

Saffron Walden Community Pub Limited

Prospectus



CONTENTS

	Page
1. Offer Summary	2
2. What is the Saffron Walden Community Pub Limited?	3
3. The Community Share Offer	3
4. Background	5
5. Our Mission and the Projected Benefits to the Community	6
6. Financial Projections	7
7. How will the Saffron Walden Community Pub Limited be Managed?.....	9
8. Frequently Asked Questions.....	10

1. OFFER SUMMARY

- You are being invited to invest in the Saffron Walden Community Pub Limited ('SWCP') through the purchase of community shares;
- SWCP, a Community Benefit Society, has been established to purchase, refurbish and reopen the Railway Arms (the 'Pub');
- SWCP is registered at the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014. Its Register number is 7574;
- SWCP is seeking to raise between £200,000 and £250,000 from this share offer;
- In total, SWCP is aiming to raise a minimum of £450,000 through a combination of the sale of community shares, the receipt of grants and loan funding;
- SWCP has been successful in its application to the "More than a Pub" programme and has been awarded the full £100,000 grant/loan available under the programme. The award is subject to the Society raising a minimum of £200,000 from the community share offer;
- Community shares will have a nominal value of £50 each;
- The minimum investment under this share issue is 1 share [£50] and the maximum is 1,000 shares [£50,000];
- The share offer will be open to both individuals, companies and organisations;
- **The share offer opened on the 4th October 2017 and it will close on 31st January 2018 or such earlier or later date as the Society may determine;**
- A detailed business plan setting out the proposal in full can be viewed on our website **www.strap.org.uk**;
- You should note that this share offer is not subject to the Financial Services Markets Act 2000, is not covered by the Financial Services Compensation Scheme and investors will have no recourse to the Financial Ombudsman;
- You should be aware the value of your investment could fall and the amount returned could be lower than your investment.

The following pages are intended to:

- Provide information on the Saffron Walden Community Pub Limited and how the share offer will work;
- Outline the project and its benefits for members and the community; and
- Invite you to apply to buy Community Shares and help make this happen.

If you are unsure whether to invest or not it is recommended that you consult with a professional advisor.

2. WHAT IS THE SAFFRON WALDEN COMMUNITY PUB LIMITED?

The Saffron Walden Community Pub Limited ('SWCP') is a Community Benefit Society established under the Cooperative and Community Benefit Societies Act 2014. It is owned and managed by the community for the benefit of the community. SWCP is registered with the Financial Conduct Authority (FCA), Register No. 7574.

SWCP was set up to purchase, refurbish and reopen the Railway Arms.

Its constitution is set out in its Rules which are based on the Plunkett Foundation's Model Rules for Community ownership. The Society's Rules can be viewed on our website www.strap.org.uk.

SWCP is run as a not-for-profit organisation and any surpluses generated by it must be used either to further the business through reinvestment or distributed to community organisations within its community.

3. THE COMMUNITY SHARE OFFER

This document describes an opportunity to become a member of SWCP ('Member') by subscribing for shares in the Society ('Shares'). Any individual, company or organisation can become a Member. SWCP is operated on a 'one Member, one vote' principle, as set out in its Rules.

SWCP's first purpose is to raise sufficient funds to secure the Railway Arms by acquiring, developing and reopening it.

Individuals (aged 18 years and over), companies and organisations can apply for membership by subscribing for shares at a nominal price of £50 per share, with a minimum investment of 1 share, i.e. £50. The maximum investment is 1,000 shares, i.e. £50,000.

If the share offer is oversubscribed the Management Committee reserves the right to refuse part or all of an application for shares.

HMRC have given advance assurance that the share offer and investments by individuals will be eligible for tax relief under the Seed Enterprise Investment Scheme ('SEIS') and the Enterprise Investment Scheme ('EIS'). Under these schemes, investors can deduct 50% and 30% respectively of the cost of their investment from their income tax liability, either for the tax year in which the investment is made or the previous tax year. Those investing for the first £150,000 raised would be eligible for SEIS relief [50%] and subsequent investments would be covered by the EIS [30%]. This would have the effect of reducing the cost of your shares and investment by 50% or 30% through an offset against your income tax.

