

Miners Arms Community Pub Limited



Community Share Offer April 2024

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Investment Offer Summary

The Miners Arms Community Pub Ltd, located in Nenthead, Cumbria, and on the borders of both Northumberland and County Durham, is undertaking a share issue to raise capital to purchase, renovate and operate the Miners Arms public house. This document should be read in conjunction with the Society’s Business Plan and Governing Rules which are available on the website at: www.minersarmsnenthead.com

Opening date	04/05/2024
Closing date	15/06/2024
Minimum target	£95,000
Optimum target	£100,000
Maximum target	£105,000
Minimum share subscription per person	£100 in units of £1
Maximum share subscription per person	£9,500

The management board of the society may choose to extend the period of the share offer for a short period if they believe that by doing so, they increase the chances of reaching the minimum target. The offer will close early if the maximum target is met.

This offer of shares is made by Miners Arms Community Pub Ltd, a Community Benefit Society registered on 08/11/2023 under the Co-operative and Community Benefit Societies Act with the Financial Conduct Authority (registration number 9182). The registered address is Low Galligill, Nenthead, CA9 3LW. By subscribing for shares issued by the society in this share offer you will become a member of, and thus an owner of, the society and its assets along with other members. Our rules and other supporting documents are available on our website at www.minersarmsnenthead.com.

Community Shares are withdrawable shares that cannot be sold, traded or transferred between Members, unlike shares in a typical company. All Members are entitled to one vote – regardless of how many shares they hold. Members can be paid interest on their investment from Year 5. This will be at a rate decided by the Management board on an annual basis in accordance with the Society’s Rules. The maximum rate will be 2% over the prevailing Bank of England base rate. Interest can only be paid subject to positive trading conditions.

We have modelled to allow members to gradually withdraw their shareholding along with any accrued interest over time. Withdrawal and payment of interest are not guaranteed.

Withdrawal can only be funded from the profits of the Society or by new share capital and so are subject to the performance of the Society.

Community shares are fully at risk, and you could lose some or all of the money you invest.

You have no right to compensation from the Financial Services Compensation Scheme.

Please don’t invest any money you can’t afford to lose.



This offer has been awarded the Community Shares Standard Mark.

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

- The offer document and application form are easy to understand.
- You are provided with all the facts you need to make an informed decision.
- The facts are supported by the annual accounts and/or business plan for the society.
- Nothing in the documents is purposefully incorrect, confusing or misleading.

Societies are asked to sign a Code of Practice requiring them, among other things, to give the public a right of complaint to the Community Shares Unit.

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: www.communityshares.org.uk.

The Figures

- Minimum target: £95,000
- Optimum target: £100,000
- Maximum target: £105,000
- Minimum share subscription per person: £100 in units of £1
- Maximum share subscription per person: £9,500
- Interest: none paid until year 5, subject to positive trading conditions rate of not more than 2% over the prevailing Bank of England base rate.
- Withdrawal of capital from year 5 onwards at a maximum of 6% of a member's holding subject to positive trading conditions.

What we need

In order to buy the pub and commence trading, we need a minimum of £526,828 as shown in the finance section.

How we get there

The business plan is based around an application to the Department for Levelling Up, Housing and Communities (DLUHC), Community Ownership Fund (COF) for a capital grant of £369,333 plus a revenue grant of £50,000 a full application has been submitted. This is added to a COF support development grant of £3,995 and a Westmorland and Furness Council Grant of £8,500, this in conjunction with the minimum share offer total of £95,000 funds the purchase, essential works and provides working capital without the need for additional finance from other sources such as loans.

Any shares purchased over the minimum share offer will be used for additional works within the pub. If the DLUHC grant is not secured the project fails and all monies will be returned to investors.

Feasibility Assessment and Valuation

The Miners Arms is on the market through a specialist licensed premises agent Sidney Phillips and the asking price is £380,000. MACPL will be applying to the Community Ownership Fund (managed by the DLUHC) for a capital grant to be able to meet the asking price. The present owner has already indicated that she is not open to negotiation on the price although this may be necessary. We engaged the services of a professional public house business adviser and surveyor funded by donations, the main points raised by his inspection are available in the business plan with a summary of his valuation(s) below:

- Market Value as a Fully Equipped Operational Entity having regard to Trading Potential ("Market Value Trading,") £430,000.
- Market Value as a Fully Equipped Operational Entity having regard to Trading Potential - but subject to Special Assumptions ("Market Value - Trading - in Default") £380,000.
- Market Value of the Empty Property having regard to Trading Potential and subject to Special Assumptions ("Market Value - Closed - in Default") £325,000.

