

THE GREAT MILTON COMMUNITY PUB LIMITED

An Industrial and Provident Society for Community Benefit

Community Share Offer



February 2013

An opportunity to invest
in a Community Enterprise
in the Oxfordshire Village of Great Milton

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Summary

We are seeking investors who wish to become members of a community benefit society that plans to buy the Bull in Great Milton, Oxfordshire. We plan to run it as a typical village pub, for the benefit of the residents of Great Milton and its surrounds, as well as visitors to the area. We aim to find a new tenant who will run The Bull as a profitable business with all your support and provide a service to the village and to visitors to the area and support other local businesses and tourism within South Oxfordshire. More importantly, it will put the heart back into the village and provide a place for social gathering, providing good pub food, cultural activities, a place to meet people and exchange information and it will promote a cohesive and friendly community in the area. It is our intention that the pub will work closely with and in support of the other community facilities and clubs in the area, in particular the village shop, the Neighbours Hall, the Pavilion/recreation ground, the village sports teams and Le Manoir Aux Quat'Saisons.

If you make an investment you will become a member of The Great Milton Community Pub Limited. We are a Community Benefit Society, which is a society with limited liability run for the benefit of the local community. You will be a co-owner of a traditional Oxfordshire pub, in a beautiful setting and will always receive a friendly welcome in the pub that you own. You will have a say in how the business is run and in who runs the business. Members will need to invest a minimum of £500. Each member will have an equal say in the enterprise no matter how much you invest. The initial directors that have formed the Society are accountable to the membership and will, in future, be elected by them. Members will receive a regular newsletter and be entitled to attend the Annual General Meeting and other special general meetings that may be called from time to time.

We aim to raise over £320,000 from members and other sources, which will be used to purchase the building and get it ready to be re-tenanted. The Society will agree a lease with a tenant who will run the licensed business selling food and drink in our premises and pay rent to the Society at a level that will reflect the profitability of the business. The rental income will provide the revenue to maintain the building, may facilitate the withdrawal of shares from time to time, and may pay interest to the investors. We firmly believe that the business will be profitable, but if it is not, the Society owns a valuable asset – the building and land associated with it - which can be sold in order to return funds to investors. Your investment is in the building and land – the bricks and mortar, not the licensed business. This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members and users.

Introduction

Freehold pub values increased 10 fold from 1975 to peak in 2007, according to Christie & Co. During much of this period large pub estates were built up by pub owning companies (PubCos) using cheap debt. However, in 2007 the market ground to a halt and in the last 5 years there has been a dramatic reversal with values down 29% overall (Christie & Co) on trading assets and 36% on non-trading properties (Source: Fleurets). Values fell 20.1% in 2009 alone (Christie). Much of the fall is due to the PubCos who were hit by the credit crunch and have been selling assets off to pay down debt – a trend which is likely to continue. The decline has also been accentuated by competitive pressures on drink sales, supermarkets undercutting pubs, which has put a significant strain on the traditional pub tenancy model that has become increasingly uneconomic.

As a result of these pressures the nature of pub ownership is changing. There are 51,000 pubs in the UK (in 2010) and the large estates are now being broken up and properties are being closed or passing into the hands of individuals or small groups. It has also become clear that the traditional pub owning model has become inflexible and increasingly uncompetitive.

The traditional model separates the pub owner from the pub operator. The pub owner has charged rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an uneconomic rent and insufficient capital to invest in the asset. This is a vicious circle, which usually leads to declining sales.

Smaller, newer and better managed independent groups are now emerging to acquire and invest in pubs using a more integrated model. Geronimo Inns have built up a very successful group in London and The Peach Pub Company a similar operation in the Midlands. This new breed of company is showing that there are still significant advantages in running portfolios of pubs rather than single assets (buying efficiencies, marketing and staff development particularly). But they are also careful to avoid divorcing operations from ownership. They incentivise on-site management and encourage individuality locally (avoiding overt group branding) - whilst at the same time offering strong head office support where needed.

Similarly, communities are increasingly teaming up and buying these under-performing assets, operating them through tenancies for the benefit of the local community. Since 2009, according to new figures released in October 2012, fifteen thousand people have invested in over 100 community share issues, and raised over £15 million. The leading community share offers include energy co-operatives, football clubs and local pubs. According to the Plunkett Foundation, community ownership is becoming increasingly popular in the UK. There are now around 250 co-operatively-

owned village shops in the UK; the co-operative model has been adopted by pubs, energy schemes, woodland projects, broadband initiatives, housing schemes and much more. Co-operative ownership is a sustainable and ethical way of doing business, with 97% of co-operatively-owned village stores opened over the past 25 years still open and trading today.

The Bull is the only pub in Great Milton. Since 1999 it has been owned by Greene King Breweries under a tied tenancy. The pub was initially trading well, but since the retirement of the long-standing landlady, Janet Smith, and challenges faced by subsequent tenants, the business has declined and the current tenant has decided not to renew their lease, which expires at the end of April 2013.

The Bull is an attractive 17th century building with four rooms on the ground floor, currently set out as a public bar, lounge bar, dining room and store room. There is also a fairly well equipped kitchen and toilets for pub users. The upstairs accommodation comprises two bedrooms, a sitting room and bathroom, plus a small landing at the head of the stairs.

The Offer

Background

This proposal to form a Community Benefit Society (the Society) to purchase and re-tenant the Bull was initiated by a group of concerned residents, driven by the Parish Council. The pub was placed on the market in early December 2012 and there was a concern at the time that it might attract a developer with a view to re-purposing it as housing. At the very least, it was felt that a community purchase would provide some control over how and by whom it was operated. Despite the very short time frame – with best and final offers called for by 11 January 2013 – it was decided to assess the appetite in the community for such an enterprise.

At a public meeting held on 4 January 2013, attended by about 100 interested people, it was agreed to launch the campaign to acquire the Bull through a community share issue and, following that meeting, almost 100 individuals had pledged to invest nearly £200,000 in the venture within a week. Subsequently, pledges have been made by 110 people totalling £244,000, before publication of this prospectus. Most of these are local residents, but we have some pledges from people who live further away and wish to support our enterprise. With the launch of this prospectus and the associated publicity we aim to increase the level of interest and investment. After a short extension was granted, our offer to buy the Bull for £306,000 was made on the 14th January 2013 and was accepted by the vendor, although we have been able to negotiate the purchase price down to £280,000 subsequent to this. We have set ourselves the target of completing the purchase by the 29th April 2013.

What is being proposed?

Our plan

Our plan is to buy the freehold of the Bull Public House in Great Milton and run it as a traditional, tenanted village pub, selling local ales from local brewers, as well as some national brands, together with good quality food (also using local suppliers where possible) and providing a venue for traditional pub sports and pastimes, local events and celebrations. The Society will own the land and buildings and we will agree a lease with a tenant to run the licensed business. We will set terms for the tenant that make it an attractive proposition, but which will also ensure that the Society receives a benefit through increased rent over time, as the business becomes more profitable.

The Property

On taking over the property we expect to undertake some redecorating immediately, to improve the appearance of the downstairs toilets and kitchen, and to make the

upstairs accommodation attractive to the new tenant. We also expect to need to refurbish some equipment in the bar and cellar area as well as obtain some furniture for the bar areas and we have budgeted accordingly. Initially, this would be all we would aim to do, with the pub possibly being closed for a few days while these works take place, though hopefully this can be avoided.

In our view, the internal layout of the pub could be improved significantly. Over the medium term, perhaps after a year or two of successful operation, rebuilding the local customer base and letting the new tenant find their feet, we plan to initiate a programme to extend and refurbish the premises.

The dining room is not big enough to accommodate enough covers to make it economically viable over the longer term and needs to be expanded. The entrance is not very welcoming and could be redesigned to open into the bar area directly, with the existing two separate bars combined into one. The kitchen is on the small side and would need to be bigger to cater to an increase in the number of covers. The stairway access to the upstairs accommodation area is poorly positioned and needs to be relocated. This will all be addressed professionally, with input from qualified architects, designers and builders and is expected to be financed by a mortgage from traditional providers, a grant, or with a 'soft' loan (i.e. low interest, long term or a combination). Our intention, initially, is simply to get the pub operating profitably in its current configuration, then move forward as and when it is deemed appropriate.

Operating the Bull

Opening times

The precise opening times of the pub will be a matter for the tenant who will run the licensed business, but we will be looking for a licensee who will open the pub seven days a week. We are aware from the community feedback we have received that consistency and reliability of opening times is a key issue for local residents and we will make it clear to the tenants we appoint that opening times must be well advertised and adhered to.

Provision of food

We also know from the feedback that it is essential that the pub provides good quality, affordable meals. Food will be available depending upon demand – but the aim is to build up food sales by generating a reputation for good quality, simple pub fare, using local produce. It is recognised that moving towards a position where food sales represent at least 50% of the income should be the aim of the tenants and to achieve this they will need to offer food of good quality throughout the week.

Customers

The pub will attract both villagers and visitors to the area, and also will be frequented by both staff and guests from Le Manoir Aux Quat'Saisons. The management of Le Manoir have acknowledged the importance of the pub to their staff, visiting guests and (often) their chauffeurs, and are fully supportive of our enterprise as well as intending to be members of the Society.

Once purchased as a community enterprise, the pub will quickly attract local users from its former customer base. With over 100 local people being members of the Society and shareholders in the business, they will be more committed to using the pub themselves and to bringing their friends and family with them. Building its reputation in the area as an attractive venue for drink, food and entertainment will take longer, but within a year this should be established.

Our tenants

We have decided to let the pub to tenants rather than appoint a manager. The appointment of a tenant to run the business is a crucial step. The advantage of this arrangement for the Society is that the tenant will own the business element entirely; the attraction for the tenant is that we will support them by initially keeping the lease payments as low as possible and they will benefit directly the more profitable the business is. Therefore they will have every incentive to ensure that the business thrives and grows. We will be inviting tenants who wish to lease the premises from us to submit their business proposals to us and we will select the tenant who best meets the following criteria:

1. They must demonstrate how they will provide a venue for village events and support local cultural and sporting activities (Aunt Sally, darts, dominoes, cribbage, quizzes and the like).
2. They must demonstrate how they intend to build up the business and in particular how they will provide good quality, competitively priced food that will eventually provide at least 50% of the sales income.
3. They will need to embrace the fact that the Bull is a Freehouse and provide good quality, local beers.
4. They will need to convince us that they that they will provide a warm, welcoming and friendly atmosphere in the pub.
5. They will need to provide evidence of their marketing plan.

6. They should preferably have at least five years' experience in the licensed trade, and in particular in a village/rural setting.
7. They will need to convince us that they will work harmoniously with the Board and listen to our advice and suggestions.

We will agree a 3-year rolling lease with our tenant, based on rental levels outlined later in this document. The Society will monitor the tenant's financial performance. We will ensure that there is an "open book" policy in place, run through an accountant that we mutually appoint. This will enable us to have full confidence in the financial reports with which we are provided and the lease agreement will also allow for the level of rent to be increased if the business is more profitable than expected, or reduced if it is less so. The details of this are outlined later in this document. The tenant will be running their own business within our premises and, as such, will carry all the risk of failure and debt. If their business were to fail there would be no legal access to the Society's assets.

The Structure

Introduction

We are establishing an enterprise that is called an Industrial and Provident Society (IPS) for the Benefit of the Community, also known as a Community Benefit Society or CBS. We have been advised by the Plunkett Foundation on the registration of the Society with the Financial Services Authority and we have adopted Rules, provided by the Plunkett Foundation, to apply to our Society. The Society, known as The Great Milton Community Pub Limited, is a separate legal entity.

Members

We believe that there is sufficient interest from within the village and from other supporters with connections to Great Milton to recruit about 120 members to join the Society. The IPS structure allows any person who buys one or more shares to become a member of the Society. Each member has one vote, irrespective of size of investment and number of shares.

Shares

We are offering two kinds of shares to prospective investors, subject to FSA approval:

- "A" Shares: Non-redeemable, non-interest bearing shares
 - These shares are aimed at philanthropic investors who consider their contribution to be a donation and do not require to recoup their investment, nor are they concerned about earning interest on their shares
 - The intention is that these "A" shares may be redeemable in the event of the future disposal of the pub by the Society, although this will require a change in the current Rules, requiring a two-thirds member vote in favour and ratification by the FSA;
- "B" Shares: Withdrawable, interest-bearing shares
 - These shares cater to investors who would like to earn interest on their contribution, as well as to be able to withdraw it at some future time.

Up to 40 shares can be purchased by an individual investor, in any combination of "A" and/or "B" shares. Thus an investor with £2,000 to contribute could purchase three "A" shares and one "B" share, or vice versa, and so on.

Each share costs £500. We have decided that a minimum investment would be 1 share. However, we hope that most members will invest more than the minimum and our publicity will encourage members to invest an average of around £3,000. No individual shareholder can invest more than £20,000 (40 shares). The pledged share structure to date is made up as follows:

# Shares	# Investors	£ Value
40	2	£40,000
20	3	£30,000
12	1	£6,000
10	14	£70,000
6	3	£9,000
5	8	£20,000
4	11	£22,000
3	1	£1,500
2	24	£24,000
1	43	£21,500
	110	£244,000

Unlike company shares, an IPS can pay interest on its shares. The Society's intention is that it will endeavour to pay interest to its "B" shareholders. "B" Shares will be withdrawable, thus in the event of a shareholder needing to extricate themselves from the enterprise, the Society would buy back the shares from the investor and then resell to a replacement investor. In order to give the Society a chance to launch the business we will require investors to commit to keep their investment in the Society for at least the first five years before they can withdraw it, although the Rules will allow early withdrawals in exceptional circumstances. After that they will be required to give three months' notice of their intention to withdraw funds. The Society rules will give the directors the power to refuse a request to withdraw funds if it would endanger the business. It is our very firm intention not to use these powers unless absolutely necessary. We want investors to know that their money is available if and when they need it.

The "B" shares that members buy are redeemable in the way set out above, but neither "A" nor "B" shares are transferable, except in the case of death or bankruptcy of a member (i.e. members cannot sell them to anyone else). This arrangement allows the Society to be exempt from the Financial Services and Markets Act for Society share issues.

Interest

Provided that the predicted levels of profitability are achieved the Society will pay interest to "B" shareholders that will be obtained from the secure income of rent paid

by the tenant. Interest is paid gross and is taxable. It is the member's responsibility to declare any such earnings to HMRC if applicable.

In order to allow the Society to offer a lower rent to our tenant in the initial years and to allow the Society to build up its reserves we have determined that we will not offer a return to our members until the end of year five. The actual amount to be paid will be determined by the membership at the AGM following a recommendation from the Management Committee and will be dependent on two factors:

- The prevailing rate of interest at the time.
- The profitability of the business.

This decision will have to be made in the light of the expected performance of the business in the following year and the need to invest funds in the expansion of the business, as well as legal limits on the return offered. The maximum share interest allowed in the Rules is 4% over base rate.

Profits

The Society's rules determine that any surplus made by the Society after it has paid interest to its shareholders must either be reinvested in the business or used for the benefit of the local community or for another charitable or community purpose. Directors and members are forbidden from benefiting in any other way from the activities of the Society. It is our intention that the Society will continue to operate a public house for the benefit of the village of Great Milton for the foreseeable future. If, however, the membership should choose, in the future, to dispose of the property, any surpluses that may arise after all the shareholders have been paid back the amount they invested must be re-invested in a community enterprise or used for a charitable purpose (known as Asset Lock).

Management

A Management Committee (the Board) comprising between four and twelve members will manage the Society. They will be accountable to the membership and will report to them via an Annual Report and an Annual General Meeting (AGM). At the conclusion of the first AGM, all the members of the first Management Committee shall retire and may be re-elected or replaced. This is covered in more detail in the Rules (section 10).

Initial Directors

There are seven initial directors of The Great Milton Community Pub Limited. They all live within the parish of Great Milton. They come from a variety of backgrounds and have a range of relevant experience. They are, in alphabetical order:

Lucy Darch

Lucy moved to Great Milton 4 years ago. She was Treasurer for the Friends of Great Milton School for 2 years and now assists with the organisation of the Great Milton Freecycle Live events. She will shortly be taking on a new role as Head of Energy at Moneysupermarket.com, having worked in the energy industry for 18 years. She is a Director of British Gas' Energy for Tomorrow Fund and volunteers for a new not for profit enterprise called EnergyBank. Lucy has been appointed as the Secretary of the Society.

Bill Fox

Now retired, Bill spent many years as a Director of the property subsidiary of Grand Metropolitan plc (now Diageo plc), and more recently as Commercial Development Director with a subsidiary of The Berkeley Group. Bill has been a resident of Great Milton for 25 years. Bill will undertake the role of vice-chairman of the Society.

Steve Harrod

Steve is known to most people in the village as the chairman of the Parish Council and the District Councillor for the Great Milton ward of South Oxfordshire District Council. He is a self-employed industrial author, specialising in the paper and packaging industries, and has lived in the village with his family for ten years. Steve has been appointed as chairman of the Society.

Graham Orriss

Graham has lived in the village for 32 years and is a local business man, owning and running The Revival Company, based in Chalgrove. The company specialises in fire and flood restoration.

Andy Peel

Andy has worked for twenty-four years in the media industry, initially as a Media Account Director at Starcom MediaVest. His role involved managing the strategic planning and buying of national advertising campaigns across all media for clients such as Twentieth Century Fox and the Central Office of Information. For the last ten years he has run API Photographic Services, providing photography and video to the media industry. Andy has lived in Great Milton with his young family for 4 years.

Ann Price

Ann is a well-respected and long-standing member of the community, born and bred in the village, and is active in many spheres of village life. She is currently involved in the running of the Neighbours Hall, the local cricket and darts teams, the Old Folks Party and other activities.

Paul Wakefield

Paul has lived in the village for 23 years. Formerly a partner in a large firm, Paul is a self-employed Chartered Accountant specialising in business advice and data analysis for businesses. Paul is the Society's Treasurer.

Reporting to Members

The Industrial and Provident Society is controlled by its members. Every member has one vote. All members will be provided with an Annual Report which sets out how the enterprise has developed, its activities over the previous year and will include accounts. Members will also be invited to the Annual General Meeting at which the report will be presented and discussed. The rules of the Society also provide for a number of other ways in which the membership may hold the directors accountable for the running of the Society, including the calling of a special general meeting if this is required.

Key points to note

Whilst we firmly believe that the business will be profitable and that the ownership of the asset, the land and buildings, provides members with a high level of security, it is important for members to understand that there is a potential risk that the business may fail and land values may fall. If this were to occur the value of the shares in the Society could reduce. Please take careful note of the following:

- This proposal is not regulated by the Financial Services and Markets Act 2000 because the shares in the co-operative are not 'securities' for the purpose of those regulations. If the business fails there is no right of complaint to the Financial Ombudsman or the Financial Services Compensation Scheme. The Financial Services Compensation Scheme, which applies to bank accounts, does not apply to your share account. The society, unlike banks and building societies, is not subject to prudential supervision by the Financial Services Authority. However, although the Financial Ombudsman Service does not apply to your share account or your relationship with the society, under the society rules any dispute may be the subject of arbitration by a person appointed the President of the Chartered Institute of Arbitrators.

- As a member and shareholder of the Society you own the Society. If the Society is unable to meet its debts and other liabilities, you will lose the whole amount held in shares. This may make it inappropriate as a place to invest savings.
- Your investment in your "B" share account is withdrawable without penalty at the discretion of the Board under the Society's rules.
- Your investment in your "B" share account may receive interest but does not enjoy any capital growth. It is primarily for the purpose of supporting your society rather than making an investment. As a society, the maximum return offered to investors by way of income will always be limited.
- Additionally, as a community benefit society with a statutory Asset Lock, shares cannot increase in value, and in the event of the society being wound up, any residual assets will be transferred to another asset-locked body.

For advice and information see the following links:

http://www.communityshares.uk.coop/sites/default/files/investing_in_community_shares_a-z_final_1_7_10.pdf

<https://www.moneyadvice.service.org.uk/en/articles/withdrawable-share-capital>

Further Information

Correspondence should be addressed to the Registered Office at:

The Great Milton Community Pub Limited
Midsummer Cottage
1 and 2 Priory Bank
Church Road
Great Milton
OX44 7UA

Or by email to:

buygmbull@gmail.com

The Business Plan

Business SWOT Analysis for the Bull

Strengths

- Excellent location at the centre of the village
- A base of regular local customers who will quickly return to the Bull
- The commitment of the wide membership base to use what will be their business and who will encourage their friends and family to use the pub.
- The business will own the freehold and will not be tied to any particular brewery and is therefore free to negotiate the best deals for supply of food and drink
- Close to Raymond Blanc's world famous Le Manoir Aux Quat'Saisons restaurant and hotel
- The Society will appoint an experienced licensee as the tenant to run the business and take all the business risk
- The Society will have the secure income of rent from the tenant

Weaknesses

- The pub has lacked consistency of tenants, since Janet Smith retired and has lost many customers to other venues
- The profitability of the pub has declined over recent years
- The design and layout of the building does not lend itself to dining and would need some remodelling over the medium to long term

Opportunities

- To build up a reputation starting from scratch with a new tenant and staff team
- To develop new customer bases including guests and staff of Le Manoir, walkers, cyclists, people in search of locally produced beers and locally sourced, good quality food
- The property has sufficient space available for the dining and kitchen areas to be extended

- As the business will be established as a community enterprise, run for the benefit of the residents of Great Milton, it will be able to access grant aid to assist with development plans

Threats

- Inability to obtain the necessary financing to conclude the purchase or development
- Unexpected repair costs
- Tenancy voids
- Once the business is established several shareholders could withdraw their shares at the same time, though the proposed rules would make this unlikely
- Interest rate increases
- Despite all the work and effort the continued economic downturn may lead to insufficient use of the pub and the business may prove to be unviable

Meeting the Weaknesses and Threats

Attracting lost business

Once the pub is owned by the village (and we expect over 100 members to be local residents), the commitment to use the pub and to encourage family and friends to use it will be considerable. This has proven to be the case in many instances of community owned pubs, including our neighbours, The Plough in Great Haseley. We also plan to conduct a marketing/PR campaign aimed at residents of surrounding villages and towns.

Consistent provision of competitively priced good beer, wine and food, and reliable opening hours will provide a good basis for re-establishing the reputation of the pub, which will then attract a steady flow of referrals by word of mouth from the local residents, from local B&Bs, the caravan site and surrounding venues such as Le Manoir and the Oxford Belfry.

The new tenant will be required to offer a warm welcome to local groups ranging from the football and cricket teams, to Aunt Sally players, darts teams and other similar groups.

Profitability

As a tied pub, the tenants of the Bull have been forced to buy their beer from Greene King at an inflated price, coupled with a rental, which has been linked to business

volumes. It is a known fact that a freehold pub, with no ties, can save as much as 40% on beer costs. The rental charged to the new tenants by the Society will be set at a relatively low level to encourage the establishment of the business and will only be increased as the directors deem it to be financially viable for the tenant. Whilst the Society will derive its income from the rental, it will be a non-profit organisation with fewer financial demands from its shareholders.

Improving the layout

In time, it is envisaged that the existing dining area can be remodelled to remove the stairway access to the first floor accommodation, relocating this to a more suitable position. The dining area can be expanded towards the rear of the pub with a conservatory providing an additional twenty covers at least. The existing kitchen can be expanded towards the rear of the building to provide the required food preparation area to service these additional covers. The current toilets can be relocated and the existing space converted into a larger bar area to accommodate darts, pool and other pub sports. Detailed plans have not yet been drawn up, but this can be undertaken in due course by qualified professionals and would be subject to shareholder approval, as would the entering into a further mortgage or loan scheme to finance this. This development is also subject to approval of the planning application by the local authority and listed building consent where necessary.

Inability to attract sufficient financing

If the proposed enterprise is unable to raise the necessary financing, then the purchase will not go ahead. Cheques will be collected and banked (online banking should also be available) and no share certificates will be issued until the full financing has been put in place. If, at the deadline that we set of the 30th March 2013, insufficient capital has been raised, the share issue will be halted and all those who have invested will have their investment returned to them.

Unexpected Repair Costs

A pre-acquisition survey has been carried out and will be evaluated for potential problem areas. The financial impact of unanticipated repairs can be mitigated by using volunteers from the community together with the possibility of grants or other sources of cheap finance.

Shareholder withdrawal

The directors will aim to sell shares and attract financing that will lead to a sum being raised that will adequately provide for all the budgeted costs of the acquisition and initial redecorating. "B" Shareholders must agree not to withdraw funds for the first five years of the operation of the business, to allow it to establish itself. After that they will be required to give three months' notice if they wish to withdraw shares.

Cash surpluses will be retained where possible to generate sufficient cash balances to enable withdrawal of equity subject to the requirements of the business. If a shareholder gives notice that they wish to withdraw shares then shares of the same value will be marketed and can be acquired by new or existing shareholders. Ideally, new shareholders will be found to replace those shares that are to be withdrawn. If they cannot be replaced then the reserve fund can be utilised.

Providing that the business is successful it is unlikely that large numbers of "B" shareholders will wish to withdraw their shares at the same time. If the business is not successful then it may be that a number of "B" shareholders would seek to withdraw their investment. If this were to happen the business may have to close and the assets would have to be sold in order to return the shareholder's funds. Our business plan demonstrates that this eventuality is unlikely, as the business has every chance of success.

Whilst the Society asks that every "B" member commits their investment for at least five years, if, for a pressing reason, a "B" member needs to withdraw their shares in advance of these deadlines, then the Board has the power to allow this and will make every effort to facilitate it.

Interest rate increases

The threat of increased interest rates can be reduced by the use of fixed rate long term borrowings and the use of discretion in setting the rates to be paid on "B" shares.

The business is unviable

If the prevailing market conditions are so unfavourable that, despite a sound business plan, vigorous and sustained marketing and the support of local user/owners, the business does not develop in the way anticipated, then the directors will be forced to close the pub, sell the assets and repay the original investors, with any residual assets to be used for the benefit of the community. This is not an outcome that we seek, but this possible course of action should give investors the security they need in the unlikely event of the enterprise being unsuccessful.

Marketing Plan

There is no other pub in the village and there is therefore no direct competition to the Bull. However, there are numerous pubs in the neighbouring villages, which, whilst they are some distance away, are competitors for the market. Visitors to the area looking for a country pub to walk to or for a meal out will consider options across a wide area.

The plan is to market the Bull as a homely, traditional village pub, which fully meets the locals', tourists' and day trippers' idea of a country pub. This involves good quality beers, brewed locally as much as possible, good quality pub food, also sourced from local suppliers, open fires, a friendly atmosphere and traditional pub entertainment. The aim is to meet the needs of the community for a meeting place and venue for events, and to attract visitors. Whilst the villagers will return to the pub quickly once it is re-tenanted, it will take time to build up the tourist and visitor usage. Reputation will spread most effectively by word of mouth and must be built on good quality provision and service. Nevertheless, regular marketing is vital to supplement this.

The marketing of the business will be a matter for both the Board and the tenant. Whilst the lead responsibility will rest with the tenant, the Board will be looking to appoint a tenant who will work in partnership with them in marketing the Bull and who will pursue the following marketing strategy:

- Publicity prior to the re-tenanting will focus on the campaign to raise the funds to acquire the pub. Nevertheless it will draw public attention to the plan to purchase and re-tenant the Bull
- There will be an opening event that could, because of our local connections with various media, attract press and local TV/radio coverage of the story – “villagers take over their own pub”. This will be supplemented by advertisements in the local (Oxford) press and village bulletins and newsletters in the area.
- Regular leaflet drops to the entire village which advertise the pub and its programme of activities (darts, quizzes, music nights, seasonal events and so forth)
- Regular advertisements in the press advertising the same programme and stressing the traditional village pub welcome that you will find at the Bull
- Holding events that celebrate local food and locally brewed beer and advertising these in the specialist press

Building up the business

Rent

Our tenant will be required to produce a business plan which demonstrates how they intend to grow the business. However, it is the Board's intention that the rent is agreed in advance for the first three years in order to give the tenant both security and an opportunity to reap the benefit from increased sales, thereby giving them every incentive to develop the business. Following the end of year three, a formula for

reviewing the rent will be agreed with the tenant prior to their entering into a further tenancy agreement. This formula will ensure that the tenant has sufficient incentive to grow the business.

Tenants are typically expected to pay rents that are equivalent to 12% to 15% of the turnover of the business. It is our intention to set a rent level which provides sufficient income to allow the Society a return to our "B" members from year six, and low enough to attract an experienced tenant to start up a new business. This will give the Society sufficient funds to build up some reserves.

Sales

It is anticipated that the new tenants will achieve sales in excess of those achieved over the past few years. Of late, the opening hours and availability of food have been erratic and unpredictable, driving away both regular and passing trade. In the past the pub was much busier with regular darts, dominoes and Aunt Sally teams along with regular Saturday night social events. We therefore believe that the sales figures over the last three years are not a true reflection of the income that the Bull will generate and that these sales figures can be improved upon for three reasons:

1. The fact that the pub is owned by the local community will be a big incentive for villagers to support their own business and to encourage their family and friends to use it.
2. The tenant that we appoint will be expected to drive up the sales of food from the current 20% of sales to at least 50% of sales over a three year period. Increasing food sales is the key to making the Bull a viable business and the tenants that we appoint will have to demonstrate how they plan to achieve this.
3. The tenant will have free rein to purchase all their raw materials wherever they like, as well as setting their own pricing, enabling a far more profitable model than the previous tied system.

This is clearly a challenge that the new tenant must rise to, but providing that good quality, well maintained beer and good quality, freshly cooked food is served, the demand in the locality is significant, and this local demand would be supplemented by tourists and visitors to the area.

Once we have appointed a tenant they will be responsible for running their own business within our building. They will therefore meet all of the other running costs from the income that they make from sales. As it is a new business, and they are starting from scratch, the Society will assist with marketing and getting the building ready to re-tenant. Following this, the tenant will be responsible for running the

business within broad guidelines set by ourselves. The tenant will have accommodation in the rooms above the pub as part of the lease agreement.

Financial Projections

Acquisition and start-up costs

The initial acquisition and start-up costs total almost £322,000 including VAT on various elements. These are summarised below:

Initial and Capital costs	£	Finance available	£
Purchase price	280,000	Shares	231,800
Costs	8,466	Grants	2,000
Equipment, repairs and renewals	14,500		
Other	2,500	Tenant deposit	4,250
Reserve/working capital	500	Local loans	78,500
Contingency	2,000		
Stamp duty	8,400		
Total Capital costs	316,366	Total Finance	316,550
Cash required for completion	321,859	Surplus	184

Notes:

- "Costs" include Survey, Solicitor and IPS Registration
- "Equipment, repairs and renewals" includes purchase of equipment, repairs and refurbishing of toilets, accommodation, fixtures and fittings
- "Other" includes purchase of stock and publicity
- "Shares" refers to current pledges at £244,000 less a 5% drop-out rate
- "Grants" refers to a grant received from the Plunkett Foundation
- "Cash required for completion" refers to the total outflow including VAT on certain items and will be funded by a local loan which will be repaid from the recovered VAT

Cashflow

Cashflow is healthy for all years except year 3 when we anticipate some thatching work, though part of this is expected to be met by a local authority grant, and in year 6 we expect to commence interest payments and withdrawals of "B" shares. It is clear that the Closing Balance, year on year, adequately caters for exceptional "B" share withdrawals.

	Year						
	1	2	3	4	5	6	7
Cashflow £							
Shares	231,800						
Local loans	78,500						
Tenant deposit	4,250						
Mortgages	0	78,500	0	0	0	0	0
Capital grants	2,000	0	0	0	0	0	0
Rental income	17,000	20,000	20,000	24,000	24,000	26,000	26,000
Sell stock	2,000	0	0	0	0	0	0
Acquisition, F&F & refurbishment costs	-						
Running costs net of revenue grants	314,700	-2,000	-2,000	-6,000	-2,000	-2,000	-2,000
Deposit/overdraft interest	-5,166	-4,250	11,250	-2,750	-4,250	-5,750	-5,750
Share interest		25	80	106	126	171	197
Share withdrawals	0	0	0	0	0	-2,898	-2,753
Local loan repayment	0	0	0	0	0	-5,795	-5,795
Cashflow loan interest	-5,507	-80,687	0	0	0	0	0
Mortgage repayment	-55	0	0	0	0	0	0
Mortgage repayment	0	0	-5,507	-5,507	-5,507	-5,507	-5,507
Tax paid	0	0	-2,305	-894	-3,254	-2,981	-2,525
Net flow	10,123	11,588	-982	8,956	9,115	1,241	1,868
Opening balance	0	10,123	21,711	20,729	29,685	38,800	40,041
Closing balance	10,123	21,711	20,729	29,685	38,800	40,041	41,909

The mortgage referred to in year 2 will be either a commercial mortgage or a Public Works Loan obtained via the Department for Local Government and will be used to replace the initial loans.

Overall, this Cashflow projection should be viewed as a prudent and conservative approach which will see us more than breaking even from year 7 onwards, having taken into account all eventualities that can be predicted at this stage. It should also give sufficient margin to cope with unexpected repair and renewal costs as well as increases in interest rates.

Assumptions

We have had to make certain assumptions about a range of variables in order to produce a meaningful financial plan, the major ones being:

- We have allowed for a 5% drop-out from the original pledges
- That the purchase will be a "Transfer of going concern". This means that we do NOT pay VAT, saving us £60-odd thousand in cash flow, as we would get it back after 3 or 4 months. It also saves some stamp duty.
- Share interest is paid on "B" shares from year 6 at 2.5%
- We have provided for "B" share withdrawals from year 6 at a rate of 5%, though we have also budgeted for sufficient reserves to cover exceptional withdrawals from the start
- Loans are at a 5% interest rate with the main loan being calculated on a 25 year term

We would be happy to discuss these financial projections in detail with any interested investors.