SWCP plans to pay interest on all shareholdings at an interest rate proposed by the Management Committee, based on the performance of the Society, and put to a vote of Members at the Annual General Meeting. It is our intention to pay a minimum interest rate of 2.5% above the Bank of England base rate. The Management Committee has agreed the rate for the first year will be 3%.

It is important to note the value of the shares will not increase. The only financial benefit for members is any interest paid annually and any initial tax relief that may be obtained.

The shares are not transferable (except on death or bankruptcy) and cannot be sold.

Investors may request to withdraw their shares by giving three months' notice of withdrawal to the Management Committee. Shares cannot be withdrawn until at least three years have elapsed from the date the shares were issued and then only at the discretion of the Management Committee. The Management Committee will have the authority to refuse a withdrawal request if it would endanger the viability of the Society.

Full details of share ownership and the terms of withdrawal are set out in the Rules of the Society.

In the event that, for whatever reason, the Railway Arms is sold, shareholders would be repaid their investment after repayment of all debts. Any surplus remaining after such repayment would be paid to a charitable or community body.

As SWCP benefits from limited liability, the maximum that an investor can lose is the amount of the original investment.

You should be aware that this share offer is unregulated. It is not subject to FSMA 2000. Additionally, there is no recourse to the Financial Compensation Scheme nor to the Financial Ombudsman.

Copies of the Business Plan and the Society Rules of SWCP are available on our website (www.strap.org.uk) and can be requested from the company secretary.

You can join the project to secure the Pub by subscribing for Shares and becoming a Member.

It is important that you read the document carefully in full before making a decision on whether you want to subscribe for shares.

This offer for shares opened on 4th October 2017 and will remain open until 31st January 2018, or such earlier or later date as may be advised by the Society. This is to best enable a fully funded bid to the owners by 1st November 2017.

4. BACKGROUND

The Railway Arms first opened in 1865 and had been a well-used and successful pub for many years.

In early January 2017, the Pub was closed and put up for sale at short notice by the owners, Charles Wells. Whilst it is being offered to the licensed and leisure market, the sale particulars also recognise the development potential of the site, subject to obtaining appropriate planning consents. Conditional or unconditional offers from developers will be considered by the owners.

Fearful that another pub will close and of the impact this increasing trend will have on Saffron Walden as a town and the local community, the members of Save The Railway Arms Pub ('STRAP'), a campaign group set up to keep the Railway Arms open as a pub, agreed to:

- Seek to obtain a listing of the Railway Arms as an Asset of Community Value, which was achieved in March 2017;
- Put together a business case for the purchase and reopening of the pub;
- Investigate putting in place a legal entity to raise funds and make a bid for the pub;
- Explore the level of interest within the wider community.

STRAP undertook extensive research into the community owned pub sector, canvassed support from the community via public meetings, community questionnaire and fundraising events and in June 2017 established Saffron Walden Community Pub Ltd [SWCP] as a legal entity to undertake the acquisition of the Railway Arms.

As a result of the positive feedback and support from the community, SWCP is now seeking to raise the necessary capital to achieve our objective of buying, refurbishing and reopening the pub.

This share issue is a key component of the total funding required. Our initial request for pledges to indicate the level of financial support available from the community stands at £187,500.

5. OUR MISSION AND THE PROJECTED BENEFITS TO THE COMMUNITY

SWCP's vision is for the Railway Arms to be the first community owned pub in Saffron Walden serving the needs of the local and wider community based on the following aims and values:

Aims:

- Owned by the community
- The community has a say in setting the direction and values of the pub
- An offering that is attractive and accessible to all
- Promotes social inclusion
- Financially viable for the long term

Values:

- A family friendly pub where members of the local community feel welcome
- A manager who is known and is a welcoming host
- Good food which is accessibly priced for all members of the local and wider community
- A range of well-kept beers and ciders, not predominantly from any one brewer
- A pub that encourages community involvement and participation in local events, and is at the heart of the local community

We have listened to what local people have told us they want and we will endeavour to meet those needs in coming years.

It is planned to make a number of improvements that will be beneficial for the running of the Pub as well as allow it to provide a wider range of services and activities. These include: developing the outbuildings to provide a meeting/function room for use by individuals, clubs, charities and societies; a separate eatery, community shop or café; the development of a 'Men's Shed'; making better use of the garden to promote community wellbeing and enjoyment including providing a community allotment/ orchard. These plans also include running a micro-brewery at the pub and securing the return of the telephone box for conversion to a community book exchange and public access defibrillator.

