

Redgrave Community Society Limited



"working for the Community"

Revised October 2020

A NEW COMMUNITY SHARE OFFER

An Open Share Offer
beginning 1st 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 an increase in the working capital and assist the withdrawal of shares if required.

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



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) www.redgravecommunitysociety.com



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 also 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)

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)².

² 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.

Successful applications have been made to HM Revenue & Customs (HMRC) for this tax relief on all the shares issued so far and **we intend to apply for similar relief 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, and the Government do not withdraw this type of relief.

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 have 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 31st January, of £70,213 including refurbishment costs and the loss for the subsequent year to 31st January 2020 was £6,356.

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 optimism for a stable and profitable future, once we are through the current Covid-19 difficulties.

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, 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:

§	ACTUAL & FORECAST FEB 2020 – JAN 2021					FORECAST FEB 2021 – JAN 2022				
	Feb-Apr*	Mar-Jul*	Aug-Oct*	Nov-Jan	Total	Feb-Apr	Mar-Jul	Aug-Oct	Nov-Jan	Total
Sales	30,504	16,818	71,440	42,000	160,762	71,000	77,000	74,000	71,000	293,000
Cost of sales	12,716	8,667	29,000	20,000	70,383	26,000	28,000	27,000	26,000	107,000
Wages	19,527	16,741	27,299	22,500	86,067	25,500	25,000	25,000	24,500	99,000
Expenses	<u>7,860</u>	<u>10,250</u>	<u>10,500</u>	<u>11,000</u>	<u>39,610</u>	<u>9,000</u>	<u>9,000</u>	<u>10,500</u>	<u>11,000</u>	<u>39,500</u>
OPERATING PROFIT	(9,599)	(18,840)	4,641	(11,500)	(35,298)	11,500	15,000	11,500	9,500	47,500
JRS Grants	5,841	9,971	1,323	6,000	22,955					
OPERATING INCOME	(3,758)	(9,049)	5,964	(5,500)	(12,343)	11,500	15,000	11,500	9,500	47,500
Financing Cost	(818)	(814)	(820)	(820)	(3,272)	(1,048)	(1,078)	(1,325)	(3,199)	(6,650)
Other Grant Income	<u>10,000</u>	<u>27,778</u>			<u>37,778</u>					
NET INCOME	5,424	17,915	5,144	(6,320)	22,163	10,452	13,922	10,175	6,301	40,850

All figures exc. VAT

*Feb - Sept figures actual

Forecast assumptions:

- Reopening on December 2nd with restrictions ≤ Tier 1
- No further closures or other business interruptions
- Trading estimates based on August - October 2020

Actual audited results:

	1 st February 2019 to 31 st January 2020	1 st February 2018 to 31 st January 2019
Sales, fund raising etc	239,037	217,614
Cost of sales	<u>(105,672)</u>	<u>(116,440)</u>
Gross Profit	133,365	101,174
Expenses	<u>(134,757)</u>	<u>(165,857)</u>
Operating Profit/(Loss)	(1,392)	(64,683)
Financing cost	<u>(4,964)</u>	<u>(5,531)</u>
Net Operating Profit/(Loss)	<u>(6,356)</u>	<u>(70,214)</u>

Capital Position

The total number of members has increased since the initial share offer to 272. The Capital position has been strengthened during the last year by the addition of a Government supported “Bounce Back Loan” of £50,000 and Grant Funding designed to help businesses such as ours during the Pandemic.

The current Management Committee consists of:

Chairman:	Stephen Eason
Vice Chairman	Neil Smith
Secretary:	Julie Moore
Treasurer:	<i>to be advised</i>
Committee members:	Andrew Dickson
	Jemma Shorten
	Donna Taylor
	Carolyn Ward

While the Society is not allowed to give “advice” about investment in the Society 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

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 intend to claim Social Investment - OR Capital Gains - tax relief (further information will be sent to you if we are successful in applying to HMRC).

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:

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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

