

# Business case;

The Fleur de Lys

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# Business Case

## Introduction

The Fleur de Lys is being put up for sale for £655,000 on or shortly after 27 November. At this price, a purchaser could be tempted to apply for change of use for the property to one or more residential dwellings. This would be difficult to achieve quickly, but in the meantime, the pub could close and be boarded up. Dorchester would lose its last genuine pub.

The Fleur de Lys is a key element of the Dorchester community. The White Hart and the George are hotels, appealing to a different clientele and with a very different character from the Fleur de Lys.

This business case puts an alternative proposal, which is being developed by a small working group of Dorchester residents. The aim of this proposal is:

*To secure the long-term future of the Fleur as a flourishing pub for the benefit of the community, by vesting ownership in a society controlled by the community and running the pub profitably.*

## Who we are

The working group comprises:

### **Jason Coe**

Moved to Dorchester-on-Thames last year after falling in love with the village and surrounding areas though originally from Torquay, Devon. Passionate in retaining the village's personality hence his involvement to save The Fleur and, although now a web developer, he started his career as a pub landlord for 5 years so understands the trade and culture.

### **Mike Davies**

Lives in the village. He worked for Tesco for 34 years in various management positions, including Store Manager and Regional Project Manager. He took voluntary redundancy in 2009, but has since returned to the Company in a part time capacity, as a Wines and Spirits Customer assistant.

He is Chairman of the Baldons Wine Club and is currently working towards a diploma with the Wines & Spirits Educational Trust.

### **Richard Farrant**

Lives in the village. Locally, he is chair of the Hurst Water Meadows Trust. Most of his career was in the regulation of banking, securities markets, energy and competition, in all cases ultimately at board level. He has also held non-executive board positions in several financial institutions. His charity work has included being chair of Sustrans and a council member and trustee of the National Trust. Although retired, he still chairs disciplinary tribunals for the Institute of Chartered Accountants.

### **Chris Hill**

As a qualified electronics engineer worked for many of the household name companies including BT, O2 and Vodafone as well as running his own network communications business before retiring from paid employment in 2011. He has been a Parish councilor in Dorchester for the past 14 years and Chairman for the past 2 1/2 years. He adds:

*“As a keen supporter of CAMRA (Campaign for Real Ale) I am passionate about preserving the unique nature of the British pub and traditional ale. The Fleur is a classic example of the quintessential village pub and the only remaining pub in Dorchester (as the other two are excellent but hotels). This led me to gather the support needed to register the Fleur as an Asset of Community Value as a way of ensuring that the Community has an opportunity to make a bid if it came on the market, as it has. This is such a great opportunity and one I believe we should grasp wholeheartedly.”*

### **Melanie Hill**

Lives in the village. She is an experienced Business Development Director with over 30 years' experience delivering an intelligent and considered approach to new business development. She set up Acorn2OakMarketing Ltd over 20 years ago, working with clients of varying sizes by providing new business development and marketing solutions on a global basis.

### **Ed Metcalfe**

Lives in the village. He has extensive Board level experience as a CEO and Managing Director of several energy related companies. He has bought and sold power stations and is currently

on the board of a UK energy business and advises on power development in west Africa.

He is a member of the Fleur de Lys Aunt Sally team.

## Why buy The Fleur?

We identify strengths and opportunities in the proposal of buying the Fleur which far outweigh the weaknesses and threats:

### **Strengths**

- Lack of competition - the only real pub in the village
- Ideal location in the High Street of a village which attracts visitors from outside it
- Free house - no ties to a brewery
- Child friendly safe garden
- Off street parking facilities
- Good pub food reputation
- Attractive traditional building and bar area
- Local support
- Lack of competition in Berinsfield

### **Weaknesses**

- Customer areas not easily enlarged
- Limited opening hours
- Garden facilities undeveloped

### **Opportunities**

- For sale now as a going concern
- Broaden the offer by closer linkage with the local community to act as a community hub
- Develop the garden as a family friendly summer meal destination
- Exploit high visitor numbers to the village
- Exploit growing population in the area from new housing developments nearby
- Exploit potential synergy with village hotels to provide a food and drink alternative venue

### **Threats**

- Competition for good pub food in nearby villages (Burcot and Marsh Baldon)

- Potential for change of use and redevelopment as housing

## The Proposal

### **4.1 Buy and refurbish the pub**

To meet the aim of securing the long-term future of the Fleur de Lys the community needs to take control by buying the pub, or become the majority shareholder of any company which does so.