This purchase would have many benefits, including:

- securing and protecting an important community asset that serves a large part of Saffron Walden that has already suffered from the loss of many other local amenities such as pubs and shops;
- recreating a community focal point and spirit for local residents and new people moving into the area that helps build social cohesiveness;
- providing the many elderly residents in the area, particularly those who are less mobile, access to a place where they can enjoy socialising and taking part in activities outside their homes;
- providing clubs, societies and local charities with a place to meet and provide social, entertaining and educational activities and events;
- providing local employment and volunteering opportunities and work place training, particularly to those with additional needs.

This represents a fantastic opportunity for Saffron Walden to continue to strengthen the vibrancy and sustainability of its community and town.

The number of communities purchasing and running community pubs is growing and as far as we know, none have failed so far. Community owned pubs are run on a different business model to pubs owned by brewery and pub owning companies. Their low cost basis contributes significantly to their financial viability.

6. FINANCIAL PROJECTIONS

The pub is currently for sale and is being marketed by the owner's agents, Gerald Eve, for an undisclosed price.

From informal discussions with the agents, we are assuming at this stage the minimum price will be in the region of £300,000 to £350,000 plus VAT.

We have commissioned an independent valuer to value the pub and site on three bases: the pub as it stands now, the pub operating without development and operating at its full development potential. For this plan, we estimate the values as:

- The pub as it stands now - £250,000
- The pub operating without development - £325,000
- The pub operating with its full development potential - £420,000.

The Society intends to finance its purchase and development of the Railway Arms initially through:

- A community share offer for between £200,000 and £250,000;
- Joint grant/loan of £100,000 from the "More than a Pub" programme administered by the Plunkett Foundation;
- Grants from charitable trusts and other organisations of up to £25,000;
- Loans/mortgage finance of up to £100,000 on commercial (charitable bank) terms;
- Up to £50,000 from a joint venture to run a micro-brewery or community shop/ café at the pub.

If the Society is successful in raising the funds it will have in the region of £450,000 to £525,000 to make a bid to purchase the pub and, if successful, to invest £100,000 to £150,000 to develop the outbuildings.

The share issue will be the major part of the funding. A pledge form campaign launched in April to gauge the level of support for the community share offer has resulted in c.170 people making pledges totaling £187,500.

SWCP has been successful in its application to the "More than a Pub" programme and has been awarded the full £100,000 grant/loan available under the programme.

The Society has also been granted a long-term [20 year] mortgage of £100,000 with Triodos Bank, secured on the freehold. Triodos Bank is a global pioneer in sustainable banking, supporting projects that benefit people and the planet. They believe that banking can be a powerful force for good: serving individuals and communities as well as building a more sustainable society.

Once the Railway Arms is reopened we are confident it will be financially viable. Our headline forecasts are set out below and full detailed financial projections are included in our Business Plan, which can be viewed and downloaded from our website (www.strap.org.uk).

Our projections are based on the assumptions set out in the Business Plan.

Cashflow						
	Start up	2018	2019	2020	2021	2022
Income	£	£	£	£	£	£
Share issue	250,000	-	-	-	-	-
New shares Issued	-	5,000	5,000	5,000	5,000	5,000
Grants/ fundraising	75,000	2,500	2,500	2,500	2,500	2,500
Short term loan [repayable 8 years]	50,000	-	-	-	-	-
Long-term loan/ mortgage/loan 25 year	100,000	-	-	-	-	-
JV share/loan [interest 3%]	50,000	-	-	-	-	-
Purchase VAT recovery		60,000	-	-	-	-
Trading income		220,000	226,600	233,400	240,400	247,610
Other income						
Rent Manager's accommodation		7,200	7,380	7,560	7,750	7,940
Rent outside/ function rooms		-	12,000	12,360	12,730	13,110
Total income	525,000	294,700	253,480	260,820	268,380	276,160
Expenditure						
Property cost	360,000					
Acquisition costs	10,000					
Refurbishment of cafe/shop/ function rooms/micro brewery		150,000	50,000	-	-	-
Trading costs		182,650	187,630	192,830	198,050	203,510
Property maintenance fund		5,000	5,130	5,260	5,390	5,520
Property Insurance		1,000	1,030	1,060	1,090	1,120
Legal & professional costs		1,000	1,030	1,060	1,090	1,120
Business Manager [2 day per month]		4,800	4,920	5,040	5,170	5,300
Manager profit share [trading profits]		7,500	7,690	7,880	8,080	8,280
Mortgage/loan interest		4,000	4,100	4,200	4,310	4,420
Share/loan interest		12,000	12,000	12,000	12,000	12,000
Shares withdrawn					15,000	5,000
Loan repayment		10,300	10,300	10,300	10,300	10,300
Total expenditure	370,000	378,250	283,830	239,630	260,480	256,570
Net income/ (expenditure)	155,000	(83,550)	(30,350)	21,190	7,900	19,590
Opening bank balance	-	155,000	71,450	41,100	62,290	70,190
Closing bank balance	£ 155,000	£ 71,450	£ 41,100	£ 62,290	£ 70,190	£ 89,780

