



The Brewers (West
Malvern) Community Pub
Group Ltd

Community share prospectus and outline business plan



SHARE OFFER OPENS: 10th June 2022

SHARE OFFER CLOSES: 8th July 2022

Target: £425,000

Investment limits: Minimum £250, maximum £25,000

31st May 2022

The Brewers (West Malvern) Community Pub Group Limited

The Brewers (West Malvern) Community Pub Group Limited has been established with the aim of purchasing the freehold of the Brewers Arms, West Malvern, Worcestershire WR14 3SP for the benefit of the community.

The Brewers (West Malvern) Community Pub Group Limited is registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society (CBS). The registered society number is 8840. The registered Office is 26 Mathon Road, West Malvern, Worcestershire WR14 4BU.

Community shares are fully at risk

We are legally required to state that you could lose some or all of the money you subscribe (but see section 1.3 and 7.2 later). You have no right to compensation from the Financial Services Compensation Scheme, nor any right of complaint to the Financial Ombudsman Service.



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1 Introduction

This document sets out a summary and guidance for the community share offer being made by the Brewers (West Malvern) Community Pub Group Limited (hereinafter referred to as “the Society”). This offer aims to:

- a) fund the purchase of the freehold of the Brewers Arms pub, West Malvern WR14 3SP; and
- b) provide additional funds for initial refurbishment and improvement work.

This document also sets out how the business will be run for the benefit of the whole community.

1.1 The Brewers Arms – at the heart of the community

The Brewers Arms is the oldest and, now, the only pub in West Malvern. It has served its local community and visitors alike for close to two hundred years. Throughout this time it has provided a focal point for the village as well as offering social amenity to visitors, the numbers of which, over the years, have increased considerably.

The pub is an attractive and charming stone building with much character. The ground floor contains a single bar area, including an open fireplace (always a popular feature in the winter), with a commercial kitchen to one side. The beer cellar and toilets are offset at a lower level. Upstairs is the licensees’ living accommodation. Outdoors is a spacious garden over numerous levels, boasting a separate terraced area with spectacular views towards the Black Mountains. There is also a heated smoking shelter and an annex building, which provides further seating and tables.

In recent years it has traded on drinks and food, with a strong emphasis on business towards the summer months and weekends. The pub has always had a reputation for selling traditional cask ales, many from local breweries, whilst the popular food offering has typically majored on affordable pub classics, plus various hot and cold snacks. It is a venue for live entertainment, as well as being a focal point for several clubs, societies, and sports teams. It has held numerous special events, such as children’s parties, beer festivals and charity fundraisers. It is also a popular venue for wakes, wedding receptions and private parties. The Brewers Arms has always played a key role in the local community, and this is reflected by the fact it is registered with Malvern Hills District Council as an Asset of Community Value (ACV).

1.2 The vision

The Society is proposing to purchase the freehold of the Brewers Arms from its current owners Admiral Taverns. Admiral Taverns have agreed to sell the premises to the Society for £295,000.

By purchasing the pub, the vision is that it will be placed on a long-term secure footing, removing any threats to its existence as a pub, thereby retaining it as a community asset for generations to come.



Fundamental in achieving this outcome is investment in and expansion of the pub's fabric and facilities, something that has been neglected for a number of years. The intention is to provide extra amenity and enjoyment to a wider clientele.

1.3 Why taking the Brewers Arms into community ownership can work

In making this proposition we are not reinventing the wheel. Nothing is being proposed that hasn't been done before. There are over 150 community-owned pubs across Britain today, with another 40 or so currently in the throes of seeking funding.

At time of writing this prospectus, to the best of our knowledge, only one of the established community-owned pubs has failed and closed permanently. This is a particularly reassuring statistic, especially when one considers that, prior to entering community ownership, many of these pubs were marginal in terms of their financial viability, often very marginal. In addition, a lot of the pubs existed in significantly smaller communities than West Malvern, often remote rural locations. Some also required substantial upgrading of their fabric and amenities. It is our view that the Brewers Arms starts from a much stronger position than many of the established and successful community-owned pubs.

In creating the Society and initiating this community share offer, we are going down a much-travelled road. Moreover, professional advice and guidance from the Plunkett Foundation has been sought from the outset and is still being provided. The Plunkett Foundation is a charity dedicated to supporting the establishment of community-owned enterprises, regardless of their type. We are also fortunate to enjoy the constructive support of the Campaign for Real Ale (CAMRA).

Investing in the community share offer gives the investor part ownership of the Brewers Arms. All investors will become members of the Society and, as such, they will not be liable for any risks or negative outcomes related to the project beyond the amount they have invested. Furthermore, whilst the investments are not risk-free, the fact is that the Society owns the equity in terms of the pub's freehold, which will always have a cash value. (See also "Important legal information" later.)

1.4 Why invest in the Brewers Arms?

By investing in the community share offer you will be contributing to the long-term survival of the last pub in West Malvern, one that is a key community facility. You will be investing power to the Society to determine how the business is run (and by whom). No longer will the community be left to the whims of a pub operator with their own plans or ideas that may not be in tune with what the community wants and needs. Ultimately, the community will take control of its local pub.