Finance

Cost to deliver the project.

The project costs are set out in the table below and further explained in the business plan. This covers all project costs from inception through to the opening of the pub, which is planned to be in the spring of 2025.

The share offer's minimum target, the COF grant we are applying for together with donations and grants already received generate the minimum amount of capital that we need to buy the pub, refurbish it, carry out any remedial work and reopen.

We estimate that it will cost around £50,000 to re-stock the bar and kitchen, to buy consumables and to pay the staff for the time that it takes to bring turnover up to a level whereby it can be self-financing. We are applying to the Community Ownership Fund for a revenue grant of this amount, but again this gives us the bare minimum required and leaves nothing for unexpected expenditure requirements.

Capital/Revenue requirements	Total cost inc VAT	Initial capital costs ex VAT
Purchase of building	£380,000	£380,000
Refurbishment (internal)	£5,000	£4,167
Refurbishment (external)	£10,000	£8,333
Upgrade to cellar	£2,500	£2,083
Furniture	£10,000	£8,333
Solar panels	£20,000	£20,000
Generator	£6,000	£5,000
New stock	£11,000	
Kitchen utensils / dishwasher	£2,500	£2,083
Kitchen equipment	£25,000	£20,833
Crockery	£1,000	
Glassware	£1,000	
Beermats, towels, napkins	£1,000	
Beds and Bedding	£3,000	
Coffee machine	£1,500	£1,250
Bar equipment	£2,000	£1,667
Survey	£3,594	
Legal fees	£2,500	£2,083
Stamp duty	£8,500	£8,500
Share offer costs/marketing	£1,200	
Working capital (inc VAT)	£29,534	
Total	£526,828	£464,333
Funded by		
Community shares	£95,000	£95,000
Community Ownership Fund	£369,333	£369,333
COF devpt. grant (revenue)	£3,995	
COF Revenue grant funding	£50,000	
Council funding	£8,500	
Total	£526,828	£464,333

Will the pub be financially successful?

The cash flow projections and key financial indicators for the first five years are set out in the tables below and further explained in the business plan.

Cashflow

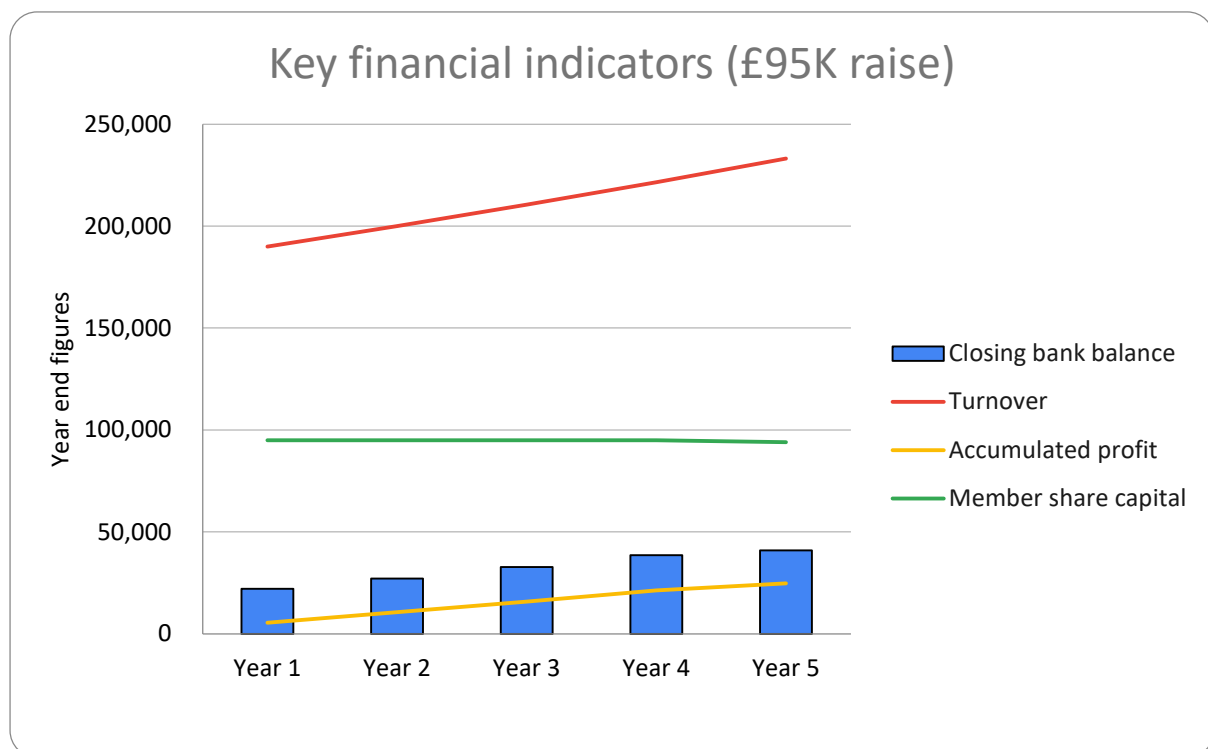
	Year 1	Year 2	Year 3	Year 4	Year 5
Net operating cash flow (including grant income)	11,476	5,078	5,555	5,847	3,304
Net investing cash flow (purchase of assets)	(464,000)	0	0	0	0
Net financing cash flow (shares and grants)	464,333	0	0	0	(950)
Net cash movement	11,809	5,078	5,555	5,847	2,354
Opening balance	10,300	22,109	27,187	32,743	38,590
Closing bank balance	22,109	27,187	32,743	38,590	40,944

Income and expenditure

	Year 1	Year 2	Year 3	Year 4	Year 5
Turnover	190,000	199,975	210,474	221,524	233,154
Gross profit (£)	113,750	119,722	126,007	132,623	139,585
Overheads	(107,909)	(113,574)	(119,537)	(125,813)	(132,418)
Operating profit (EBITDA)	5,841	6,148	6,470	6,810	7,168
Interest on shares	0	0	0	0	2,850
Surplus after tax	5,585	4,980	5,241	5,516	3,497
Accumulated profit	5,585	10,565	15,806	21,322	24,819

Balance sheet

	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed assets	442,600	432,200	421,800	411,400	401,000
Current assets	28,528	33,366	38,668	44,249	46,323
Current liabilities	(360,243)	(349,701)	(339,363)	(329,027)	(318,154)
Net assets	110,885	115,865	121,106	126,622	129,169
Reserves					
Balance brought fwd	0	5,585	10,565	15,806	21,322
Profit/loss for year	5,585	10,565	15,806	21,322	24,819
Member share capital	95,000	95,000	95,000	95,000	94,050
Cumulative reserves	100,585	105,565	110,806	116,322	118,869



The Community Benefit Society

A working group was formed to investigate the possibility of a community buy out of the Miners Arms. The views of the community were sought through a community meeting and survey both of which gave a strong indication of support for the project. The working group moved to formalise its structure and formed a Community Benefit Society (CBS) – “Miners Arms Community Pub Limited” (MACPL) with the intention to acquire, refurbish and ultimately re-open the Miners Arms not just as a public house but as an asset for the entire community as “More than just a Pub”!

The byline of this project is “by the community for the community” taking as many opportunities as possible to engage with the wider community allowing them to shape the societies aims. The vision is that the Miners Arms should be a true community asset and not just a pub. In depth details of the societies aims, vision and business model are available in the business plan.

The project is run as a community benefit society registered with the financial conduct authority using the Plunkett UK model rules for Community Ownership Version 6, December 2021. The society has members, a Management Board and a Secretary. Membership is how the society is owned; membership is open to anyone over 18 years old by the purchase of the minimum number of shares. Ownership by the community will be critical in ensuring the ongoing success and stability of the Miners Arms. People are more likely to support a business that they own, and control and the business will be more responsive to the needs of the community.

The Society will hold an annual general meeting where each member of the society has an equal vote no matter how many shares are held. Special Members meetings can be convened by the Secretary either by order of the Board or if a written request is received by not less than 12 members or 10% of all members whichever is fewer. As a community benefit society, the members as shareholders have

the ultimate decision in how the asset is run through the AGM or the ability to call a Special Members Meeting.

