from the proceeds. After payment to the creditors and the costs of the liquidator, the surplus would be returned to the Members, up to the amount they paid for their shares.

## Can I Sell my Shares ?

Shares cannot be sold or transferred to another person normally, although investors can nominate a person who will inherit the shares in the event of the Member’s death.

Application can be made to have shares withdrawn after they have been held for at least three years. This time period is to ensure a certain level of financial stability.

At this point, you can request your money back, giving three months’ notice, if you want to cash in your shares.

The Management Committee does have the right to refuse or suspend withdrawals if there is insufficient liquidity in the business.

Withdrawals are expected to be capped at 10% of the capital per year and will be treated on a “first come, first served” basis.

### Is this a good business proposition ?

The financial journey from acquisition in November 2017, through the refurbishment period, to the present time has resulted in a trading loss over the 2018/2019 year to 31<sup>st</sup> January, of £70,213 including additional refurbishment costs of £18,078 and lower than expected sales.

Despite the initial set-backs, the volunteers who form the management committee, as well as those who have been working in the business alongside the paid staff have shown a resilience which has enabled the business to reach the present time in a mood of considerable optimism for a stable and profitable future.

The Business Plan has been substantially revised to reflect the current situation and is also available for inspection.

A considerable amount of information is available on the society’s website [www.redgravecommunitysociety.com](http://www.redgravecommunitysociety.com), including the history of the Cross Keys, the all-important Rules of the society, accounts and other useful documents.

Key figures from the Business Plan and latest Financial Statement are set out below:

Forecast results for 1<sup>st</sup> February 2019 to 1<sup>st</sup> August 2020:

	2019/2020					2020/2021		
	1 <sup>st</sup> Q Actual	2 <sup>nd</sup> Q Actual/F'cast	3 <sup>rd</sup> Q Forecast	4 <sup>th</sup> Q Forecast	Total	1 <sup>st</sup> Q Forecast	2 <sup>nd</sup> Q Forecast	Total
Sales	62,132	47,108	65,833	65,000	240,074	64,605	66,375	130,980
Cost of sales	25,673	21,724	24,778	24,358	96,534	24,744	25,399	50,143
Gross Profit	36,459	25,384	41,055	40,642	143,539	39,861	40,976	80,837
Expenses	32,345	28,591	36,271	35,237	132,443	36,313	36,513	72,826
Operating Profit/(Loss)	4,114	(3,207)	4,784	5,405	11,096	3,548	4,463	8,011
Financing cost	(1,813)	(1,619)	(1,575)	(1,575)	(6,582)	(1,515)	(1,335)	(2,850)
Net Operating Profit/(Loss)	2,301	(4,826)	3,209	3,830	4,514	2,033	3,128	5,161

(accrual basis)

## Actual audited results:

	7 <sup>th</sup> July 2017 to 31 <sup>st</sup> January 2018	1 <sup>st</sup> February 2018 to 31 <sup>st</sup> January 2019
Sales, fund raising etc	7,494	217,723
Cost of sales	21	116,440
Gross Profit	7,467	101,174
Expenses	5,850	164,343
Operating Profit/(Loss)	1,623	63,059
Financing cost	1,328	7,154
Net Operating Profit/(Loss)	295	(70,213)

## Capital Position

The total number of members is unchanged since the initial share offer. The total loan capital has increased in the last 12 months by £26,000, as shown in the Financial Statements available on the website.

## The current Management Committee consists of:

Chairman:	Stephen Eason
Vice Chairman	Neil Smith
Secretary:	Julie Moore
Treasurer:	John Giddings
Directors:	Andrew Dickson
	Ben Hopwood
	Suzi Lawrence
	Donna Taylor
	Carolyn Ward

*While the society is not allowed to give “advice” about the investment it can provide further information you may need.*

*Particular care is needed when investing in a business such as this and professional advice is strongly recommended if you have any doubts or concerns as to whether it is suitable for you.*

### *Warning:*

*Anyone buying community shares could lose some or all of the money they invest, without the protection of the government’s Financial Compensation Scheme, and without recourse to the Financial Ombudsman Service.*

# THE CROSS KEYS

## APPLICATION FOR MEMBERSHIP OF REDGRAVE COMMUNITY SOCIETY LIMITED

Registered office: Lilac Cottage, The Street, Redgrave Suffolk IP22 1RY

e-mail: [secretary@redgravecommunitysociety.com](mailto:secretary@redgravecommunitysociety.com)

Please return this form with your payment to the registered address shown above

I wish to apply for membership of Redgrave Community Society Limited and would like to purchase ..... Shares at £50 each. (maximum 400 shares).

I enclose my **internet banking payment confirmation** for £ .....  
(transfer to Redgrave Community Society Ltd account number: 40097977, Sort Code: 20-17-20, reference *insert your name*).

I attach my **cheque** payment for £ .....  
(made payable to **Redgrave Community Society Limited**)

**I would like to claim tax relief** (information will be sent to you).

**I would like to nominate someone to have my shares in event of my death**  
( a form will be sent to you).

PLEASE COMPLETE THE DETAILS OVER LEAF.....

Data Protection

By requesting that I become an investing member of Redgrave Community Society Limited, I agree to my name, address phone number and email address and number of shares I wish to purchase being held on a computer database.

I understand this information will be used for the purpose of maintaining a register of members and potential members as required by the rules of the society, for posting of notices and news regarding activities of the society and will not be passed to any third party.

Signature: ..... Date .....

Name: .....

Address including postcode: .....

.....

.....

Telephone number: ..... E-mail: .....

Please return this form with your payment to the registered address shown overleaf



The Community Shares Standard Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice.

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: [communityshares.org.uk](https://communityshares.org.uk)



REDGRAVE COMMUNITY SOCIETY LIMITED

Finance summary for Standard Mark Assessment August 2019

<b>Society Funds</b>	<b>Year 2019</b>	<b>Year 2018</b>
Members share capital	218,750	218,750
Reserves (accumulated retained surplus)	(70,812)	(599)
Long Term liabilities (loans)	<u>(93,742)</u>	<u>(85,068)</u>
Net Society Funds (share capital+reserves+long term liabilities)	54,196	133,083
<b>Membership Share Capital</b>	<b>Year 2019</b>	<b>Year 2018</b>
Opening balance of member share capital	218,750	218,750
New share capital invested during the year	none	none
Share capital withdrawn during the year	none	none
Closing balance of member share capital	218,750	218,750
<p>N.B. The Society's total borrowings at the moment are £111,242 and the share capital is £218,750.</p> <p>Total Assets less Current Liabilities are £241,680.</p>		
<b>Membership levels</b>	<b>Year 2019</b>	<b>Year 2018</b>
Number of members at beginning of year	245	245
Number joining in year	none	none
Number leaving in year	none	none
Number of members at end of year	245	245
<b>Financial return rates</b>	<b>Year 2019</b>	<b>Year 2018</b>
Interest on share capital	Nil	nil
<b>Application of surpluses or profits</b>	<b>Year 2019</b>	<b>Year 2018</b>
Net Surplus (Deficit) for the year	(70,213)	(599)
Total interest on shares	Nil	nil
Donations to community, social or charitable organisations/activities	Nil	nil
Surplus reinvested in the Society (reserves)	Nil	nil