7. HOW WILL THE SAFFRON WALDEN COMMUNITY PUB LIMITED BE MANAGED?

As a Community Benefit Society, SWCP is run on a democratic basis where each member/shareholder has a single vote when appointing and removing members of the Management Committee and having a say in how the Society and Pub are run.

The Management Committee has overall responsibility for running the Society and Pub in line with the direction set by the Members.

The current Management Committee is made up of seven Saffron Walden residents who believe it is vital to secure the future of the Railway Arms for the community. They are: Tom Bennett (Treasurer), Bob Eastham, Dave Kenny (Chair), Julian Hales, Steve Langford, Tim Walker (Vice-Chair) and Kenneth Wright. Gemma Perry is the Company Secretary. Other Members may join the committee subject to a maximum membership of 12.

All the members of the Management Committee will stand down en bloc at the first AGM and may, with any other shareholding Members, offer themselves for [re]election.

The Management Committee will recruit and appoint a Pub Manager who will operate the day-to-day activities of the pub, hiring staff as necessary and as allowed within an agreed budget.

The Management Committee will be assisted by the appointment of a part-time [2 days per month] Business Manager with extensive experience of pub retailing who will provide the link between the Management Committee and Pub Manager and oversee the running of the Pub, ensuring it is meeting all its statutory requirements.

8. FREQUENTLY ASKED QUESTIONS

Questions you may have regarding buying shares in Saffron Walden Community Pub Limited

Why should I buy community shares?

We need your investment to help save a valuable community asset, the Railway Arms. Without sufficient investment from the community we will be unable to make a bid to purchase it and operate it as the first community owned pub in Saffron Walden dedicated to serving the needs of the community.

Who will benefit from this project?

The residents of Saffron Walden and especially those living in the southern wards of the town that have seen local convenient services such as shops, cafés and other facilities closed will benefit. The Railway Arms has the potential to offer more than a pub that can become a central point for the local community and create a stronger, more vibrant and cohesive community in which to live.

Is this a good business proposition?

We have forecast that the pub will be financially profitable. We have prepared our financial projections based on the financials when the pub was being run successfully. They have also been reviewed by a consultant who works in the pub retailing industry. These show the Railway Arms can be successful. There are now in excess of 50 community owned Pubs in the UK and none has failed to date. Full details of our forecasts and assumptions are shown in the Business Plan.

Will you be paying a fair price for the Pub?

We are confident we will be able to secure the Pub for a price that will enable us to establish a successful business.

Who are the people behind SWCP and what do they stand to gain?

The Management Committee consists of a group of local residents whose details are given above. They care keenly about the future of the Pub and about Saffron Walden. They will also be investing in this share issue. They will have no personal financial interest in the project, above and beyond their own investment in community shares. They have contributed a large amount of time to the project so far at no cost to SWCP.

Who will run the Pub and make the day-to-day decisions about the business?

The Management Committee will oversee the business and ensure it achieves the vision and aims and is run in line with the values set out above. An experienced Pub Manager will be appointed to oversee the day-to-day running of the Pub. The Management Committee plan also to appoint a part-time Business Manager to work with the Pub Manager and ensure the Pub is being run properly and in accordance with the aims of the Society. There will be governance and reporting arrangements in place to monitor financial and other performance. There will be an open and regular dialogue between the Business Manager, Pub Manager and the Management Committee and the views of members and customers will be actively canvassed by the Committee.