Investors will receive interest on their shares. This interest will be paid annually at a rate determined each year by the Society. The rate is expected to be between 2 and 3 per cent. However, there will be an eighteen-month moratorium period following the pub's acquisition and opening, during which time no interest will accrue to investors. The purpose of the moratorium is threefold: (a) to provide the Society with financial breathing space to



appoint the tenant(s); (b) to allow the tenant(s) to establish their new business, and (c) to direct funds to immediate remedial work. For similar reasons there will be a moratorium of three years from the pub being acquired on withdrawing your investment. (See also “Important legal information” later.)

Once the Brewers Arms is purchased, refurbished and fully operational, we believe, based on an analysis of earlier trading figures and advice from our professional valuer, that it will become financially self-sustaining. Share interest payable to investors will be serviced by the rent paid to the Society by the appointed tenant(s). However, there may be opportunities in the future to initiate new share offers or undertake other fund-raising schemes should the need arise to further improve and/or develop the pub and its facilities.

2 The challenge – making it happen

2.1 What have we done so far?

Since Admiral Taverns announced their intention to sell (November 2021), the board of the Society has sought views from the community as to what the pub should provide. There have been two public meetings; a community questionnaire; and a publicity flyer delivered door-to-door. Further comments and suggestions have been elicited via the Society's website, e-mail, and a dedicated Facebook page. The Society has appointed accountants, obtained a full structural survey of the property and a professional valuation of the pub business. The Society will continue to seek such views as time goes on from everyone with an interest in the business, not just those who live in West Malvern or those who invest by buying community shares. Most important of all, within a relatively short period, we have received pledges of financial support from over 330 people which are sufficient to enable us to proceed. Most recently, and after negotiation, Admiral Taverns have accepted an offer from the Society of £295,000 for the purchase of the Brewers Arms.

2.2 What are the immediate plans?

From the considerable feedback received so far, the prevailing views very much favour developing the pub along its historical lines of providing a meeting place for people of all ages, with a strong emphasis on cask ales, especially those from local breweries, whilst also offering affordable hot and cold pub meals. To be able to do this will require some early refurbishment to upgrade the premises – basically to get the pub fit for trading and make it an attractive prospect for the incoming tenant(s). As a minimum, it is thought that the commercial kitchen and toilets will need early attention. The beer cellar may need to be looked at too and there are some structural issues that will need attention. The aim is for such tasks to be funded from the initial community share offer.

The surveyor's report sets out the works needed to bring the fabric of the building to a satisfactory standard. The carrying out of such works will need to be carefully phased based on the availability of funds, whilst aiming to avoid the pub needing to be closed for extended periods. Any work undertaken will take care not to spoil the pub's existing character and setting.

2.3 Longer term goals

A key commitment is for ongoing investment in the fabric of the premises, both indoors and outdoors, as and when funds become available. Any opportunities that arise to improve and/or expand the facilities and amenities will be explored, with the aim of increasing access and appeal to a wider range of people. The Brewers Arms should become much more than just a pub!

A prime example is to make much better use of the annex. The so-called 'Armpit' offers many exciting opportunities for community use – such as charity coffee mornings, rural cinema screenings, singing groups and so on. This will require considerable investment to make it more flexible and usable across the seasons.



There are Government grants available to support such diversification and community engagement. A strong case will be made by the Society to secure such funding at an early stage. However, our financial model assumes minimal grant funding. Also, as mentioned earlier, fund-raising events and additional share issues can be used to generate additional capital if necessary.

However, with all improvements, and regardless of how they are funded, it needs to be recognised that many tasks will require the services of willing and able volunteers, including, and perhaps especially, those who are shareholders. At the same time, it is important that the pub does not compete unfairly with other nearby venues that have similar offerings. There should be a symbiotic relationship within the village, whereby each business works in harmony with the others, to provide amenity for the people of West Malvern and its immediate surroundings, for the benefit of all.

3 How will it be run?

3.1 Operating model

The Society has examined three ways the pub could be run on a day-to-day basis:

- a) With volunteer staff: This has the advantage that staff costs are minimal, thereby maximising the potential for profit to the Society. It does however bring with it many regulatory and legal issues, key amongst which is the matter of who would be the designated licensee. In addition, there would be the critical matter of ensuring (and managing) full cover by volunteers across every day of every week of the year.
- b) With a manager employed by the Society: This would require the Society to become an employer. The advantage here is that the Society would immediately accrue all the profit generated by the pub once the staff costs and other business expenses have been paid. However, this comes with considerable administrative and legal responsibilities – dealing with PAYE, staff welfare, illness, holiday payment and so on. It would also involve the Society in actively managing the business, including taking the revenue risk.
- c) Appoint a tenant on a lease from the Society: This model involves leasing the pub to a tenant (or tenants) who will run the business. The tenant(s) will have a contract with and pay rent to the Society. This has several key advantages: a high degree of certainty of income to the Society (namely the rent being paid); less work for the Society – only requiring contract oversight; and 100% of the business risk would be owned by the tenant(s). It does mean that the Society cannot accrue all of the profit of the business. However, because the tenant retains the profit, they are rewarded for their work, giving them considerable motivation to make the business a success and, perhaps crucially, encourage them to stay for the long term.

After careful consideration, the tenancy model of operation (option (c)) is the one that has been chosen. The volunteer staff option was deemed to be totally unrealistic. A particular problem is that a lack of volunteers could cause the pub to shut randomly, without notice, something that has plagued the pub for the last few years and has caused a drift of people away to other venues. With the management option, it was felt that the Society would not have the time or skills to give such an arrangement the necessary full attention it requires.

In choosing to go down the tenancy route, the Society is adopting the same operational model as the vast majority of other community-owned pubs across the UK. It is proposed that the Society appoints suitably experienced tenants (landlord/landlady) to run the pub business. The tenant(s) will pay rent to the Society. This will service the interest to be paid on issued shares (see more in Section 4, “Business planning”, later) and will also cover other legitimate expenses incurred by the Society in the administration and maintenance of the premises. There will be a legally binding contractual relationship between the tenant(s) and the Society which, whilst affording them the freedom to run their business unhindered, will



also enshrine the core objectives of running the pub for the benefit of the whole community.

It is fully acknowledged that, especially in recent times, trading conditions for many previous tenants at the Brewers Arms have been problematic. Even before the impact of the COVID pandemic, tenants struggled to make the pub work for them as a successful business.

The Society will address this situation by helping the tenant put in place a sustainable business model to ensure the pub's long-term financial success. This will attract, and help to retain, tenants of the right calibre and experience who share the values of the Society and its shareholders.

3.2 Delivering long term financial viability

Taking the Brewers Arms into community ownership via a share scheme run by the Society will transform the economics of the pub, to the extent that it will become financially sustainable in the long term. There are several aspects underpinning this fundamental change:

- There will be no need for a commercial mortgage or similar loan from a financial institution to purchase the pub. The purchase funds are provided by the share capital, which will come at a much lower cost.
- In turn, this provides the opportunity to charge the tenant(s) a lower rent than hitherto has been the case. It is anticipated that future rent will be about 20% less than it has been in the past.
- The future tenant(s) will be able to source their beer, wine, spirits, food, snacks and other products from whomever they wish. Being able to purchase in the 'free trade', as opposed to being tied to a particular supplier, allows the tenant to seek out the most competitive prices. As an example, with cask ales it should be possible to achieve savings of 30%, perhaps more. In addition, it affords local producers the opportunity to supply their products to the pub – creating a stronger customer appeal.
- Regular investment in the pub's fabric, allied with diversification of the product offer through the provision of new and imaginative community-focused amenities, will increase footfall. More people will find the pub relevant to their needs; they will have more reason to visit – indeed be attracted to visit.
- Those who invest in the scheme will have a direct interest in the success of the business. As part-owners it literally becomes *their* pub! They will have a say in determining its future direction and running. It also gives them a good reason to frequent the pub more often.

4 Business planning

4.1 Initial purchase

The anticipated cost of the purchase and initial refurbishment of the Brewers Arms is **£425,000**. This represents the cost of the purchase of the freehold based on an agreed price of £295,000, plus £130,000 to cover legal fees, stamp duty, surveys, registration, administration, refurbishment and a contingency fund.

It is the aim of the Society for all of the above funds to be raised from the community share offer. The Society will, in parallel, explore opportunities for grants and/or loans. However, access to grants is not guaranteed whilst any loans will need to be secured at commercial rates of interest. Moreover, grants and loans can sometimes take a while to organise. This means it is most practical and advantageous to maximise the funds raised via the community share offer.

Note that the purchase price will be subject to VAT at 20%. However, the Society will register with HMRC for VAT purposes, therefore creating a nil effect.

4.2 Realising the target

Based on the actual amount that is raised from the community share offer, three options emerge:

1. **The offer is over-subscribed (i.e. more than £425,000 is raised):** In this scenario, a decision will be needed as to what to do with the excess. One option is to pare back individual investments such that the issued share capital remains as £425,000. Alternatively, and especially if the excess is relatively small, the share capital may be increased. Such extra funds may then be used to expand or accelerate planned improvements to the pub. Finally, investors may be asked whether they wish to donate any excess, rather than have their contributions pared back. (See Q&A later).
2. **The offer is under-subscribed but only by a small amount (i.e. less than £50,000 off target):** In this scenario, we would look to secure grants and/or loans to make up the shortfall. However, as stated previously, grants and loans can bring their own issues. Providing sufficient funds have been raised to purchase the pub's freehold the Society may look to postpone some of the planned refurbishment.
3. **The Offer is under-subscribed by a large amount (i.e. more than £50,000 off target):** In this scenario, if loans and grants aren't considered to be a viable alternative, any investments will be returned and the project will be closed. The future of the Brewers Arms would be left to the free market.

Note that circumstances may arise whereby the Society deems it appropriate to extend the share offer deadline. If necessary, we will revert to Admiral Taverns and ask for more time to complete the sale and purchase.

4.3 The Business Plan for The Brewers Arms

There are two elements to the plan-



1. The Community investment, and
2. The running of the pub business

So far as 1 is concerned the points to consider are

- a. Is there enough local interest to buy the pub
- b. Is there enough local interest to support the pub once it is up and running, and
- c. Will the rental income be sufficient to pay interest to the shareholders after payment of outgoings and retention of contingency funds for maintenance.

So far as 2 is concerned the points to consider are

- a. Will there be enough trade to support the pub
- b. Will the rent be affordable, and
- c. Will the pub generate sufficient income for the tenant to make a reasonable profit?

If any of the answers to the above are “no” then the venture will fail BUT we believe the answer to all the questions is “YES” for the following reasons:

The Community Investment

We received 200 replies to our original questionnaire. The response is overwhelmingly in favour of the community buying the pub. The pub is much loved and there is a market to be tapped. If the services offered are improved and geared to what the community desires, then the pub will be supported. The attendances at the public meeting, the 400+ people who have joined our Facebook Group and the 330+ who have promised, via our website, sufficient funds to purchase and improve the pub, confirm this.

We believe that a rent of circa £18,000 rising over time will provide sufficient funds to pay interest of between 2% and 3% on the members’ shareholdings, pay relevant outgoings (including Corporation tax) and provide sufficient surplus to build up a maintenance fund.

4.4 Financial Viability of the Brewers Arms (West Malvern) Community Pub Ltd

We have built a cash flow model of the finances of the CBS over its first 5 years of trading that enables us to consider a range of options. The first 5 years of trading are from 2023 to 2027, with 2022 as a pre-trading year. The financial model makes several assumptions, which are listed below:

Assumptions:

1. Income from **share sales**:
 - a. The **initial income from the sale of shares** is £425,000. Based on the pledges that have been received so far this is an ambitious but achievable goal, being just 5% greater than the average of the total minimum and total maximum pledges.
 - b. Further sales of shares will take place from 2026. This second phase of share sales offsets, to some extent, the repayment of shares to shareholders who ask to cash-in their shares (see point 7. below). The model assumes that from 2026 60% of the shares that are cashed-in are re-sold to new or existing shareholders.

2. The cost of the pub is £295,000. This is the offer that Admiral Taverns have accepted
3. The model assumes that the rent paid by the tenant is £18,000 in 2023 rising to £22,000 in 2024, 2025, 2026 and 2027.
4. Grant funding: The model assumes that we are able to secure grants of £5,000 in 2022 and 2024. Based on the experiences of other community pub purchases we believe that this is a very low target, and we hope to do much better.
5. Refurbishment, fixtures, fittings and equipment: Refurbishment is key to the success of the pub. The figures include spending of £70,000 in 2022 (the pre-trade year), £20,000 in 2023, £5,000 in 2024, £3,000 in 2025, dropping to £2,000 from 2026.
6. Administrative costs (including legal, accountancy, insurance, bank charges etc): The model assumes administrative costs of £7,500 in 2022 (of which £2,500 is covered by grants already received) and £2,500 in subsequent years. Stamp duty paid on the purchase is included separately.
7. Share repayment (this is the cost to the Society of buying back shares that are ‘cash-in’ by shareholders): It is assumed that no repayment of shares takes place in the first 3 years of trading, that 15% of shares are cashed-in in 2026 (the nominal maximum permitted) and a further 5% in 2027. It is also assumed that the Society will re-sell 60% of ‘cash-in’ shares to new or existing shareholders (see point 1 above).
8. Interest payments: The model assumes that no interest is paid to shareholders in the first year of trading (2023) and that the dividend rates in subsequent years are 1% in 2024, 2% in 2025 and 2026, and 2.5% in 2027. The 1% figure for 2024 reflects the fact the no dividends are paid in the first 18 months of trading (effectively it is an annual rate of 2% applied to half of the year).

While some of these assumptions are accurate, others are educated guesses because there is little experience upon which to base them. The model will need to be adjusted as time passes to take account of this. Examples include the extent to which shareholders will apply to cash-in their shares in 2026 and 2027 and the opportunity for re-selling shares in the same years. However, by this point the financial performance of the pub and the CBS will be much better understood and appropriate adjustments will be made.

Based on these assumptions, the model gives the following figures for the first 5 years of trading of the Society:

	2022 (pre-trade)	2023	2024	2025	2026	2027
Money at start of year	£0	£55,650	£51,050	£61,350	£65,150	£48,550
Income	£430,000	£18,000	£27,000	£22,000	£60,250	£33,985
Expenditure (incl. tax)	£374,350	£22,600	£16,700	£18,200	£76,850	£37,590
Money at end of year	£55,650	£51,050	£61,350	£65,150	£48,550	£44,945

In this table, the Society’s cash reserves grow until 2025 but then decrease. The decrease is primarily due to the assumed cost to the Society of buying back cashed-in shares from shareholders (especially in 2026 when this becomes possible for the first time), and the assumption that only 60% of cashed-in shares are re-sold. Of course, this will be resolved if fewer shares are cashed-in or a bigger proportion of cashed-in shares is re-sold. However, even with the model’s current assumptions, the number of shares eventually drops to a level (around 1,400) where the share-repayment and interest costs are covered by the rent paid by the tenant. Even in this case, according to the model, the Society’s reserves should never drop below £42,000.

4.5 Financial Viability of The Pub Business

It is not our role to provide a business plan for any potential tenant, but it is right that we set out here our views and figures on why we believe The Brewers Arms can be run at a profit that would be acceptable to any tenant.

We have already ascertained that the pub would be supported by the community, as indicated, for example, by the turnout at the recent May Day event at the pub. There are, of course, other potential customers (for example tourists, cyclists, hill walkers to name but a few). Will that produce the necessary trade to generate the income needed? Again, we believe the answer is “YES”.

We have been able to obtain and analyse sales and costs data from 2015, when the pub was run as a successful business (updated using 2021 wholesale and retail prices). We have taken into account the fluctuations in trade during the year, and we believe that an acceptable operating profit can be achieved in the first operating year, which will increase in subsequent years. The model takes account of the costs associated with rent, staff wages, energy and water, council tax, other taxes and insurance, phone and card processing, marketing, cellar servicing, consumables and cleaning, professional costs including administration and licencing, repairs and maintenance, and wholesale food, sundries and drinks (wholesale and direct supply).

Most importantly, the financial model for the tenancy included in our independent professional valuer’s report supports this view.

4.6 The Interest on Shares

Based on a target of £425,000 for the community share offer, the total amount of interest to be paid to shareholders will be as per the table below, for various rates of interest.

Interest rate	Year 1 (Full year moratorium)	Year 2 (Half year moratorium)	Year 3+
2%	Nil	£4,250	£8,500
2.5%	Nil	£5,313	£10,625
3%	Nil	£6,375	£12,750

It is forecast that the payments above will be adequately covered in all years by the rent paid to the Society by the tenant(s). Income to the Society that is not paid out as share



interest will be retained for the purposes of funding maintenance and refurbishment of the pub, together with administrative and legal expenses that are legitimately incurred by the Society as part of the overall pub operation.

(See also the Important legal information and Q&A later.)

5 Project timescales

Admiral Taverns have agreed a purchase price of £295,000 provided we adhere to a timetable and have stated that they reserve the right to place the property on the open market if we do not meet that timetable. Admiral Tavern's timetable requires that our banking facilities are in place and our shareholder pledges are realised by 22nd June. The share offer closure date indicated below is different to this deadline to take account of potential delays in setting up the Society's banking facilities (which is outside our control). It is imperative that potential shareholders make their payments promptly once the bank account is in place and do not delay in doing so. This is necessary to give confidence that the target will be reached in time for exchange of contracts.

To avoid a period of closure, the Society intends to re-open the pub with an interim tenant as soon as the community purchase is complete

- 8th July 2022:** Share offer closes
- 20th July 2022** Exchange contracts on purchase and pay 10% deposit
- 17th August 2022** Completion of purchase of the Brewers Arms.

Indicative times for other activities are below.

- 18th August 2022** Take vacant freehold possession of pub. Working Parties start renovation works on pub premises. Re-open pub with interim tenant.
- Date to be decided** Hold the Society AGM and elect officers.
- 31st August 2022** Make application for Government Community Fund grant.
- 1st October 2022** Draw up plans for improvement work
- 28th February 2023** Recruit suitable tenant(s) to run pub.

6 Becoming an investor

6.1 First steps

The first thing you need to do is make sure you have read all of this document and are happy to proceed with your investment. Next you need to choose your desired method of application.

By post or email

Complete the paper form in Section 10 of this document and return it to Brian O'Connell, either by post at 26, Mathon Road, West Malvern WR14 4BU, or as an email attachment to him at doc10352@aol.com. Payment can be by cheque or BACS transfer using the details in the form.

Online

Complete and submit the online application form at:

www.brewerscommunitypub.co.uk/sharePurchase.html

Payment can be by cheque or BACS transfer using the details in the form. If you pay by BACS transfer, please make the payment at the same time as submitting the paper or electronic form, as failure to do so will add significantly to the administrative effort needed to match forms with payments.

6.2 Application conditions

- By delivering an application form (regardless of method), an Applicant offers to subscribe, on the Terms and Conditions contained in this Share Prospectus, for the number of shares specified, or such lesser number as may be issued and in so doing becomes a member of the Society and agrees to be bound by its Rules.
- Once an application has been submitted and approved it cannot be withdrawn.
- Multiple applications will be admitted providing that they do not result in a member holding more than the maximum number of shares (equivalent to £25,000).
- Applicants may be requested to provide additional evidence of identity in order to comply with Money Laundering requirements.
- Applications may be rejected in whole, or in part, or be scaled down, and monies shall be securely returned to the applicant, not later than two months after application, without interest.
- Application Forms that are partially illegible, incomplete and/or inaccurate may be accepted as if legible, complete and accurate, providing that the form makes clear the name, address and amount to be subscribed, of the investor.
- Results of the Offer will be published on the website of the Society and all applicants will be informed.
- If the Offer is unsuccessful, all monies will be returned.

7 Important legal information

We have a legal obligation to be very clear to you how the share process works, and a moral obligation to be true to the twin aims of safeguarding the Brewers Arms for the community and safeguarding your money – so don't skip this part!

7.1 Initial share purchase

1. Shares are priced nominally at £250. The minimum investment is £250 with a maximum investment of £25,000 for an individual or company. Any multiple of £250 between £250 and £25,000 may be invested.
2. If people want to club together to buy a share or shares, this is permissible. However, a single identifiable individual must be put forward as the nominated shareholder.
3. Each named shareholder must be aged 18 or over. By investing, you are applying for membership of the Community Benefit Society. The Society's Board may reject any application for shares and is not obliged to give reasons why an application has been rejected.
4. The Community Share Offer will close on **8th July 2022**. However, if the target sum has not been received by that date, the Board reserves the right to extend the share offer.
5. Before shares are issued, all monies will be held in safekeeping in an account in the name of the Society. The monies will be released once the Society's Board are clear that the required amount has been reached to make viable the purchase of the Brewers Arms. Should this not occur, your money will be returned in full. You will be informed of the status of the share offer via the Society web site (www.brewerscommunitypub.co.uk).
6. If more investment is received than is required, priority will be given to applications from those who live in Malvern.
7. Once you are issued with your shares you will become a shareholder member of the Society and will be entitled to full voting rights at general meetings and to stand as a director of the Society. All shareholder members have one vote irrespective of the size of shareholding.
8. After the closing date for purchase of shares, applicants will be informed of their allocation, share certificates will be issued, and any money they have paid over and above the value of their shares will be refunded.
9. The Society Rules are online at <http://www.brewerscommunitypub.co.uk/>

7.2 Financial risk

1. The community share offer is unregulated. You have no right of complaint to the Financial Ombudsman or to compensation. This means your investment is at risk. Before investing you should be fully comfortable with all of the risks.

2. As the Society confers limited liability, your personal liability in all circumstances is restricted to the value of your shares. The most you could lose due to business failure is the value of your investment.
3. Nominal share value cannot increase and is £250. The only financial benefit for members is the interest that is paid. However, the value of shares may fall if liabilities exceed assets and our auditors recommend lowering the value of shares, or if the business fails.
4. The Society will be subject to the Co-operative and Community Benefit Act 2014. This states that in the event of a society's dissolution or winding up, shareholders would be repaid their investment after repayment of any debts. Residual assets cannot be distributed amongst the shareholder members but must be paid to a charitable or Community body. This is irrevocable and cannot be changed by members.

7.3 Income, interest etc. on shareholding

1. No interest will be paid at all until the Society is fully trading, early remedial work is completed and, in any case, not before an eighteen-month interest payment moratorium period has passed.
2. After that, interest will be payable on all shareholdings at a rate to be proposed by the Board, based on the performance of the Society, and put to a vote at the AGM.
3. The aim is to pay interest at a rate of between 2% and 3% but, at any time, the priority will be to repay any loan capital, build a prudent financial reserve and maximise the community benefit. Any payment of interest on shares is dependent on the Society being able to afford it.
4. In any case the rate of interest is capped at 5%, or 2% above Bank of England base rate, whichever is lower.
5. Interest will be paid gross. It is each member's responsibility to declare such earnings to HMRC if appropriate.

7.4 Transferring, selling or disposing of your shares

1. Except on death or bankruptcy of a Society member, the shares are not directly transferable by a member and cannot be sold.
2. If a member does wish to transfer some or all of their shareholding to another party, this needs to be arranged via the Society. Due diligence will be applied to ensure that the transfer does not jeopardise the financial stability of the Society.
3. No shareholding can be withdrawn during a moratorium period of three years after the Society has commenced trading. See clause 8.4.1 of the Society's rules.
4. Once the moratorium period is over, you may apply to withdraw your share capital from the Society. You must give three months' notice in writing to the Board of Directors. See clause 8.4.2 of the Society's rules.

5. Under clause 8.4.3 of the Society's rules, the Board of Directors will decide each year the maximum total withdrawals for the relevant financial year.
6. Under clause 8.4.4 of the Society's rules, all withdrawals must be funded from trading profits, reserves or new share capital raised from members and are at the absolute discretion of the Board of Directors, having regard to the long-term interests of the Society, the need to maintain prudent reserves, and the Society's commitment to community benefit. The current Board of Directors is of the view that the total maximum withdrawal in any one year should be limited to 15% of the total share capital but this is subject to annual review.
7. Should any withdrawal take you below the minimum level of investment (£250), this will be deemed to represent a full withdrawal of your investment and your membership of the Society will be terminated.
8. Full details of share ownership and the terms of withdrawal are set out in the rules which can be found at www.brewerscommunitypub.co.uk.

7.5 Accuracy of information

1. Due care has been taken in the preparation of this document, a process which has been overseen by the Founder Directors. They can vouch that the information contained is in accordance with the facts and that there are no omissions likely to affect its import.