Appendix A

Case study: The Green Man, Toppesfield, Essex

Dec. 2012 - Essex villagers take ownership of threatened pub - ten years after saving village shop

Villagers in Toppesfield, North Essex, are celebrating the tenth anniversary of saving their village shop in a unique way - by taking ownership of their pub!

The Green Man public house, which was owned by Admiral Taverns, has been purchased by Toppesfield Community Pub Ltd (TCP Ltd), after being on the market for a number of years. The thirsty villagers formed TCP Ltd, which is based on the Industrial & Provident Society model - the same as their village shop - and raised over £150,000 through a share subscription to fund the purchase. Additional finance was secured through a mortgage and a substantial donation from a charity with local connections.



Green Man co-operative pub in Toppesfield, Essex

Chair of the TCP committee, Alan Collard, said: "This is an incredible achievement. To secure the pub's future, when so many pubs around our way are closing down, is a fantastic boost for the community. The support and encouragement has been overwhelming and people have voted with their wallets to preserve our local.

Christmas certainly has come early and we'll be raising a glass to each other to celebrate!"

Work to buy the pub started back in March, with a number of meetings held to gauge interest from the community as to whether the purchase was viable. The Industrial & Provident Society model was chosen as the best way of extending ownership to as many people as possible and 150 villagers and friends have already bought a share.

In 2002 the villagers built their own village shop and post office which has been staffed on a voluntary basis since then, and has been so successful that it was able to support TCP Ltd with a grant of its own.

TCP Ltd was advised by the Plunkett Foundation, the national organisation supporting rural community enterprises; Triodos Bank, an ethical lender, provided the commercial mortgage, and local solicitors Holmes & Hills LLP carried out the legal work.

Peter Couchman, Chief Executive of the Plunkett Foundation, said: "We're delighted for the community of Toppesfield and their incredible achievement of not only saving their village shop, but now their local pub. An estimated four rural pubs close every week, but community ownership is a viable and successful solution to this problem thanks to its widespread engagement of the whole community, who feel empowered to ensure the business is a success; for example, 97% of community-owned shops to have opened in the past 25 years have stayed open, highlighting the long-term sustainability of the model. We wish Toppesfield Community Pub every success for the future and hope other rural communities are inspired by them to save their own pub through community ownership."

Appendix B

Application for membership

THE GREAT MILTON COMMUNITY PUB LIMITED

Registered Office: Midsummer Cottage, 1 & 2 Priory Bank, Church Road, Great Milton, Oxfordshire, OX44 7PA

Tel: 01844 278 347

eMail: buygmbull@gmail.com

Application for Membership of Community Benefit Society

I wish to apply for membership of The Great Milton Community Pub Limited Community Benefit Society (The Society) and I would like to purchase (maximum 40 shares in total):

"A" SHARES: NON-REDEEMABLE, NON-INTEREST BEARING shares in the Society

of shares

and/or

"B" SHARES: WITHDRAWABLE, INTEREST BEARING shares in the Society

of shares

at £500 per share, being a total of £ (max £20,000)

I include my payment herewith / I will make my payment electronically (delete inapplicable)

Cheques should be made out to The Great Milton Community Pub Limited.

Signature Date

Name Telephone

Address

..... Post Code:

E-mail address

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

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Appendix C

The Society's Rules



Plunkett Foundation

Model Rules for Community Ownership

Rules sponsored by the Plunkett Foundation

Cobbetts LLP
58 Mosley Street
Manchester
M2 3HZ

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1. INTRODUCING THE SOCIETY AND THE RULES

Name

- 1.1 The society is called The Great Milton Community Pub Limited and it is called “the Society” in these Rules.

Registration

- 1.2 The Society is registered under the law as a society for the benefit of the community with the **Financial Services Authority**. Its registered office is Midsummer Cottage, 1 and 2 Priory Bank, Church Road, Great Milton OX44 7UA

Why the Society exists

- 1.3 The Society exists in order to carry on business for the benefit of the community. This is the Society’s Purpose.

Commitments

- 1.4 The Society is committed to:
- 1.4.1 trading for the benefit of the community, and not for anyone’s private benefit;
 - 1.4.2 retaining profits and applying them to achieve the Society’s Purpose.

Governing documents

- 1.5 These Rules set out the way in which the Society is owned, organised and governed.
- 1.6 In addition to the Rules, the Management Committee may make other provisions concerning how the Society operates, such as a code of conduct for the Management Committee. Such provisions must not be inconsistent with the Rules.
- 1.7 In the Rules
- 1.7.1 words starting with a capital letter (like Rules) refer to something specific, and the Appendix at the end of the Rules identifies the rule which makes this apparent; and
 - 1.7.2 words which are highlighted in italics (like *partner*) have a special meaning and the Appendix lists all of these words and explains what they mean.

2 GOVERNANCE

Overview

2.1 The Society has Members, a Management Committee, and a Secretary.

Members

2.2 Membership is the means by which the Society is owned by the community. Membership provides Members with access to information, a voice in the Society, and the opportunity to be elected to a representative role in its governance.

Information

2.3 Members are entitled to receive information about the Society and its business, as provided in the Rules.

Voice

2.4 Members have a voice in the Society's affairs as provided in the Rules, by

2.4.1 attending, speaking and submitting motions to be considered at Members Meetings;

2.4.2 voting at Members Meetings;

2.4.3 electing representatives to the Management Committee.

Representation

2.5 Subject to qualification criteria, Members may stand for election to the Management Committee.

Management Committee

2.6 Subject to the Rules, the Management Committee manages the affairs of the Society and may exercise all of its powers.

2.7 The Management Committee is collectively responsible for everything done by or in the name of the Society, but on that basis it may

2.7.1 employ a manager or any other staff it considers to be necessary and appropriate;

2.7.2 delegate to any employee responsibility for day-to-day management of some or all of the Society's business;

2.7.3 authorise members of the Management Committee to deal with specific matters;

2.7.4 make use of the services of volunteers.

2.8 The Management Committee may, with the approval of a resolution of the Members at a Members Meeting, arrange for the management of the business of the Society to be carried out by a third party.

Secretary

2.9 The Secretary is secretary to the Society, and acts as secretary to the Management Committee.

3 MEMBERS

- 3.1 The Society shall encourage people to become Members, and to that end, the Management Committee shall
- 3.1.1 maintain a Membership Strategy for that purpose;
 - 3.1.2 report to the Members at the Annual Members Meeting on the state of the Society's membership and on the Membership Strategy.
- 3.2 The Members of the Society are those whose names are listed in its Register of Members.
- 3.3 Membership is open to any person (whether an individual, a corporate body or the nominee of an unincorporated organisation) who completes an application for membership in the form required by the Management Committee and:
- 3.3.1 is over 5 years of age;
 - 3.3.2 supports the Society's Purpose;
 - 3.3.3 pays for the minimum number of shares required by the Rules;
 - 3.3.4 agrees to pay an annual subscription (if there is one); and
 - 3.3.5 whose application is accepted by the Management Committee.
- 3.4 The Management Committee may refuse any application for membership at its absolute discretion.
- 3.5 A Member which is a corporate body shall appoint a representative to attend Members Meetings on its behalf, and otherwise to take part in the affairs of the Society. Such appointment shall be made in writing, signed on behalf of the governing body of the corporate body.
- 3.6 The Management Committee may divide Members into constituencies, based on geography, the nature of their interest in the society, or any other relevant factor. If Members are divided into constituencies:
- 3.6.1 the Members in each constituency will be able to elect at least one representative from amongst their number to the Management Committee;
 - 3.6.2 no person may be a Member within more than one constituency; and
 - 3.6.3 the Secretary shall make any final decision about the constituency which a Member belongs to.

Cessation of Membership

- 3.7 A person ceases to be a Member of the Society in the following circumstances:
- 3.7.1 they resign in writing to the Secretary;
 - 3.7.2 being an individual, they die;
 - 3.7.3 being a corporate body, they cease to exist;
 - 3.7.4 being a nominee of an unincorporated organisation, the organisation replaces them as its nominee;
 - 3.7.5 they are expelled from membership under the Rules;
 - 3.7.6 the Secretary removes them from the Register of Members, after completing procedures approved by the Management Committee on the grounds that:
 - 3.7.6.1 the Society has lost contact with the Member; or
 - 3.7.6.2 the person no longer wishes to continue to be a Member.
- 3.8 A Member may be expelled by a resolution approved by not less than two-thirds of the members of the Management Committee present and voting at a Management Committee Meeting. The following procedure is to be adopted.

- 3.8.1 Any Member may complain to the Secretary that another Member has acted in a way detrimental to the interests of the Society.
 - 3.8.2 If a complaint is made, the Management Committee may itself consider the complaint having taken such steps as it considers appropriate to ensure that each Member's point of view is heard and may either:
 - 3.8.2.1 dismiss the complaint and take no further action; or
 - 3.8.2.2 for a period not exceeding twelve months suspend the rights of the Member complained of to attend Members Meetings and vote under the Rules;
 - 3.8.2.3 arrange for a resolution to expel the Member complained of to be considered at the next Management Committee Meeting.
 - 3.8.3 If a resolution to expel a member is to be considered at a Management Committee Meeting, details of the complaint must be sent to the Member complained of not less than one calendar month before the meeting with an invitation to answer the complaint and attend the meeting.
 - 3.8.4 At the meeting the Management Committee will consider evidence in support of the complaint and such evidence as the Member complained of may wish to place before them.
 - 3.8.5 If the Member complained of fails to attend the meeting without due cause, the meeting may proceed in their absence.
 - 3.8.6 A person expelled from membership will cease to be a member upon the declaration by the chair of the meeting that the resolution to expel them is carried.
- 3.9 No person who has been expelled from membership is to be re-admitted except by a resolution carried by the votes of two-thirds of the members of the Management Committee present and voting at a Management Committee Meeting.

4 MEMBERS MEETINGS

- 4.1 Every year, the Society shall hold an Annual Members Meeting, within six months of the close of the financial year.
- 4.2 Any other Members Meetings are Special Members Meetings.
- 4.3 The Management Committee (except where otherwise provided in the Rules) convenes Members Meetings, and decides the date, time and place of any Members Meeting and of any adjourned meeting.

Annual Members Meeting

- 4.4 The functions of the Annual Members Meeting shall include:
 - 4.4.1 receiving from the Management Committee the Annual Accounts for the previous financial year; a report on the Society's performance in the previous year, and plans for the current year and the next year;
 - 4.4.2 receiving from the Management Committee a report on the state of the membership and the Membership Strategy;
 - 4.4.3 appointing any financial Auditors, and external Auditors of any other aspect of the performance of the Society;
 - 4.4.4 declaring the results of elections of those who are to serve on the Management Committee.

Special Members Meetings

- 4.5 Special meetings are to be convened by the Secretary either by order of the Management Committee, or if a written requisition signed by not less than 12 Members or 10% of all Members (whichever is less) is delivered, addressed to the Secretary, at the Society's registered office.
- 4.6 Any requisition must state the purpose for which the meeting is to be convened. If the Secretary is not within the United Kingdom or is unwilling to convene a special meeting, any member of the Management Committee may convene a Members' meeting.
- 4.7 A special meeting called in response to a Members' requisition must be held within 28 days of the date on which the requisition is delivered to the registered office. The meeting is not to transact any business other than that set out in the requisition and the notice convening the meeting.

Notice of Society General Meetings

- 4.8 Notice of a Members Meeting is to be given at least 14 clear days before the date of the meeting, by notice prominently displayed at the registered office, all of the Society's places of business, and such other places as the Management Committee decides.
- 4.9 The notice must state whether the meeting is an Annual Members Meeting or Special Members Meeting, give the time, date and place of the meeting, and set out the business to be dealt with at the meeting.

Procedure at Members Meetings

- 4.10 Members Meetings are open to all Members. The Management Committee may invite particular individuals or representatives of particular organisations to attend a Members Meeting.
- 4.11 Before a Members Meeting can do business, a minimum number of Members (a quorum) must be present. Except where these Rules say otherwise a quorum is present if 5 Members or 10% of the Members entitled to vote at the meeting (whichever is greater) are present.
- 4.12 If no quorum is present within half an hour of the time fixed for the start of the meeting, the meeting shall be dissolved if it has been requisitioned by the Members. Any other meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such time and place as the Management Committee determine. If a quorum is not present within half an hour of the time fixed for the start of the adjourned meeting, the number of Members present during the meeting is to be a quorum.

- 4.13 The Chair, or in their absence another member of the Management Committee (to be decided by the members of the Management Committee present), shall chair a Members Meetings. If neither the Chair nor any other member of the Management Committee is present, the Members present shall elect one of their number to be chair.
- 4.14 The Chair may, with the consent of the meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place. But no business shall be transacted at an adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. No notice of an adjourned meeting needs to be given unless the adjournment is for 21 days or more.

Voting at Members Meetings

- 4.15 Subject to these Rules and to any Act of Parliament, a resolution put to the vote at a Members Meeting shall, except where a poll is demanded or directed, be decided upon by a show of hands.
- 4.16 The Management Committee may introduce arrangements for Members to vote by post, or by using electronic communications.
- 4.17 On a show of hands and on a poll, every Member present is to have one vote. Where postal or electronic voting arrangements have been introduced, every Member who has voted by such method shall also have one vote. In the case of an equality of votes, the Chair of the meeting is to have a second or casting vote.
- 4.18 Unless a poll is demanded, the Chair of the meeting will declare the result of any vote, which will be entered in the minute book. The minute book will be conclusive evidence of the result of the vote.
- 4.19 A poll may be directed by the Chair of the meeting or demanded, either before or immediately after a vote by show of hands, by not less than one-tenth of the Members present at the meeting. The chair of the meeting shall decide how a poll is taken.
- 4.20 Unless these Rules or an Act of Parliament say otherwise, all resolutions are to be decided by a simple majority of the votes cast.
- 4.21 A resolution in writing signed by all the Members for the time being entitled to vote at a Members Meeting shall be valid and effective as if it had been passed at a Members Meeting duly convened and held. Such a resolution may consist of several documents in the same form each signed by one or more Members.

5 MANAGEMENT COMMITTEE

Composition of the Management Committee

- 5.1 The Management Committee shall comprise not less than 4 and not more than 12 persons, who shall mainly be elected by and from the Members. Not more than one quarter of the Management Committee may comprise persons co-opted by the Management Committee.
- 5.2 If Members are divided into constituencies, the Management Committee shall include persons elected by and from the Members in each constituency, and the Management Committee shall strive to ensure that its composition appropriately reflects the various constituencies.
- 5.3 If the size of the Management Committee falls below 4, it may act for the purpose of calling a Members Meeting the business of which shall include the election of new members to the Management Committee, but not for any other purpose.

Elections, appointments and removals

- 5.4 Elected members of the Management Committee hold office for a period commencing immediately after the Members Meeting at which their election is declared, and ending at the conclusion of the third Annual Members Meeting after that.
- 5.5 Co-opted members of the Management Committee serve until the next Annual Members Meeting.
- 5.6 A person retiring from office shall be eligible for re-election or re-appointment.
- 5.7 Elections shall be carried out in accordance with procedures determined by the Management Committee.
- 5.8 Only a Member over the statutory minimum age may be elected or appointed to serve on the Management Committee.
- 5.9 The Management Committee will adopt a code of conduct, and every member of the Management Committee must comply with the terms of such code of conduct.
- 5.10 A member of the Management Committee shall immediately vacate their office if they:
 - 5.10.1 resign their office in writing to the Secretary;
 - 5.10.2 cease to be a Member;
 - 5.10.3 become bankrupt or subject to a disqualification order made under the Company Directors Disqualification Act 1986
 - 5.10.4 are removed from office by a resolution passed by a two-thirds majority of those voting at a meeting of the Management Committee, on the grounds that in the opinion of the Management Committee, they are in serious breach of the Management Committee's code of conduct and it is not in the interests of the Society that they should continue in office.
- 5.11 The Management Committee shall elect from amongst themselves a Chair, a Vice-Chair, and a Treasurer. These officers shall have such functions as the Rules or the Management Committee specify, and they shall serve until they are removed or replaced by the Management Committee, or until they resign.

Meetings of the Management Committee

- 5.12 The Management Committee shall hold such meetings as it considers appropriate to discharge its roles and responsibilities.
- 5.13 Every meeting of the Management Committee shall be chaired by the Chair, or in their absence the Vice-Chair, or in their absence another member of the Management Committee chosen by those present.
- 5.14 Three members of the Management Committee shall comprise a quorum.
- 5.15 Members of the Management Committee may be counted in the quorum, participate in and vote at meetings of the Management Committee by telephone, video or other electronic means.

- 5.16 Unless the Rules provide otherwise, every question at meetings of the Management Committee shall be decided by a majority of votes. Each member of the Management Committee shall have one vote, and in the event of a tied vote, the chair of the meeting shall have a second or casting vote.
- 5.17 A resolution signed by all the members of the Management Committee has the same effect as a resolution validly passed at a meeting of the Management Committee. Each member of the Management Committee may sign a separate copy of the resolution and send a signed copy to the Secretary by email or other electronic means.