Will my shares give me voting rights?

Yes. A Community Benefit Society is an open and democratic organisation. One member receives one vote on issues determined by shareholders, irrespective of how many shares that member has purchased.

Can I get my money back?

You will be unable to withdraw your shares for the first three years after purchase. Thereafter you will need to give at least three months' notice of your wish to withdraw shares. Shares can neither be sold nor transferred to someone else. Withdrawals must be funded from surpluses generated by the business or from new share capital raised from members. The Committee may decline requests for withdrawals depending on the long-term interests of the Society, its need to maintain adequate reserves, and the broader needs of our community.

What happens if the purchase of the Railway Arms does not proceed?

It is possible that we will be unable to complete the purchase. In the event that this happens we will return any funds we have received to investors.

What happens if the SWCP fails?

Should the business fail, all assets, including the freehold of the building, would be sold and the proceeds of the sale (after paying any creditors) divided between the shareholders up to the value of their shares. You might receive the full value of your shares back or you might lose part or all of your investment. However, you should remember that this is an investment underpinned by freehold property.

What redress do I have if the business fails and I lose the value of my shares?

This share offer is first and foremost an investment in your community. The investment is unregulated and not covered by the Financial Services and Markets Act 2000. Furthermore, there is no right of access to the Financial Services Compensation Scheme or to the Financial Ombudsman.

Will I receive interest from my shares?

We will aim to pay a reasonable interest rate to our members. Our business plan assumes we will pay interest on shareholdings at a rate of at least 2.5% above the base rate of the Bank of England, subject to the business generating sufficient surpluses. Interest will be paid gross and it is each member's responsibility to declare such earnings to HMRC if appropriate.

Will my investment be eligible for tax relief?

This investment may be eligible for tax relief under two schemes administered by the HMRC; the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS). This would mean that eligible income tax payers who purchase shares can apply for income tax relief equal to 30% or 50% of the amount invested depending which scheme is approved and provided the shares are held for a minimum of three years. HMRC have provided advance assurance that this share issue will qualify for these schemes.

How can I purchase shares in SWCP?

To buy shares in SWCP and take part in this exciting opportunity, please complete the attached Application Form when the share offer is open on 4th October 2017 and return it to the address shown.

If I want more information, whom should I contact?

The Treasurer, Tom Bennett – email info@strap.org.uk; telephone 07399 486114.

More information is also available on our website – www.strap.org.uk – including the Business Plan and the Rules of the Society.

APPLICATION FOR MEMBERSHIP

If you wish to become a member of Saffron Walden Community Pub Limited ('SWCP') by investing in the society, please complete the form below and return it to the following address:

Saffron Walden Community Pub Limited
89 High Street
Saffron Walden
Essex
CB10 1DZ

[If you wish to deliver it by hand, please note No. 89 is situated south of the War Memorial]

Name(s):

Address:

.....

.....

Email address:

Phone number(s):

Number of shares I/we wish to purchase (minimum 1, maximum 1,000)

Value of shares you wish to purchase (shares cost £50 each): £.....

Tick the box if you are a UK tax payer and wish to claim tax relief on your investment under the SEIS/EIS schemes *[see FAQs above]*:

Payment should be made either:

- by cheque payable to Saffron Walden Community Pub Limited. **Please enclose your cheque with this application;** or
- by direct transfer to SWCP's bank account (Metro Bank), as follows:

Account Name: Saffron Walden Community Pub Ltd

Sort Code: 23-05-80 [Metro Bank]

Account Number: 25287584

Reference: "Share issue/[name]"

Please send this application to SWCP to the address above and tick the box to confirm payment has been made directly to our account

By requesting that I become a member of Saffron Walden Community Pub Limited ('SWCP') I agree to my name, address, phone number(s), email address (where applicable) and the number of shares I wish to purchase being held on a computer database. I understand that this information will be used for the purpose of maintaining a register of members and potential members as required by the rules of SWCP and for posting of notices regarding the activities of SWCP. **This information will not be passed to third parties.**

Signed:

Date: