

# the Kings Arms

at Strete

Share Offer

## **This is a Call to Arms: The Kings Arms.**

To save our pub.

To make it the vibrant community hub of the village.

And in time, to fund good causes across our community.

**WITH YOUR SUPPORT WE CAN MAKE IT HAPPEN.**

## Key Points

Our village pub, the Kings Arms, has had its ups and downs recently but has a long history of being a successful commercial venture and a vibrant, much loved hub in the village.

Having researched the local hospitality sector and community pubs nationally, we are convinced that there is every reason to believe the Kings Arms can be a successful long-term business if set up in the right way.

Over time, the pub can become a way of raising funds for the whole community.

To do this, we propose taking on a 10 years lease and running the pub as a Community Benefit Society. This will be known as the Strete Community Pub Limited.

The Strete Community Pub Limited is undertaking a share issue to raise capital to acquire a lease to operate the Kings Arms Inn, purchase new stock and provide working capital for the business.

The target for this share issue is £50,000.

## Current Scenario

The Kings Arms is a Grade II listed building that was built by William Oldreive of Landcombe in the 1820s. It is listed as The Kings Arms Hotel in a trade directory dated 1833 and was run by Mr. Oldreive for many years.

The pub has proved to be a viable commercial venture and successful focal point for village life for many years. In the last few years, the pub has had its ups and downs and on December 31<sup>st</sup> 2019 it closed.

Two local residents looked into running it as a private commercial enterprise and got as far as negotiating a lease but when the Coronavirus pandemic took hold one of the partners was no longer in a position to commit.

Subsequently, after various conversations within different networks across village life, the Kings Arms Reopening Team was set up in May of this year to explore how the pub could be run as a community venture and to demonstrate that there was a sound business rationale to do this. This team consists of people from the village with a range of commercial and professional experience, including hospitality, finance and marketing.

Having done the commercial analysis, the team has written a business plan demonstrating the long-term viability of the Kings Arms as a community pub under the legal framework of a Community Benefit Society. This would allow the business to be owned by members of the community and any long-term surplus profits could be used to support a wide range of community ventures.

It is the team's view that bringing the pub into village ownership, having a management team exclusively from the village, village shareholders having a vote and many of the day-to-day tasks undertaken by enthusiastic volunteers and familiar faces will restore the pub to its rightful place as an important village asset.

## Share Offer Details

You are invited to invest in a community enterprise, set up to secure the long term future of the Kings Arms at Strete as a pub and community hub.

Opening date: 21<sup>st</sup> August 2020

Closing date: 11<sup>th</sup> September 2020

The board of the society may choose to extend the period of the share offer at their discretion if they believe that by doing so they increase the chances of reaching the maximum target

- Minimum target to be raised: £45,000
- Optimum target to be raised: £50,000
- Maximum target to be raised: £60,000
- Minimum share subscription per person: £250
- Maximum share subscription per person: £20,000

Each share is £50, and the minimum investment is 5 shares (£250) and the maximum is 400 shares (£20,000), sold in multiples of £250.

Strete Community Pub Limited is a Community Benefit Society registered on 14<sup>th</sup> August 2020 under the Co-operative and Community Benefit Societies Act with the Financial Conduct Authority (registration number 8457). The registered address is Tallis Rock, Vicarage Lane, Strete TQ6 0RN.

By subscribing for shares issued by the society in this share offer you will become a member of it thus co-owner of the society and its assets. Our rules and other supporting documents will shortly be available on our website: [www.kingsarms-strete.co.uk](http://www.kingsarms-strete.co.uk). Before that they can be obtained from either Andy Edwards or Nigel Backwith, whose contact details are provided later in this document.

Prospective investors should read the whole text of this document and should be aware that an investment in the Society involves a degree of risk and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial and/or tax advisor. A more detailed analysis of potential risks is outlined in the full business plan.

## What we want the money for

A village pub is an essential asset in so many ways. It can unite a disparate village, reduce rural isolation and improve wellbeing. It can serve as a meeting place, for groups, for friends and for strangers. It can be an event space to entertain and amuse us. It can be a place where, over a drink or two, people come up with new ideas for their community.

Our vision has two time scales:

**To begin with, the vision is to create a vibrant, much loved and regularly used pub at the heart of village life, a pub that the village feels is their pub.**

**In the longer-term, the vision is to use the pub as a way of funding good causes in the village, more directly connecting the success of the pub with the success of the village itself.**

To create a successful pub business, we will offer an affordable, good quality, crowd-pleasing menu; local beers; a coffee and freshly baked pastries service and an event and club calendar all year round to encourage regular visits. We will look to build daytime use. And we will look at developing a takeaway service, for locals and holiday-makers alike.

For our initial funding requirements we aim to raise £50,000 from a community share offer. These funds will be used to:

- purchase a 10 year leasehold of the pub with associated professional costs
- carry out works to get it ready for reopening, including appropriate Covid 19 mitigation
- provide sufficient working capital to enable early stage cash positive trading
- recruit staff
- cover adviser costs
- provide a degree of contingency

Many pubs around the country have been closing in recent years that should not be closing. They are often turned into residential properties for short-term gain. They will never open again. They close not because they are not profitable but because they are set unrealistic commercial goals by large companies.

But a village pub run as a Community Benefit Society can return a small profit each year and prove to be a viable long-term business. This is the realistic goal that village pubs across the country should aspire to. The community pub model is growing and for these reasons is likely to become more prominent in years to come.

We're convinced that not only can we run a thriving pub people will love, but we are convinced it will draw in visitors from further afield, and in so doing, help generate the income that will be recycled to support other community projects, be that grants to support community groups, or money to spend on things the community agree it would be great to have but neither the Parish nor District nor County Councils have the funding - or inclination - to fund.

## Legal Model

### About Community Pubs

The community owned model is very successful with 100+ community pubs that have been created in the last 10 years all still operating, an astonishing record set against the backdrop of the general malaise within the UK pub sector, which has seen 1/5 pubs close in recent years.

That's for three key reasons:

Firstly, the community of people who use the pub and value it are connected to it. That means we find out what people want and don't want, and can offer it to them. If there are things we can't do, people can understand why that is, rather than simply be told it is not possible.

Secondly, it engenders loyalty and commitment, so people use the pub slightly more than they would if we were just another pub in the area, and work hard to sing its praises to visitors coming from further afield.

Finally, because we're community-owned, everyone pulls together so we benefit from the efforts of the paid staff, and, crucially, volunteers who are happy to work to support the pub they own in ways that they wouldn't for a privately-owned concern.

### What are Community Shares?

This is a community share issue, which is a much snappier name for what they are legally-speaking: 'withdrawable shares in a Community Benefit Society'.

Unlike shares in public companies, you'll not get a dividend nor are you able to sell them to someone else. Withdrawable shares work a lot more like a building society account, as you get your money back through withdrawing it from the society. However, the society can only give it back to you if it's doing well as a business (we have to have sufficient trading surpluses and ready cash to enable it to give you your investment back).

Like a building society account, we can pay interest each year on the investment, which the Directors will determine each year. This will never be more than 5% or 2% over the Bank of England base rate, whichever is higher, and investors should understand that the primary goal of the investment is a social one, in enabling the community to benefit from having a vibrant and sustainable pub, rather than a means of financial enrichment.

Our standard interest payment will be as vouchers to spend at the pub. At the discretion of the management committee we will also consider cash payments.

In addition to deciding how much interest to pay, the Board will decide whether they can afford to allow shares to be withdrawn, and if so, how many. In order to do this, the society must have sufficient cash reserves to secure the future of the business, before making surplus cash available to cover capital withdrawals.

So, the best way to get your money back is to continue to support and, crucially, persuade other people to support us too. That's the real secret of community ownership – we make the rewards of our success something we can share with the people who matter the most to us.

Investors should note that the society plans to make no funds available for withdrawal for the first three years after the share offer, and indeed, this is a condition of any tax relief we may be able to secure for investors.

Individuals over the age of 16, charities and other organisations may invest in this offer.

## Tax Relief

This share offer has applied for Advance Assurance from HMRC that it qualifies for Social Investment Tax Relief (SITR). Should we be successful, investors will be able to claim tax relief on the value of their investment:

- 30% of their income tax liability
- 30% relief of Capital Gains Tax on any capital gains used to invest into the share issue
- As an example, if you invested £500, you would be eligible to reduce your tax bill by £150. If you used a capital gain to make the investment, you'd also reduce your capital gain tax liability on it from £140 to £98, giving a combined tax benefit of £192, equivalent to 38% of the investment value.

Investment	SITR Tax Relief @ 30%	Net Cost to investor	SEIS relief @ 50%	Net Cost to investor
£250 (min)	£75	<b>£175</b>	£125	<b>£125</b>
£500	£150	<b>£350</b>	£250	<b>£250</b>
£1,000	£300	<b>£700</b>	£500	<b>£500</b>
£2,500	£750	<b>£1,750</b>	£1,250	<b>£1,250</b>
£5,000	£1,500	<b>£3,500</b>	£2,500	<b>£2,500</b>

To qualify, the shares must be held by an investor for a minimum of 3 years. Your investment in shares in the Society may qualify for 'business relief' under inheritance tax rules.

As soon as we are able to meet the criteria to apply, we will also seek Seed Enterprise Investment Scheme relief.

This operates in a similar fashion to SITR but can provide 50% of the value of the investment in relief from income tax, and 50% deferral relief on capital gains invested in the share issue. We are expecting the investment to be eligible, but due to the eligibility criteria for this relief, it is less clear-cut that the society meets all the requirements, and so investors should be aware that this relief may not get approval.

In order to benefit from the tax relief, you must be a UK income and/or capital gains tax payer with tax due to pay equal or greater than the amount of relief you're seeking.

We understand that you can claim the relief in either the tax year you make the investment or the previous tax year. The date of investment will be the day the society receives the money after the share offer closes, not the date in which you made the investment. However, we are not tax experts and therefore you should seek advice from a financial advisor.

If you pay tax via PAYE, you send the certificate to the tax office that processes your employer's payroll tax collection, and if you do self-assessment, you claim the relief when completing your tax return (unless you want to backdate it for a tax year you've already filed a return for, in which case you have to contact HMRC directly).

We cannot give tax advice, and can only vouch that the investment is a valid investment for tax relief once it is granted. Anyone considering investing with tax relief in mind should contact a financial advisor to establish whether they themselves would be eligible.

## Projected cashflows

The financial headlines of years 1-3 of the business plan are set out below:

Financial Headlines	£ GBP	Year 1	Year 2	Year 3
	Sales (net VAT)	236,000	247,800	257,700
	Operating Profit	-10,600	7,600	11,200
	% of Sales	-4.5%	3.0%	4.4%
	Cash Generated/Used	2,700	7,600	11,200
	Closing Cash Position	19,700	27,300	38,500
	Net Assets	39,400	47,000	58,200

### Who will run the society?

The existing Kings Arms Reopening Team is made up of seven volunteers, all of whom live in the village. They come from a variety of backgrounds and have a range of relevant experience and skills.

Once up and running, a Management Committee will be established and this will comprise some or all of the members of the Kings Arms Reopening Team plus up to three additional individuals with appropriate skills as co-opted members. None of these individuals will ever have a personal financial interest in the project above and beyond their own personal investment in community shares, declared loans, which will be provided on no less favourable terms than any other private lender or charges made by their businesses which will have to be approved by the Management Team. Additionally, the individual will have to declare their interest in the business concerned prior to any approval.

All of the Initial Committee members will resign at the first AGM of the society, due to be held by the end of 2021, to enable a new committee to be elected with the confidence and legitimacy of being democratically elected by all our members. Existing Committee members can stand for re-election, as can any member who can be nominated.

The Management Committee is accountable to members and will keep members updated via newsletters, the [www.kingsarms-strete.co.uk](http://www.kingsarms-strete.co.uk) website, Facebook at [www.facebook.com/kingsarmsatstrete](https://www.facebook.com/kingsarmsatstrete), and at the AGM when members will be provided with an annual report and accounts.

The team as it stands is made up of:

#### **Andy Edwards – Overall and Sales & Marketing (mob. 07504 062484)**

Background in advertising and marketing, most recently Global Marketing Director at a booking.com company, and led a number of start-ups.

My reason for getting involved: We moved to the village two years ago, having lived abroad for several years, excited about living with a local pub again. Our two young children and many of their friends love meeting at the pub, and we want to make sure there is a pub for them as they get older, so the village can continue to thrive.

**Nigel Backwith – Commercial and Project Management (mob. 07734 088839)**

Career: semi-retired Consulting Partner with Andersen Consulting/Accenture and CEO Cable & Wireless Business Networks.

My reason for getting involved: We moved into the village ten years ago. I have enjoyed the pub, where I meet with friends from the village and enjoy great banter and it's not the same when the pub is closed. I've always tried to help the landlords when I can, which has seen me volunteering behind the bar, waiting table, and keeping the pub's accounts.

**Ralph Clark - Property (mob. 07866 674920)**

Career: Chief Executive of QMS Ltd (Specialist Highway Maintenance Contractor)

My reason for getting involved: It's so important to be able to stroll to the village pub for a drink with friends and family and not have to worry about who is driving home or getting a taxi. Great to drop in for a glass of wine or beer at the end of the week or after a long walk. We can create a community hub in Strete!

**David Rothwell – Food & Beverage (01803 770322)**

Career: Previous hotel management with Rank and THF. Former chef proprietor of The Laughing Monk Restaurant in Strete, winning many awards and accolades.

My reason for getting involved: Having been involved with a business that was the focal point of the village, I now believe that The Kings Arms can become the hub for so many of the village to meet and enjoy the social activities that will take place.

**Sara Fowler - Finance & Accounting (mob. 07887 633092)**

Sara is a chartered accountant and former partner with Ernst & Young (EY). She had been with EY for 30 years and a partner for 17 years. She now has a portfolio of non-executive and chair roles.

My reason for getting involved: I have had a home in Strete, and previously Torcross, for over 14 years and believes the pub in Strete is part of the essence of village life, providing a convivial meeting place for residents and visitors in a very beautiful part of Devon.

**Tim Fowler – Funds and Grants (07799 063417)**

Tim is an IT consultant and senior partner of a small IT consultancy company. He was a member of Norton Lindsey Parish Council Warwickshire at the time it secured the pub for the village community.

My reason for getting involved: I have had a home in Strete, and previously Torcross, for over 14 years and believes the pub is central to the village community for both residents and visitors.

## **Serin Aubrey – Kitchen Operations**

After escaping the rat race in London to be closer to the family farm in Slapton, Serin opened The Anzac Street Bistro in Dartmouth. After 13 successful years and a loyal following it was time for a new challenge, along with long-term friend Simon, Dartmouth Fine Foods was born. Building up a great reputation for outside catering, Dartmouth Fine Foods is going from strength to strength now offering local food deliveries.

Reason for getting involved: My family and I love living in Strete, the daily commute to and from Dartmouth is spectacular for me. We have enjoyed the Kings Arms both before and whilst living in the village and want to see it thrive again. What's better than popping to your village pub for a bite and a pint?

## Questions about the share issue....

### How can I invest?

There is a form to be completed at the back of this share offer that includes relevant bank details.

Once we have raised what we consider to be an adequate sum, we may close the share offer. However, if we cannot conclude an acceptable agreement with the pub's owners to operate the pub as per the society's business plan, all funds will be returned to investors without delay.

### What is the minimum and maximum investment?

Each share is £50, and the minimum investment is 5 shares (£250) and the maximum is 400 shares (£20,000), sold in multiples of £250.

### Who can invest?

Anyone over the age of 16 can invest (but only people aged 18 or above can serve as directors).

### Can organisations and businesses subscribe for Community Shares?

Yes. A representative of that organisation will need to become a member of the society as nominee for their organisation/business.

### Can people club together to buy shares?

Yes, but as with organisations, you'll have to nominate a member of your group to be the named shareholder in our share register.

### What if the society isn't financially successful enough to survive?

If we did become insolvent, the ability of investors to recoup the funds they have invested would depend on firstly the value we (or the appointed insolvency practitioners) could get for the assets of the society and secondly, the value of our debts at that point.

In the event of our insolvency or orderly winding-up, the proceeds from the sale of those assets and our cash would firstly pay off all our creditors, and if there were any funds left at that point, would be used to pay back shareholders as much of their investment as they have outstanding as possible, on a pro-rata basis.

As we are a society with a statutory asset lock, should there be any surplus after returning funds to investors this would have to be given to another organisation with similar aims and a similar asset lock. This cannot be changed by members and is enforced by statute law.

### What happens if I didn't get all my investment back?

Although we are registered as a society with The Financial Conduct Authority (FCA), the sale of withdrawable shares in the society is not regulated by the FCA. Like many investments, these community shares are at risk and you could lose some or all of the money you invest.

Unlike deposits with high street banks, community shares are not covered by the Financial Services Compensation Scheme, nor is there any right of complaint to the Financial Ombudsman Service. If you are considering investing a significant amount then you may wish to seek independent financial advice before doing so.

Investors who have claimed tax relief would also be eligible to claim loss relief against their tax liability for the difference between what they invested less any tax relief already claimed and what was returned to them.

### **Can my investment be gift aided?**

No, because we aren't a charity.

### **Can I sell my shares?**

No. This investment is in withdrawable share capital which cannot be transferred, sold or given to anyone else, except on your death or bankruptcy.

You can tell us in advance who you wish to transfer your investment upon your death, and we can transfer the first £5,000 of your investment to them; any investment above £5,000 requires your beneficiary to be explicitly named in your will. If you do not nominate anyone, then the Board will rely on the instructions given by your executors.

### **Can shares increase in value?**

Shares cannot rise in value, so there will never be a capital gain. They may be reduced in value if our auditors instruct us to do so if they believe that the value of our assets has fallen.

### **Will I get a Share Certificate?**

Everyone who invests will receive a community share certificate.

### **What will you do with my personal details and data?**

Your personal details as submitted on the application form will be held by the society and used in accordance with the provisions of the rules and of the 2014 Co-operative and Community Benefit Societies Act. Only members can inspect the members' register and view members' names and addresses (but not how much they have invested) but the society will not share, sell or provide my details to any other individual or organisation and will ensure compliance with the GDPR regulation in accordance with its responsibility as a data controller.

## Key Points for Investors

1. This is a social investment not an investment designed to generate large profits and should be regarded as a long-term social investment in your community.
2. The return on your investment will be through a 'social dividend' i.e. the preservation of a local asset servicing the community and through modest interest on your shareholding, at the discretion of the Management Committee and voted on at AGMs.
3. All shareholdings of £250 or more will be eligible to receive interest although it is likely that no interest will be paid during the first year of trading. Interest will be paid gross and is taxable. You will be responsible for declaring this income to HMRC.
4. The Management Committee can suspend interest payments if the business performance does not justify paying interest. Therefore, you should not invest in the expectation of direct financial return, as this is not a conventional investment.
5. The minimum investment is £250 (5 shares). The maximum investment is £20,000 per person or organisation.
6. You must be aged 16 or over to become a member.
7. You cannot sell your shares, except back to the Society itself.
8. The value of shares cannot increase and their value may be reduced if the business fails and its liabilities exceed its assets.
9. The only way to recover the sum you initially invested (or any reduced value) is to give three months' notice of your investment withdrawal to the Management Committee. You cannot do so for the first three years after the date of this share issue.
10. All withdrawals will be at the discretion of the Management Committee and must be funded out of either trading surpluses or new share capital.
11. Total withdrawals in any year will be limited to a maximum percentage of the total shares outstanding (as determined by the Management Committee from time to time).
12. All funds invested in this Community Share Offer will be restricted funds held in a separate account until the purchase is completed and thereafter will be used only for the purpose of acquiring and refurbishing and owning The Kings Arms. In the event that the purchase does not proceed, all contributions will be repaid less any expenses that may have been incurred.
13. Any trading surplus, after payment of interest to shareholders and repayment of share capital, must be reinvested in the business or used for community purposes. The Society is registered with but not regulated by the Financial Conduct Authority (FCA, previously the Financial Services Authority), so members cannot apply to the Financial Services Compensation Scheme (FSCS) and have no right of complaint to the Financial Ombudsman. Before deciding to invest, you may want to seek independent advice.

## Application to become an investor member of Strete Community Pub Limited

If you are applying on behalf of an organisation or as a gift, please give the name and address of the organisation, and state who is making the application on their behalf below:

1	Investor Name	.....	
	Investor Address	.....	
		Postcode	.....
	Investor Email	.....@.....	
	Investor Phone	.....	
	Application made by (if different)	.....	
		<ul style="list-style-type: none"><li>• Applications made on behalf of other individuals will only be processed when we have secured the agreement of the person for whom the investment is being made</li><li>• Applications on behalf of companies, organisations, families etc will be registered using the individual named above as the nominee</li></ul>	

2	How much do you want to invest?	£
	(min £250, max £20,000, in units of £250)	.....
	If the share offer is oversubscribed and/or unable to offer you any or all the shares you have applied for, we will refund the difference by cheque to the address above unless we are notified otherwise.	

3	How will you be paying?	
	<input type="checkbox"/> A cheque payable to Strete Community Pub Limited is enclosed with this application	
	<input type="checkbox"/> Bank transfer to sort code 60-83-01, account number 20428277 using SCPL SO as a reference	

4	<input type="checkbox"/> I confirm that: (this consent is required for us to accept your investment)	
	<ul style="list-style-type: none"><li>• I am 16 years old or older;</li><li>• I understand that the Board of Directors may reject my application, and not obliged to tell me why it has been rejected;</li><li>• I have read the share offer document and understand and accept the terms of the share offer and the Rules of Strete Community Pub Limited;</li><li>• I understand that the board may conduct such checks as necessary to comply with money laundering regulations.</li></ul>	
	<input type="checkbox"/> I consent to receiving formal notices by the email address on this form and links to formal documents on the society website (optional)	
	Signed	Date / /

Please send your completed application form (and cheque if applicable) by the deadline of 11<sup>th</sup> September 2020 to Strete Community Pub, c/o Nigel Backwith, The Long House, Totnes Road, Strete TQ6 0RU or for bank transfers you can email the completed form to [andy.kingsarms.strete@gmail.com](mailto:andy.kingsarms.strete@gmail.com).

We will store securely the information you have provided and will not share that information with anyone else without your permission.