Raising the money

We are launching the community share offer through our website, with publicity through our social media channels, national and local media, leaflets, posters and a community meeting. Funds can be received by bank transfer or cheque. The Society will only draw down the money when it is needed for the purchase of the pub. All monies will be held in the Miners Arms Community Pub Ltd account with Lloyds Bank. If the project fails, this will be returned by direct transfer or cheque.

Pay it Forward

We will have a pay it forward share offer where those that feel able can donate shares to those who are unable to afford the minimum amount therefore encouraging wider community participation in the project. Applications for consideration of the receipt of pay it forward shares are welcome from those that live within 1 mile of the Miners Arms and should be emailed to minersarms.nenthead@gmail.com, an application form will be sent for completion. Distribution will be on a first come first served basis. Those in receipt of pay it forward shares will have full membership rights. If any donated shares are not used as pay if forward they will be added to the donators shareholding.

Community Shares

Community Shares are unique to Co-operative Societies and Community Benefit Societies. They are wholly different to share capital in companies, which have a principle of one share one vote so majority shareholders can exercise control over the enterprise. Community Shares have a principle of one member one vote, regardless of the number of shares owned.

Our Society can issue a form of shares known as withdrawable share capital. You can make a request to have your capital returned but you must understand that this is dependent on the trading position. This is unlikely to be until after the fifth year of trading and will always depend on the financial position of the Society. The Society needs to establish trading surpluses to provide for withdrawals or to attract new share capital from new or existing members to replace capital being withdrawn (the Financial Conduct Authority has made a policy statement that a society should only allow the withdrawal of shares if it has trading surpluses that match or exceed the value of shares involved).

The long-term plan is to provide liquidity to honour the terms of withdrawable share capital. There is therefore a risk to capital invested in this share offer and applicants should know that:

- The only way of getting their money back is for the society to return their investment to them.
- That 3 months' notice has to be given of a request to have your investment returned to you.
- The directors have the right to refuse requests for withdrawal or completely suspend share withdrawals.
- The ability to meet any requests is completely dependent on the pub's trading circumstances.

These community shares cannot increase in value but can however decrease, but provision is being made for modest interest payments from year 5. Details will be decided by the Management board. Interest may be paid in the form of new shares or even bar credits. This is made possible by setting the value of a share at £1. The rules of the society contain an Asset Lock, which restricts the use of the assets of the society to its community benefit. This also has the effect that members will not have rights over residual assets of the company. If it is dissolved, after paying back creditors' claims and then shareholders, any surplus must be passed on to another organisation with a similar asset lock.

Investor Benefits

- Interest may be paid on your investment from Year 5. This will be at a rate decided by the Management board on an annual basis in accordance with the Society's Rules. The maximum rate will be 2% over the prevailing Bank of England base rate. This can be in the form of shares or cash. Interest can only be paid where the Society is profitable, and the level of interest is set at a level required to attract and retain the investment.
- Investors are eligible to vote at the AGM on important matters facing the society.
- Investors can stand for election to join the Management Board.
- Investors can elect the Management Board
- Investors will have the chance to have their money returned on a first-come-first-served basis if share capital is available for withdrawal from year 5 onwards.

Community shares	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Shares at start of year	-	95,000	95,000	95,000	95,000	94,050
Shares issued	95,000	-	-	-	-	-
Interest on shares	-	-	-	-	(2,850)	(2,822)
Shares Withdrawn in Year	-	-	-	-	(3,800)	(3,800)
Total Shares	95,000	95,000	95,000	95,000	94,050	93,072
	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Shares at start of year	93,072	92,064	91,026	89,956	88,855	87,721
Shares issued	-	-	-	-	-	-
Interest on shares	(2,792)	(2,762)	(2,731)	(2,699)	(2,666)	(2,632)
Shares Withdrawn in Year	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)
Total Shares	92,064	91,026	89,956	88,855	87,721	86,552

Oversubscription

The society's ambition is to utilise as much grant funding as is possible, then equity (community shares). We will accept all applications for investment up to £105,000. Any applications received above this level those investors will not become members of the society, their investment will be returned and will be placed on a waiting list. Those placed on the waiting list will be contacted if shares become available to purchase in the future. If the offer is oversubscribed larger investors may have their investment capped to allow greater community ownership.