Disclosure of Interests

- 5.18 A member of the Management Committee shall declare an interest and shall not vote in respect of any matter in which they, or their spouse or **partner**, have a personal financial or other material interest. If they do vote, their vote shall not be counted.

Remuneration

- 5.19 Members of the Management Committee are not entitled to any remuneration, but they may be reimbursed for reasonable expenses incurred in connection with the Society's business.

Secretary

- 5.20 The Management Committee appoints and may remove the Secretary, and decides the terms of the appointment and whether any remuneration is to be paid.
- 5.21 A person does not have to be a Member in order to be appointed Secretary, and a member of the Management Committee may be appointed Secretary. However a person employed to carry out other services may not be appointed Secretary.
- 5.22 The Secretary
- 5.22.1 has the functions set out in the Rules and any other functions which the Management Committee assigns;
 - 5.22.2 acts as Returning Officer at and is responsible for the conduct of all elections described in the Rules;
 - 5.22.3 has absolute discretion to decide any issue or question which the Rules require the Secretary to decide.

6 REPORTING

Preparation of Accounts

- 6.1 In respect of each year of account, the Management Committee shall cause Annual Accounts to be prepared which shall include:
- 6.1.1 a revenue account or revenue accounts which singly or together deal with the affairs of the Society as a whole for that year and which give a true and fair view of the income and expenditure of the Society for that year; and
 - 6.1.2 a balance sheet giving a true and fair view as at the date thereof of the state of the affairs of the Society.

Auditors and Audit

- 6.2 At each Annual Members Meeting where, as a result of the provisions of the Deregulation (Industrial and Provident Societies) Order 1996, the Society has the power to decide not to appoint an Auditor or Auditors to audit its Annual Accounts, a resolution shall be put to the Members to decide whether or not they wish to exercise the power.
- 6.3 Where required by law or the decision of the Members, the Society shall appoint in each year a qualified Auditor or Auditors to be the Auditors, and the following provisions shall apply to them.
- 6.3.1 The accounts of the Society for that year shall be submitted to them for audit as required by the law.
 - 6.3.2 They shall have all the rights and duties in relation to notice of, and attendance and right of audience at Members Meetings, access to books, the supply of information, reporting on accounts and otherwise, as are provided by the law.
 - 6.3.3 Except where provided in the Rules, they are appointed by the Annual Members Meeting, and the provisions of the law shall apply to the re-appointment and removal and to any resolution removing, or appointing another person in their place.
 - 6.3.4 Their remuneration shall be fixed by the Annual Members Meeting or in such way as it decides.
- 6.4 The Management Committee may fill any casual vacancy in the office of Auditor until the next following Members Meeting.

Presentation of Accounts

- 6.5 The Management Committee shall present the Annual Accounts and reports of the business and affairs of the Society to the Annual Members Meetings.
- 6.6 The Management Committee shall lay Annual Accounts before the Annual Members Meeting showing respectively the income and expenditure for and the state of the affairs of the Society as at the end of the Society's most recent financial year (or of such other period as the Management Committee may decide).

Publication of Accounts and Balance Sheets

- 6.7 Subject to the law, the Management Committee must not cause to be published any revenue account or balance sheet unless it has previously been audited by the Auditors. Every revenue account and balance sheet published must be signed by the Secretary and by two Directors acting on behalf of the Management Committee.

Copy of Balance Sheet to be Displayed

- 6.8 The Society must keep a copy of the last balance sheet for the time being, together with the report of the Auditors, always displayed in a conspicuous place at its registered office.

Annual Return to be sent to Financial Services Authority

6.9 The Society must, within the time allowed by legislation in each year, send to the **Financial Services Authority** a general statement in the prescribed form, called the annual return, relating to its affairs during the period covered by the return, together with a copy of:

6.9.1 the Society's financial statements for the period included in the return;
and

6.9.2 the report of the Auditors thereon

and the most recent annual return of the Society shall be made available to any Member by the Secretary on request in writing free of charge.

7 CHANGE

Alterations to Rules

- 7.1 No new rule shall be made, nor shall any of the Rules be amended, unless it is approved by a two-thirds majority of the votes cast at a Special Members Meeting.
- 7.2 Notice of such a Special Members Meeting shall specify the rules to be amended, and set out the terms of all amendments or new rules proposed.
- 7.3 No amendment to any of the Rules and no new rule shall be valid until registered.
- 7.4 The Management Committee may change the situation of the Society's registered office. The Society will send notice of any such change to the **Financial Services Authority**.

Restriction on use

- 7.5 Pursuant to regulations made under section 1 of the Co-operatives and Community Benefit Societies Act 2003:
 - 7.5.1 All of the Society's assets are subject to a restriction on their use.
 - 7.5.2 The Society must not use or deal with its assets except:
 - 7.5.2.1 where the use or dealing is, directly or indirectly, for a purpose that is for the benefit of the community;
 - 7.5.2.2 to pay a Member of the Society the value of their withdrawable share capital or interest on such capital;
 - 7.5.2.3 to make a payment pursuant to section 24 (proceedings on death of nominator), 25 (provision for intestacy) or 26 (payments in respect of mentally incapable persons) of the Industrial and Provident Societies Act 1965;
 - 7.5.2.4 to make a payment in accordance with the Rules of the Society to trustees of the property of bankrupt Members or, in Scotland, Members whose estate has been sequestrated;
 - 7.5.2.5 where the Society is to be dissolved or wound up, to pay its creditors; or
 - 7.5.2.6 to transfer its assets to one or more of the following:
 - (a) a prescribed community benefit society whose assets have been made subject to a restriction on use and which will apply that restriction to any assets so transferred;
 - (b) a community interest company;
 - (c) a registered social landlord which has a restriction on the use of its assets which is equivalent to a restriction on use and which will apply that restriction to any assets so transferred;
 - (d) a charity (including a community benefit society that is a charity); or
 - (e) a body, established in Northern Ireland or a State other than the United Kingdom, that is equivalent to any of those persons.
 - 7.5.3 Any expression used in this Rule which is defined for the purposes of regulations made under section 1 of the 2003 Act shall have the meaning given by those regulations.

Transfers of Engagements

- 7.6 The Society may, by special resolution passed at a Special Members Meeting in accordance with the Rules and in the way required by the law, amalgamate with or transfer its engagements to any **society** or convert itself into a **company**. Nothing in this Rule shall

entitle the Society to amalgamate with, transfer its engagements to or convert itself into a type of body that is not listed in Rule 7.5.2.6.

- 7.7 The Society may also accept a transfer of engagements and assets from any **society** by resolution of the Management Committee or of a Members Meeting, as the Management Committee shall decide.

Dissolution

- 7.8 The Society may be dissolved by an Instrument of Dissolution or by winding up in the way required by the law. If on the solvent dissolution or winding up of the Society there remain, after the satisfaction of all its debts and liabilities and the repayment of the paid-up share capital, any assets whatsoever, such assets shall be transferred in accordance with the provisions above headed "Restrictions on use".
- 7.9 Subject to those provisions, such assets shall be transferred to one or more **societies** chosen by the Members at a Members Meeting, which may include any society established by the **Plunkett Foundation** for the purpose of the creation, promotion and development of community-owned enterprises.

8 SHARE CAPITAL

- 8.1 The Society has shares of £500 each. These shares can be either withdrawable, interest bearing shares or non-withdrawable, non-interest bearing shares, the latter to allow for members to contribute share capital to the Society in a way that is less onerous to the Society, whilst still retaining their full membership rights.
- 8.2 Application for shares shall be made to the Management Committee, and is subject to any maximum permitted by law. Shares shall be paid for in full on application.
- 8.3 The minimum shareholding shall be one share. The Society may from time to time make a public share offer, and any such offer may specify a minimum number of shares.
- 8.4 Shares are not transferable except on death or bankruptcy, and, except for non-redeemable shares (see 8.1) are withdrawable in accordance with the Rules as follows:
- 8.4.1 shares may be withdrawn by Members who have held them for a minimum period of five years or such other period as the Management Committee decides;
 - 8.4.2 application for withdrawal shall be made on not less than three months' notice, on a form approved by the Management Committee;
 - 8.4.3 the Management Committee may specify a maximum total withdrawal for each financial year;
 - 8.4.4 all withdrawals must be funded from trading surpluses or new share capital raised from Members, and are at the discretion of the Management Committee having regards to the long term interests of the Society, the need to maintain prudent reserves, and the Society's commitment to community benefit;
 - 8.4.5 all withdrawals shall be paid in the order in which the notices were received, up to any maximum total withdrawal specified for the financial year, following which no further withdrawals may be made;
 - 8.4.6 except where a Member intends to terminate their membership, they shall not be permitted to withdraw shares leaving them with less than the minimum required by the Rules;
 - 8.4.7 the Management Committee may waive the notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as it considers appropriate;
 - 8.4.8 the Management Committee may suspend the right to withdraw either wholly or partially, and either indefinitely or for a fixed period. The suspension shall apply to all notices of withdrawal which have been received and remain unpaid at the time. Where the suspension is for a fixed period, it may be extended from time to time by the Management Committee;
 - 8.4.9 during any period when the right of withdrawal has been suspended, the shares of a deceased Member may, if the Management Committee agrees, be withdrawn by their personal representatives on giving such notice as the Management Committee requires;
 - 8.4.10 the Society may deduct such reasonable sum to cover administrative costs of withdrawal from the monies payable to a Member on the withdrawal of shares.
- 8.5 The Society may (but is under no obligation to) pay interest to holders of interest bearing, withdrawable shares (see 8.1), as compensation for the use of such funds, subject to the following:
- 8.5.1 any payment of interest must be from trading surpluses and is at the discretion of the Management Committee having regard to the long term interest of the Society, the need to maintain prudent reserves and the Society's commitment to community benefit;