The financing of the purchase must be sufficiently stable and long term to ensure that short term fluctuations in the business can be survived.

We are not aware of any other interested parties, so our present target is to buy the pub.

In addition to the purchase price, there are additional transaction costs to cover, and we must allow for some immediate necessary refurbishment. Our aim is to raise £550,000 or more to cover all these initial costs, including the price negotiated to buy the freehold.

Equally important, we must be confident that the revenue from the future business of the pub will be sufficient to meet shareholders' expectation of a reasonable modest return on their investment, after meeting all costs, including the servicing of any loans taken out by the new business.

### **4.2 An experienced tenant**

The pub is much more likely to be successful if we find an experienced tenant rather than try to manage it ourselves. The aim is to lease the pub to the tenant on terms that would maximise the tenant's incentive to make the Fleur de Lys succeed as a community pub. We will own the pub and receive rent from the tenant. The rent must be sufficient to service any loans, pay modest dividends on shares after an initial settling in period, and build a fund to enable shareholders wishing to withdraw for good reasons to do so. Because we are not trying to maximise our own profit, our offer should be attractive to an experienced and talented tenant.

### **4.3 Community ownership**

The pub will be owned and the lease granted by a new legal entity, for the purposes of this document called the Dorchester Community Society (the Society). This will be formed once our bid for the pub has been accepted by the present owner. The new legal entity will be a special form

of company, called a Community Benefit Society, specifically designed for community ownership of a community asset such as a pub or shop.

This form of company is described in more detail in Section 6 below. It gives the community greater control over rents and infrastructure development than is possible with an ordinary company. It enables more direct communication between the tenant and the community, and one of the criteria for selection of a tenant will be willingness to provide for community needs. However, our intention is not to micro-manage the tenant. He will be hired to run the pub successfully, which is his job not ours.

We hope that this close link with the community will result in a reservoir of local customer support of the pub, and more responsiveness by the tenant of wider services that the pub can offer the community. Community ownership is the best way of securing the long-term future of the Fleur de Lys.

## **How do we finance this?**

The Society will own the pub and let it to the tenant. The core economics of the venture therefore depends on the ability of the Society to pay money out in servicing its capital and loans from the rental income which it will receive. In addition, over time we need to build up a fund to provide for improving the property to generate more rental income.

The financial annexe attached contains our best estimates at the current time of how we can safely finance the project, on the basis of what we consider to be conservative assumptions.

The estimates provide for the payment of annual interest on shareholdings at a rate of the Bank of England's base rate plus 1 1/2%, and annual interest on loans at base rate plus 1/2%. The lower interest rate on loans reflects the facts that, unlike shares, loans have a defined repayment schedule and prior claim on the assets of the Fleur in the event of trouble. The loans have a term of 10 years, and are repaid in equal instalments over the last 9 years of the 10-year term.

We believe that the Society could make a credible bid to purchase the Fleur from a fund of £550,000, financed by share capital of £250,000 and loans from supporters of £300,000.

## The Dorchester Community Society - a Community Benefit Society

### **6.1 Shareholdings in the Society**

Special rules apply to shareholdings in a Community Benefit Society:

- Shareholders must be over 16 and shares must be paid for in full on application.
- Shares are not transferable except on death or bankruptcy and they cannot be sold. They may be withdrawn on application to the Society itself for the original value of £1 per share. Withdrawals must be funded from trading surpluses (or new share capital) and are discretionary, being subject to the Management Committee's satisfaction that withdrawal is consistent with the long-term interests of the Society;
- The value of each share cannot increase beyond its nominal value of £1. You should be aware that the value of shares may be reduced if the value of the business's assets falls substantially;
- As an investor, your liability is restricted to the value of your shares. In the very unlikely event that the business fails you would have no further liability;
- The Society plans to pay interest on shares but the shareholding should be viewed as a social investment. The rules of the Society would allow for interest payments on shares to be suspended if the financial performance does not justify such payment. The only way in which share investments can be recovered (whether the initial sum or any reduced value) is on liquidation of the Society or by giving to the Society notice of withdrawal.

**YOU SHOULD THEREFORE VIEW THIS AS A LONG-TERM INVESTMENT.**

### **6.2 What will shareholders do?**

The Community Benefit structure allows any person who buys the minimum number of shares (100 shares of £1 each) to become a member of the Society.