8 Annex - The Board of Directors of the Society

This section lists the founder board members of the Society. They have formulated the community buyout and will continue to serve in their current positions until the first Annual General Meeting of the Society. At that time, they will retire from their posts, with the option to stand for re-election by the members. Other members will also be eligible for nomination and election to the Board.

8.1 Personnel

- **Brian O’Connell:** Secretary to and Director of the Society. Resident of West Malvern since 1984. Solicitor (semi-retired) and Deputy District Judge. Former Chair of Governors of West Malvern C of E Primary School and of The Chase High School. Sits on the boards of several local charities. Regular user of The Brewers Arms.
- **Mark Haslam:** Director of the Society. Has lived on West Malvern Road for over 30 years. Retired from a managerial career in the rail industry. Freelance consultant in the pub industry. Long standing member of CAMRA (twice National Campaigner of the Year). Supported several community pub buy-outs. Regular user of The Brewers Arms
- **Dan Herbert:** Director of the Society. Has lived in West Malvern for 20 years and is a regular at The Brewers Arms. Professor of Management Education at Birmingham University. Background in accounting having worked in both central and local government. Is a qualified accountant. Helped set up and is still a board member (Treasurer) of the Malvern Book Cooperative.
- **Rob Rankin:** Director of the Society. Resident of West Malvern of over 30 years. Retired (ex-DRA/QinetiQ). Chair of Age UK Herefordshire and Worcestershire. Past Chair of West Fest. Treasurer of West Malvern Social Club. Regular user of The Brewers Arms.
- **Martin Russell:** Director of the Society. Moved to Malvern in 1980 and West Malvern in 1987. PhD in Mathematics. Was employed at RSRE/DRA/DERA for 20 years before moving to the University of Birmingham where he was a Professor in the School of Computer Science until his retirement in 2020. A regular user of The Brewers Arms.
- **Andy Wood:** Director of the Society. Moved to Malvern in 1987 and now lives within walking distance of The Brewers Arms and is a regular there. Computer science graduate working in the field of IT security. Stalwart of the pub quiz team. Involved in the 2016 attempt to buy the pub.

8.2 Accountants

Devereux and Hunt, Certified Accountants, 51 Basepoint Business Centre, Oakfield Close, Tewkesbury, Glos. GL20 8SD

9 Annex - Q & A

9.1 Why should I buy community shares?

We need your investment to purchase the Brewers Arms. Without sufficient investment from the community, we will be unable to buy the building to create the benefits that we are planning, meaning the opportunity to create a worthwhile community facility would be lost.

9.2 Who will benefit from this project?

The residents of West Malvern will benefit directly from having a vital amenity preserved for future generations, through use of the facility itself but also because the Brewers Arms will play a part in making the area a stronger, more vibrant and cohesive community in which to live. No financial benefit accrues to either the Board or individual shareholders from any funds held in the Society's bank account. That money is ring fenced to be spent on the business as and when necessary.

9.3 Is this a good business proposition?

We anticipate and will require the business to be a profitable venture. We have carefully evaluated its strengths and weaknesses and our projections show that we can establish a successful business. It is well proven that communities that work together to set up such an enterprise will support it in the future.

9.4 Why have you registered as a community benefit society (CBS)?

This structure provides several advantages not least because it ensures liability is limited, in that individual investors will not be responsible for any losses that the enterprise might incur.

9.5 Who are the people behind this project? Do they have a personal interest?

The Management Board consists of a group of local residents who care passionately about the Brewers Arms and the benefits it can bring to our area. They will have no personal financial interest in the project, above and beyond their own investment in community shares. They have voluntarily contributed a large amount of their time to the project and this has been supplemented with advice and considerable support from many people and organisations.

9.6 Who will run the Brewers Arms and make the day-to-day decisions about the business?

The Management Board will oversee the business and ensure that it meets the goals set down in the vision statement. We intend to attract a tenant (or tenants) to oversee the day-to-day running of the pub business. There will be governance and reporting arrangements in place to monitor financial and other performance. We will ensure that there is an 'open book' approach to sharing feedback and other information between the Society and the

tenant(s). Shareholders will be invited to meetings to discuss significant decisions about the Brewers Arms.

9.7 Do my shares give me voting rights?

Yes. Everyone has an equal voice, regardless of the size of their investment. One person, one vote.

9.8 What happens to my shares if I die?

Your shares become part of your estate, identical to any other assets you hold. They can therefore be dealt with by your executor, again identical to any other assets you hold.

9.9 What is the process if the share offer is over-subscribed?

In the case that significantly excessive funds come in, individual amounts will be pared back on a pro-rata basis. For example, if the share offer raises 20% more than is desirable, everyone's shareholding will be cut back by 20%. This means someone who wants an investment of, say, £5000 will be offered £4000 and the £1000 will be returned. Preference will however be afforded to those who wish to (or can) only invest in a small number of shares. Their investments will be pared back less, perhaps not at all. This is the most equitable way of dealing with the situation.

9.10 Why do you need to pare back at all?

Because having too much share capital makes it harder to run the business. Remember that the only income available to pay shareholder interest is that received from the tenant(s) as rent. If more money is needed to pay shareholder interest, the rent has to go up – which reduces the tenant's profit and, with it, their motivation to make the business a success.