- 8.5.2 the rate of interest to be paid in any year is to be approved by resolution of the Members at the Annual Members Meeting, and shall not exceed 4% above the base rate of the Co-operative Bank PLC from time to time;
 - 8.5.3 the Management Committee may decide that interest shall not be paid in relation to holdings of shares below a minimal level.
- 8.6 On the solvent winding-up of the Society, holders of withdrawable shares will have no financial entitlement beyond the payment of outstanding interest and repayment of paid up share capital. Holders of non-withdrawable shares will have no financial entitlement beyond repayment of paid up share capital.
- 8.7 In the event that a Member resigns from membership, is removed from the Register of Members, or is expelled in accordance with the Rules, shares held by them at the date of resignation, removal or expulsion shall thereupon become a loan, repayable to the former Member by the Society. The terms of repayment shall be those applying to the withdrawal of share capital set out in the Rules, and notice of withdrawal shall be treated as having been given at the point of resignation, removal or expulsion.

ADMINISTRATIVE

Purpose, objects and powers

- 9.1 The Society's Purpose is to carry on business for the benefit of the community.
- 9.2 The Objects of the Society are, in accordance with its Purpose:
- 9.2.1 to carry on the business of dealing in, producing, creating, supplying and providing, property, goods and services of all kinds; and
 - 9.2.2 to engage, as principals or agents, in any other business, trade, industry or activity which seems to the Society directly or indirectly conducive to carrying out the above objects.
- 9.3 The Society has the power to do anything which appears to it to be necessary or desirable for the purposes of or in connection with its Objects.
- 9.4 In particular it may:
- 9.4.1 acquire and dispose of property;
 - 9.4.2 enter into contracts;
 - 9.4.3 employ staff;
 - 9.4.4 make use of the services of volunteers;
 - 9.4.5 receive donations or loans free of interest for its Objects.
- 9.5 Any power of the Society to pay remuneration and allowances to any person includes the power to make arrangements for providing, or securing the provision of pensions or gratuities (including those payable by way of compensation for loss of employment or loss or reduction of pay).
- 9.6 The Society shall not accept deposits.

Borrowing

- 9.7 Subject to the approval of the Management Committee, the Society may borrow money for the purposes of or in connection with its Objects, including the issuing of loan stock, subject to a limit of £500,000 (five hundred thousand pounds).

Investments

- 9.8 Subject to any restriction imposed by resolution of any Members Meeting, the Management Committee may invest any part of the capital and funds of the Society in any manner which the Management Committee may from time to time determine.

Books of Account

- 9.9 The Management Committee shall cause to be kept proper books of account with respect to the transactions of the Society, its assets and liabilities, and shall establish and maintain a satisfactory system of control of the books of account, the cash holdings and all receipts and remittances of the Society in accordance with the law.

Treatment of Net Surplus

- 9.10 The profits or surpluses of the Society shall not be distributed either directly or indirectly in any way whatsoever among Members, but shall be applied:
- 9.10.1 to maintain prudent reserves;
 - 9.10.2 on expenditure in carrying out the Society's Objects.

Minutes

- 9.11 The Management Committee shall cause proper minutes to be made of all Members Meetings, meetings of the Management Committee and of any sub-committees. All such minutes shall be open to inspection by any Member at all reasonable times.

Settlement of Disputes

- 9.12 Any dispute, between the Society or an officer of the Society on the one hand and a Member or a person who has for not more than six months ceased to be a Member on the other hand, as to the interpretation of or arising out of the Rules shall (except as otherwise provided in the

Rules) be referred, in default of agreement between the parties to the dispute, to a person appointed by the President of the Chartered Institute of Arbitrators, on application by any of the parties. The person so appointed shall act as sole arbitrator in accordance with the Arbitration Act 1996 and such person's decision shall (including any decision as to the costs of the arbitration) be final.

Register of Members

- 9.13 The Society shall keep at its registered office a register of Members as required by the law. Any Member wishing to inspect the register (or any part of it) shall provide the Society with not less than 14 days' prior notice given in writing to the Secretary at the Society's registered office.

Copies of Rules and Regulations

- 9.14 The Secretary will provide a copy of the Rules to any person who demands it, and may charge a sum (not exceeding the maximum allowed by the law) for providing such a copy.

Directors' and Officers' Indemnity

- 9.15 Members of the Management Committee and the Secretary who act honestly and in good faith will not have to meet out of their personal resources any personal civil liability which is incurred in the execution or purported execution of their functions, save where they have acted recklessly. Any costs arising in this way will be met by the Society. The Society may purchase and maintain insurance against this liability for its own benefit and for the benefit of members of the Management Committee and the Secretary.

Deceased and bankrupt members

- 9.16 Upon a claim being made by the personal representative of a deceased Member or the trustee in bankruptcy of a bankrupt Member, any property to which the personal representative or trustee in bankruptcy has become entitled may be used as the personal representative or trustee in bankruptcy may direct.
- 9.17 A Member may in accordance with the law nominate any person or persons to whom any of their property in the Society at the time of their death shall be transferred, but such nomination shall only be valid to the extent for the time being provided by the law. On receiving satisfactory proof of the death of a Member who has made a nomination the Society shall, in accordance with the law, either transfer or pay the full amount of such property to the person so nominated.

10 **START-UP PROVISIONS**

- 10.1 The first Members of the Society shall be those who signed the application for registration.
- 10.2 The first Members shall appoint the first Management Committee who shall serve until the first Annual Members Meeting.
- 10.3 At the conclusion of the first Annual Members Meeting, all the members of the first Management Committee shall retire.
- 10.4 Those elected to replace them as members of the Management Committee shall take office immediately after the conclusion of the first Annual Members Meeting, and the following provisions shall apply to them.
 - 10.4.1 One third of those so elected, who obtained the highest number of votes, shall serve until the conclusion of the fourth Annual Members Meeting.
 - 10.4.2 One third who obtained the next highest number of votes shall serve until the conclusion of the third Annual Members Meeting.
 - 10.4.3 The remainder of those elected shall serve until the conclusion of the second Annual Members Meeting.

APPENDIX

1. The Rules should be read and understood on the basis of what is set out below.
2. Words in the singular include the plural, and words in the plural include the singular.
3. Any reference to legislation includes any subsequent enactments, amendments and modifications, or any subordinate legislation.
4. The section, rule and paragraph headings are inserted for convenience only and shall not affect the interpretation of the Rules.
5. The following words and phrases have the special meaning set out below.

“company” a company registered with limited liability under the Companies Act 2006 or any previous Companies Act, or under any law of the country where it is situate whereby it acquires the right of trading as a body corporate with limited liability

“Financial Services Authority” Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS

“partner” a person living with another in the same household as a couple, irrespective of their sex or sexual orientation

“Plunkett Foundation” Plunkett Foundation, The Quadrangle, Woodstock, Oxfordshire, OX20 1LH

“society” a society registered with limited liability under the Industrial and Provident Societies Act 1965 or under any law of the country where it is situate whereby it acquires the right of trading as a body corporate with limited liability

6. The following words or phrases are introduced in the rule specified in each case.

Words or Phrases	Rule
Annual Members Meeting	4.1
Annual Accounts	6.1
Appendix	1.7.1
Auditor	6.2
Chair	5.11
Management Committee	2.1
Member	2.1
Members Meeting	4
Membership Strategy	3.1.1
Objects	9.2
Purpose	1.3
Register of Members	3.2
Rules	1.1
Secretary	2.1
Society	1.1
Special Members Meeting	4.2
Treasurer	5.11
Vice-chair	5.11