Management

In terms of the actual running of the pub, the MACPL will be directly employing the key staff. The pub will be owned by the MACPL and strategically managed by the board, with the day-to-day operational management vested in an employed manager. This means that we, the community, will have control over how the property is managed in line with the communities wishes. One of the criteria for selection of a manager will be their willingness to provide for our community needs. While we will expect the manager to honour our agreed values and behaviours, we will not micro-manage the manager day to day. They will be appointed to run the pub, although we will of course provide the support and assistance as required.

There will also be a need for a significant volunteer involvement. In the initial stages we hope that many within the community will be willing to get their hands dirty with some physical help in the cleaning and re-decoration of the pub. Once we are up and running the many additional services that we intend to offer will require supervision by a team of volunteers although it should not be necessary for any one person to commit to more than 2 or 3 hours a week.

Management Board

The board has a wide range of both public and private employment experience. Although none have been directly involved in the wider hospitality industry they have many transferable skills which range from business owners, finance industry professionals, to having asset, people, and project management experience.

All are passionate about village life and bringing this asset back into public use however at the same time understand the need to call on subject matter experts where needed be they paid consultancy or on a volunteer basis. The project has already benefited from numerous subject matter experts brought in for their skills either to give direct assistance or advice. The management board has no significant vested interests or potential conflicts of interest in relation to this project.

Details of the Members of the interim management board are available in the business plan.

Community Share Offer Frequently Asked Questions

How much does a share cost?	A single share will cost £1, and the minimum investment is £100 (100 shares)
Are there limits on how much I can invest?	Yes. The maximum you can invest is £9,500 (9,500 shares).
Why should I buy community shares?	We need your investment to help buy the Miners Arms. Without sufficient investment from the community, we will be unable to establish the business and ensure the pub continues at the heart of the community for the long term.
Are joint applications allowed?	Yes. The shares are held in trust by a nominee of the unincorporated association comprised of the joint applicants. The minimum (100) and maximum (£9,500) shareholdings apply to an unincorporated association.
Who can buy shares?	Anyone over the age of 18 can buy shares for themselves or as a gift for someone else. Shares can be bought for and held for those under the age of 18 which will be issued to them at age 18. A group of people known as an unincorporated association; however, one person must be nominated as the member of the society. A business, organisation, or other incorporated body.
Will my share value increase?	No. Shares in the Society can never be worth more than their face value.
Will I receive a return on my investment?	The shares can pay interest, the business plan assumes interest to be paid at 2% over the prevailing Bank of England base rate from year five, but this will depend on the success of the business.
Can I sell my shares?	No. Shares in the society cannot be sold. They are a special sort of share known as withdrawable shares and the only way you can recover their value is to apply to the society to withdraw the value of the shares you own.
What happens if the buy out of the pub fails?	All monies will be returned as soon as possible once the decision not to proceed is made.
What happens if you do purchase the pub, but it then fails?	In the unlikely event that the Society fails, all the business assets including the freehold of the building and land, would be sold and the proceeds of the sale (after paying any creditors) divided between the shareholders up to the value of their shares. Your liability as a member is limited to the value of your shares. You cannot lose any more than the value of your shares. You might receive the full value of your shares back or you might lose part or all of your investment. Any remaining money (after paying any debts and shareholders) must be transferred to another organisation with a similar asset lock.
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.
Can my investment be gift aided?	No, the Miners Arms Community Pub Ltd is not a charity.
What happens to my shares when I die?	Your shares will form part of your inheritance and can be transferred under the terms of your Will, or alternatively you can nominate a beneficiary (to the Company Secretary) at any time up to a value of £5,000 any investment over this will need to be dealt with by probate. The share offer will allow you to nominate a future beneficiary.
Can I see the business plan?	The business plan is available on the societies website www.minersarmsnenthed.com and should be read in conjunction with this document.
Will I get a Share	Everyone who invests will receive a community share certificate.

Certificate?	
What will you do with my personal details and data?	<p>The data provided by you will be stored on an electronic database. This data will be used for Miners Arms Community Pub Limited’s purposes and will not be disclosed to any third party other than required by any statutory duty.</p> <p>Members can inspect the members’ register and view members’ names and addresses (but not how much they have invested).</p>
Who should I speak to if I have any questions?	<p>Please speak to any of the members of the working group or email minersarms.nenthead@gmail.com.</p>