9.11 Can I donate any monies that would otherwise be pared back?

Yes. Any donations will be retained for future investment or improvements to the pub.

9.12 Are interest payments on shareholdings guaranteed?

No. It is the express desire of the Society that shareholders *will* receive interest payments (after the moratorium period). However, all payments have to be based on available funds, including any existing or planned commitments to expenditure. As such, the amount of interest can never be guaranteed. The long-term survival of the pub will always take precedence over payments to shareholders.

9.13 How do I get my money back?

See "Transferring, selling or disposing of your shares" in the section on "Important legal information (Section 7.4)".

9.14 What happens if the purchase of Brewers Arms falls through?

In the unlikely event that we are unable to complete the purchase, the Society will return any funds that have been received. However, the Board will endeavour to exhaust every avenue before getting to this point. As the timetable for the process is not within our control, we cannot be definitive about when we might come to this conclusion, but we will communicate developments to members. If the building is not purchased within 12 months



of the share offer closing, we will call a meeting of members to get permission to continue to hold the funds.

9.15 What happens if we sell the pub at a higher price than we pay for it? Do shareholders receive the 'sale profit' by way of an increased share value?

If, for whatever reason, the pub is sold (for example - on the open market as a domestic dwelling) the shareholders will not benefit from the extra funds obtained. Shareholders will never receive more than the initial value of their shares. In other words, a £250 share will not be worth more than £250. Any surplus, after repaying shareholders and any associated costs of sale, will go to public benefit or charitable purposes in accordance with our rules. That is the essence of a Community Benefit Society.

9.16 Will I get my investment back if the Brewers Arms fails?

It depends. If the business fails, all of its assets, including the freehold of the building, would be sold. After paying any creditors, the remaining proceeds of the sale will be divided between the shareholders according to the size of individual holdings. You may receive the full value of your investment or you may lose part or all of it; this would depend on the state of the property at the point of the failure. The rules for a CBS stipulate that you will not receive more than you paid.

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

None. The share offer is unregulated, as it is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations. This means there is no right of complaint to the Financial Ombudsman, nor can you apply to the Financial Services Compensation Scheme.

9.18 Will I receive interest from my shares?

See "Income, interest etc. on your shareholding" in the section on "Important legal information".

9.19 Are investments eligible for tax relief?

At this stage you are advised to make your investment under the assumption that tax relief will not be available.

9.20 How can I find out more about the project?

Rules for the Society	www.brewerscommunitypub.co.uk
Email	Doc10352@aol.com
Post	Brian O'Connell, 26 Mathon Road, Malvern WR14 4BU



10 Annex – Share application form

THE BREWERS ARMS, WEST MALVERN

IMPORTANT. BEFORE COMPLETING YOU MUST:

- Read the share prospectus in full and pay special attention to the risk factors described.
- Consider whether you need to take financial or other advice.
- Read the rules of the Society available at www.brewerscommunitypub.co.uk. If you do not have internet access, contact us via the details specified in the share prospectus.

PLEASE USE CAPITALS AND DARK INK

Name			
If a company or organisation, please show both the company's and representative's names.			
Address			
Town/city			
Post code		Country	
Date of birth			
Email			
We prefer email as it is cheaper and quicker. If you prefer post, tick here <input type="checkbox"/>			
Phone			

Your contact details will only be used to communicate with you regarding the Brewers Arms West Malvern. We will not pass on your details to third parties.

Your **Bank Details** (needed to pay interest in the future)

Account Name:			
Account Number		Sort Code	

I wish to become a member of Society in accordance with the Rules and apply for withdrawable shares to the value of	£
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Minimum shareholding £250, maximum £25,000, in multiples of £250.

Please tick as applicable:

- I consent to my personal data being held by the Society. For more detail on how the Society will store and use your data please refer to the Society's GDPR Privacy Policy at www.brewerscommunitypub.com/GDPR/GDPRPrivacyPolicy.pdf
- I enclose a cheque made payable to: The Brewers (West Malvern) Community Pub Ltd
- I have paid by BACS transfer:
Sort Code: 30-98-97, Account no: 72868963
Reference: your full name and date of birth (dd/mm/yyyy).

I have read and understood the community share prospectus and outline business plan. I understand and accept the terms of the share offer, including risk factors, and the rules of the Society.

Signature	
Date (dd-mmm-yyyy)	

Please send the completed form and cheque (if applicable) to: Brian O'Connell, 26 Mathon Road, West Malvern, Worcestershire WR14 4BU



By signing the application form you confirm that you will provide proof of identity and address if required for compliance with money laundering regulations. (To ensure compliance with The Money Laundering and Terrorist Financing (Amendment) Regulations 2019, the Society may at its absolute discretion require verification of identity of any person seeking to invest.)

We are not obliged to accept your application. We may also choose to issue less than the full amount of shares you have applied for. Please return the completed form to Brian O'Connell, at 26 Mathon Road, West Malvern WR14 4BU or as an email attachment to him at doc10352@aol.com.

Closing date for applications: 8th July 2022