Each member then has one vote to exercise at the Annual General Meeting regardless of how many shares they hold.

Members can be elected onto the Management Committee (see Section 6.3 below) by members of the Society.

All members will be provided with an Annual Report, which will set out details of the operation of the Society and how it has developed its activities over the previous year and which will include a copy of the audited accounts.

The Rules also provide for several other ways in which the membership may hold the Management Committee accountable for the running of the Society, including the calling of a special general meeting if required.

Corporate bodies can also be members.

### **6.3 How will the Society be run?**

The Society will be run by the Management Committee appointed by the shareholders.

The Management Committee is responsible for managing the affairs of the Society in the same way as the board of directors is responsible for managing the affairs of a limited company. The Management Committee will:

- Organise and supervise the purchase of the Fleur de Lys and organise any refurbishment works
- Appoint the tenant
- Monitor and manage the Society's financial affairs for the benefit of the Community
- Oversee the lease and manage the relationship between the Society and the tenant.  
The Management Committee will set the broad policy direction for the business and agree key targets with the tenant, including any aspects which community feedback shows is important. Beyond that, however, the tenant is left to manage and operate the business as they see fit. It is not intended to interfere with the day to day running of the business or attempt to micro-manage it
- Produce the Annual Report and organise the Annual General Meeting
- In the future, if there are free funds, the Management Committee would decide what other community projects those funds should be spent on.

## What do shareholders get out of it?

The main reason for investing is to continue to have a sustainable pub. In addition, you will earn interest and your liability will be limited. What you won't get is windfall profits, any share value increase or government backed guarantees.

### **7.1 The social return - A pub**

The main point of the exercise is to have a viable community pub. We all want a place to meet friends, have a drink, take our families and socialise. This is not an exercise in generating large profits for the members. It is all about putting the pub on a viable, long term, sustainable footing. The primary return on your investment will therefore be the existence of an open and functioning village pub.

Community Benefit Society Rules say that any surplus earnings made by the Society after it has paid interest to its shareholders and repaid any capital which is withdrawn must either be reinvested in the business or used for the benefit of the local community or for another charitable or community cause. Directors and members are forbidden from benefiting in any other form from the activities of the Society. If the pub becomes very successful, and members are happy to leave their money invested, then the surplus earnings could be used for other community purposes in Dorchester or its surrounding area. Those will however be long term possibilities and depend on how successful the pub is.

### **7.2 Interest**

The Management Committee can pay interest on shareholdings from day 1, provided it is no more than necessary to secure finance. In the projections in the Financial Annexe it is envisaged that interest of 1 1/2% over the base rate will be paid.

Interest will be paid gross and is taxable. It is the members' responsibility to declare any such earnings to HMRC as required by law.

### **7.3 Limited Liability**

The Society will be a limited liability entity. The most shareholders could lose is their initial investment. They are not liable for activities of the tenant – for example, if the tenant runs up huge bills and then disappears.

The most likely financial outcome from this venture is that shareholders will get their original investment back after some time, with interest each year they are a Member. The intended community benefit is that the community has a pub.

## **What do shareholders not get?**

### **8.1 Windfall redevelopment returns**

In the event that the pub ceases trading and is sold or redeveloped for residential use, any surplus (after paying creditors and repaying share capital) must be used for the benefit of the community. Any investment should therefore be considered an opportunity for individuals to contribute financially to the community, with the specific goal of helping to keep the pub open, rather than receiving a substantial financial reward.

### **8.2 Increase in the value of the shares**

The value of the shares stays constant. They cannot be sold, only be withdrawn. This will not be an investment which will increase in value.

### **8.3 Investment Guarantees**

The share offer will be exempt from the Financial Services and Markets Act 2000 and subsidiary regulations. This means that there is no right of complaint to an ombudsman. A community benefit society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money paid for shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the whole of your investment could carry a risk, please consider it carefully and, if necessary seek independent financial advice.

## What are the potential risks?

Although it is not possible to foresee all possible adverse outcomes there are several risks which it is reasonable for the Working Group to warn about in relation to shareholdings.

### **9.1 A risk that you could lose part or all your investment**

The working group believes it is unlikely that shareholders will lose their capital investment. This will only happen if the Society's liabilities exceed its assets; for example, the pub closes, there is no rental income, but there are still loan payments and these exceed what the pub can be sold for. The Society could not in those circumstances repay all the share capital. Shareholders' liability, however, is limited to the value of their shares.

We think this extreme situation is very unlikely because:

- The working group has obtained a business valuation and a review by a building specialist and will engage experienced solicitors to satisfy ourselves that we are paying an appropriate price and will have good title to the pub;
- The pub is profitable under its present ownership. Experts tell us that it can become more profitable;
- The Society will not be trading as a pub so there will not be trading losses from the pub business. The Society will own the property.
- If the pub cannot even be made to work as a community pub, the Society could seek to sell it for residential development. This would require planning consent to a change of use which would be difficult to gain. It would only consider this if it could not find a suitable tenant and there is no prospect of anyone being able to run the pub viably. So long as the pub can be run viably the aim of the Society will be that it should continue to operate as a pub.

These are highly unlikely scenarios, but if any did occur the freehold of the building owned by the Society will have value, which will be available to the shareholders after any loans have been repaid.

### **9.2 Not be able to withdraw shares**

The Rules do not permit shares to be sold, and they permit withdrawals only in certain circumstances, and only after 3 years. Thereafter, if more people want to withdraw their money

in a particular year than there are funds available to pay them, then not everyone will be able to withdraw their money in that year. In those circumstances, the repayments would be made in the order in which notice to withdraw was received. In addition, shares cannot be withdrawn at any time when there is a default on any loans which the Society has taken out.

### **9.3 The shares do not maintain their real value**

The return on shares may well be less than the rate of inflation, so that over time their real value is eroded, particularly for tax payers.

### **9.4 Financial fraud**

The risks here are low. The working group does not intend the Society to trade as a pub. The Society would take out appropriate insurance against inappropriate actions by any member of the Management Committee.

### **9.5 See no returns**

Another possible, albeit unlikely, outcome, is that there is no scope to pay interest on shareholdings for several years. The best way to avoid this is to raise sufficient capital in the first instance.

# The Financials

# The Financials

## Income

The Society's income will be the rent obtained from the tenant. This will be negotiated between the Society's management committee and the tenant. It is essential the rent we negotiate is not too high so we can attract and incentivise a good tenant to maximise the likelihood of the Fleur de Lys prospering. On the other hand, the Society must have sufficient rental income to enable it to meet its commitments.

The starting point is therefore to assess how much income an experienced tenant could expect to earn. We have been provided with the Fleur de Lys' accounts for the years ending 20 September 2013 to 2016. These provide the following headline figures:

**Table 1-1**

	2013	2014	2015	2016
Revenue (turnover)	193296	218361	245773	279387
Gross profit*	119571	132523	149544	183955
Expenses	73624	78650	94597	142384
Profit (EBITDA)	45950	53873	54947	41571**
VAT	Net sales	Purchases		
1/10/16 to 31/12/16	76625	36793		

\* Gross profit is revenue minus the direct costs of goods and services sold

\*\* Up to and including 2015 a "live-in" tenant occupied two of the five bedrooms leaving three as B&B accommodation. 2016 figures show increased income from letting four B&B rooms but higher expenses through staff wages.

The VAT returns would indicate that the business is set to continue the trend of year on year growth, with net sales for the year ending 30 September 2017 set to be in the region of £300,000.

A broad indication of achievable returns (Fair Maintainable Trade) is given below. These could vary considerably dependent upon the economic climate, the input by the tenant and other factors beyond his direct control. The need to recruit a suitable tenant cannot be over emphasised. The tenant for this business needs to not only have entrepreneurial skills but also a very strong work ethic. In the settling-in period a new tenant may struggle to break even.

In our Fair Maintainable Trade illustration below we have assumed that the initial annual rent payable by the tenant to the Society will be £37,200 (12% of turnover). We have increased the gross profit and reduced the costs of where we assume the current business is, to reflect our view that the present business performance can be improved by a suitable tenant. These two factors are important additions, showing the need to maintain a strong control of costs and gross profit. These two areas are where many licensed businesses fail:

Estimated maintainable net sales (turnover):	£310,000
Gross profit %	70%
Estimated achievable gross profit	£217,000
less:	
Assumed rent	£37,200
Wages & national insurance	£62,000
Business rates & insurance	£10,000
Services	£39,800
Allowance for sundry costs	£27,700

**Potential operating profit for tenant                   £40,300**

It is important to note that this potential operating profit is very sensitive to the assumptions used. For example, if turnover is reduced by 10% to £275,000 and gross profit percentage by 5% to 65%, the potential operating profit is wiped out and replaced by a loss of £4,400.

After the initial settling-in period, we would expect a suitable tenant to achieve a larger profit than this, particularly if inflation again becomes the norm. After 2 years, we therefore propose to introduce an element of gross profit related rent into the agreement with the tenant, for illustrative purposes, this is calculated at 12% of any increase above the base line gross profit figure of

£217,000. On the basis that gross profit increases after 2 years by 10% per year in the third to seventh year, and then 5% for years after that as further improvements become more difficult to find, this produces the following rental income profile for DCS:

Year	Annual rent (£)
1	37,200
2	37,200
3	39,804
4	42,668
5	45,819
6	49,285
7	53,098
8	55,195
9	57,396
10	59,708
11	62,136

## Outgoings

Financing the purchase and any renovations of the pub will be mainly from the proceeds of the share issue, and any grants which we can find. To date, we have over £200,000 pledged. The eventual shortfall from the target will have to be provided by loans. Although the Fleur de Lys should provide viable security for a loan of considerable size, the limiting factor will be the availability of rental income to pay interest and repay the loan.

Assuming that we can raise a minimum of £250,000 from shares and grants, how much could we raise in loans without running into cash flow problems as they are repaid?

The Society's outgoings will be interest on the shares and capital repayments and interest on the loans. We assume that shares receive interest at 1.5% over the Bank of England's base rates, so if the base rate rises, so will the interest rate on shares.

At the second public meeting on the Fleur held on 9th November there was considerable interest from persons who have pledged for shares in making additional loans. Unlike shares, loans have a defined repayment schedule and prior claim on the assets of the Fleur in the event of trouble. To reflect these relative advantages, we assume the interest rates on loans is lower than on shares, at 1/2% over base rate. We assume repayments on the loan start in year 2 of their 10-year term, by equal instalments during their remaining 9 years.

Interest rates are very low at present and are likely to rise in future. We have considered two profiles for the base rate increase over the next 10 years; a Base Case and a Downside Case. We assume that base rate is still 0.5% when the Society is established, shares issued and loans borrowed, and that in the Base Case profile it increases by 1/2% per year until it reaches 5.0% when it stops rising. In the Downside Case profile, it increases by 1% per year until levelling off at 5% for the remainder of the period. This produces the following outgoings profile on £300,000 loans:

Year	Base case Outgoings	Downside case Outgoings
1	8,000	8,000
2	40,300	42,900
3	42,300	47,200
4	44,000	50,900
5	45,400	54,000
6	46,500	56,500
7	47,300	54,700
8	47,800	52,900
9	48,000	51,100
10	47,900	49,300
11	16,250	17,500

The loans are fully repaid at the end of year 10, leaving only interest on shares to be paid, sharply reducing the annual outgoings.

It is also desirable to allow for some shares to be withdrawn, albeit over a longer period. Hence we should build a share redemption reserve over time, so that those members who leave the village or have another good reason to withdraw funds are able to do so. However, because share

withdrawals are at the discretion of the Society's management and subject to funds being available, we have not included this factor in the above outgoings figures.

## The Society's cash flow

The total of rental income less outgoings will result in cash flowing into or out of the Society. Surpluses in one year can be used to finance deficits in following years, so a deficit in one year may not matter if in previous years' sufficient cash has been generated to finance it. The following cash flow and cumulative cash flow emerge:

### **Base case**

<b>Year</b>	<b>Cash flow</b>	<b>Cumulative cash flow</b>
1	29,200	29,200
2	(3,100)	26,100
3	(2,496)	23,604
4	(1,332)	22,272
5	419	22,692
6	2,785	25,477
7	5,798	31,274
8	7,395	38,669
9	9,396	48,065
10	11,808	59,873
11	45,886	105,759

**Downside Case**

Year	Cash flow	Cumulative cash flow
1	29,200	29,200
2	(5,700)	23,500
3	(7,396)	16,104
4	(8,232)	7,872
5	(8,181)	(308)
6	(7,215)	(7,523)
7	(1,602)	(9,126)
8	2,295	(6,831)
9	6,296	(535)
10	10,408	9,873
11	44,636	54,509

For the Base Case, there is a sufficient cash surplus in the first year to fund the negative cash flows in years 2 to 4. Thereafter the position becomes increasingly comfortable. After year 10, when all the loans have been repaid, the annual surpluses become very substantial.

For the Downside Case, a cumulative cash deficit emerges from year 5, but surplus is restored in year 10. The surplus would have to be financed either by a second share issue or by additional loans, both of which would add to cash outflows. However, these could be readily financed in years 10 and 11.

We conclude that on the basis of attracting share capital and grants of £250,000, it would be financially feasible to borrow up to £300,000. The combined total of £550,000 is well short of the asking price for the Fleur, but could provide the basis of a bid at a price which our advisers suggest is a more reasonable valuation of the Fleur as a business.

In the event of serious problems which caused the Society to be unable to service its loans, lenders would have priority access to the value of the Fleur as a business property. The value of the Fleur as a property would have to fall below its acquisition cost by at least £200,000 before the possibility of being unable to repay the loans in full became a real one. Shareholders would be the first to suffer

losses, but their losses could not exceed their investment (see following sections for further details on risk for shareholders).

It is important that the Society has a good balance of shares and loans, and in particular that the £250,000 target for shares is met. Substitution of loans for shares already pledged would make this more difficult.

# Frequently Asked Questions

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## **Why should I become a member?**

To ensure a long term future for the Fleur de Lys as a pub. Wide spread local ownership will provide community customer and financial support for the pub and is the best way of ensuring it remains our local pub.

## **What is the plan?**

A new legal entity called the Dorchester Community Society would be created and buy the freehold of the Fleur. The Society would let the Fleur to an experienced tenant who would take full responsibility for running it. The Society would let it on terms that would attract an experienced tenant with a proven record of success.

## **Who will benefit from this venture?**

You will. The uncertainty about the future of the Fleur will be removed and its long term future will be assured. Community ownership will mean that its management will be more responsive to community needs.

## **Is it a good business proposition?**

Our estimates, made on conservative assumptions, indicate that on the basis of share capital of £250,000 and 10 year loans from investors of £300,000 it should comfortably be able to meet its financial commitments until the loans have been repaid. After 10 years it will be strongly cash generative. Community ownership of pubs elsewhere have a high success rate.

## **What happens to my shares if the business fails?**

The assets of the Society would be sold and the proceeds would first be divided between investors who had made loans to the Society. Once the loans had been repaid the remainder would be divided between shareholders up to the value of their shares, with any surplus being put to community use. The main asset of the Society will be the freehold of the Fleur - a valuable asset.

### **Who will run the Society?**

A management committee appointed by shareholders at an annual general meeting will run the Society. Its main job will be to negotiate the lease of the pub to its tenant and ensure that the terms of the lease are observed by the tenant.

### **What voting rights do I have as a shareholder?**

The Society will be a Community Benefit Society. Its rules are one member, one vote. So no matter how large or small your shareholding, you have an equal voice, which ensures that the wishes of the community are heard.

### **How much can I invest?**

A single share is £100, and the maximum investment in shares is £100,000 (ie. 1000 shares). In addition, you can make a loan to the Society of at least the value you have pledged to invest as shares.

### **What financial return do I get?**

The shares of a Community Benefit Society do not attract dividends as such, but modest interest can be paid if the Society can afford to do so. The intention is to pay the Bank of England base rate plus 1 1/2% (ie. 2% at present).

The interest rate on loans will be base rate plus 1/2% (ie. 1% at present), the lower rate than shares reflecting the facts that loans have a defined repayment profile and have prior claim on the Society's assets if there is trouble.

### **When will the loans be repaid?**

The loans have a term of 10 years. They will begin to be repaid in the second year, repayments being in equal instalments over the remaining 9 years.

### **What is my liability?**

Your liability is limited to the amount of your investment in shares and loans. In the event of trouble, the loans get repaid first.

**Will my investment increase in value?**

The shares and loans of a Community Benefit Society cannot increase in value above their original price.

**Can I realise the value of my shares?**

You cannot sell the shares of a Community Benefit Society, but after three years they can be withdrawn and cancelled at the discretion of the Society's management committee if the Society has the funds to do so.

**Can I bequeath my shares in my will?**

Yes. Shares can be left to an individual named in your will or to the Society where they will be used for the benefit of the community. Shares left in your will can be withdrawn by your personal representative at the discretion of the Society's management committee.

**How are the shares and loans treated for tax purposes?**

Interest you receive is taxable income, and it is your responsibility to report your income to HMRC. We have not identified any scheme which gives a tax rebate or other advantage to investment in the Society.