

## SAVE THE HENRY JENKINS!



### COMMUNITY SHARE OFFER

*(Revised and updated October 2019)*

Share Offer Opened: 3 June 2019

Share Offer Extended Closing date: 31 December 2019

Minimum Target: £230,000

Optimum Target: £330,000

Maximum Target: £400,000

This is an opportunity to buy shares in, and become a member of, Henry Jenkins Community Pub Ltd, a Community Benefit Society, registered with the Financial Conduct Authority.

Registration Number: RS8058

This offer is NOT covered by the Financial Services Compensation Scheme and investors may lose some or all of their investment



## **Why are we doing it?**

Henry Jenkins Community Pub Ltd (“the Society”) has been registered as a Community Benefit Society (“CBS”) with the Financial Conduct Authority with the object of:

“Purchasing and refurbishing the Henry Jenkins Pub (“HJ”) on behalf of the community to be run as a community owned pub/eatery, and to offer other services that would benefit the community.”

The HJ was purchased by its current owner in 2012 after having ceased trading in 2011, since when it has been allowed to fall into a derelict and ramshackle state.

The current owner’s intention was and is to develop the site for housing, although at the time of writing all applications for planning, and related appeals, have been refused by the competent planning departments. In 2018, the owner/developer sold off part of the building and land (the Eastern Annexe) to a third party, and development of this for residential use has also been turned down by the local planning authorities, as being in conflict with local and national planning policies.

In January of this year, the owner of the remaining western part of the building, which was the original Henry Jenkins Inn, put the building up for sale, and following that, at a public meeting of the Parish in June of this year, the owner of the Eastern Annexe also declared his willingness to sell.

Kirkby Malzeard is an expanding village and we believe that it is important that facilities are maintained. The only pub in the Parish, the Queens Head, has a good customer base and we do not want to compete with that, but we believe that residents of the parish require a choice of venues. There are more than 700 18+ year olds living in the parish, the majority of whom, for whatever reason, rarely if ever frequent the Queens, but would frequent a rejuvenated Henry Jenkins. We believe that the most appropriate way to achieve this is through acquiring the Henry Jenkins into community ownership, which is the driving force behind this Community Share Issue. The capital so raised will be used to purchase, refurbish and reopen the part of the building and land that is currently for sale.

Our vision, which is outlined in more detail in the Society’s Revised Business Plan, is to develop a thriving facility, different from the Queens, which has a cosy, open planned atmosphere, combining traditional and modern elements, where customers can enjoy a drink, a meal and a chat in welcoming surroundings. Additionally, we want the Henry Jenkins to be a social hub – we plan to hold discussion groups, specialist food nights, “Music and Grub” nights and Members nights, all of which encourage residents and customers to come together and enjoy themselves.

## **Why has the Share Offer been revised?**

The Share Offer has been updated to reflect the decision by the Management Committee (ratified by a Members’ vote on 17 September 2019) to aim to purchase the entire Henry Jenkins building and site. The initial Share Offer issued on 3 June 2019 focussed on raising funds to purchase the western half only (at the time the only part that was for sale), and the building of a rear extension.

The Society made the decision NOT to purchase the western half following the results of the Community Share Offer. Whilst some 140 individuals applied to become members and purchase shares in the Society, the response did not reach the minimum target of £230,000 of shares sold. Many residents felt that the

lack of car park, and the smaller building footprint of the western half only, despite the building of an extension, was not a project they wanted to support. Hence the decision by the Society not to pursue this option, and to concentrate on the whole. It is hoped that this will encourage more residents to invest in the Society and become members.

## Why should you invest?

By investing, you are helping us to purchase the Henry Jenkins and turn it from its current ramshackle state into a thriving, vibrant community owned pub. We believe that the alternative to our plans is many more years of this derelict building being an ugly blot in our parish, which no-one wants. HBC Planning have already decided that the site must remain a pub – who better to achieve this aim than the members of the community themselves?

By investing in this community owned venture, you will be part of a growing group of people seeking to take back control of their local pub. There are currently more than 100 pubs in community ownership, and we are advised by CAMRA that none have so far failed. So we have evidence that the model works.

Investors will become Members of the Society, with the right to receive information, attend, speak and vote at Members meetings, and stand for election to the Management Committee.

If the venture is successful, and trading profits and funds allow, then subject to ratification by the Management Committee you will receive interest on your investment at a rate to be determined annually (based on bank base rates and an overall maximum of 5%) by the Committee. Please note, however, that interest is not guaranteed, and none will be paid in the first three years.

The Society Membership Rules, a copy of which has been delivered to every household in the parish, contain details regarding eventual withdrawals of capital.

**Without financial support from the community, the venture cannot go ahead so we really hope you will join us in what we think will be an exciting journey! Together, we can build a Henry Jenkins to be proud of.**

## How much will it cost?

The owners of the site and building are reluctant sellers, but it was valued at £180,000 more than a year ago by a Chartered Surveyor working for the previous community interest group (Henry Jenkins Community Coop Ltd). Since then the building has deteriorated further, although we have based the business plan on the full figure of £180k. The refurbishment of the Western half and rear extension had been costed with the help of a local Chartered Surveyor at £250,000. As we now aim to purchase the whole site and a rear extension is no longer required, the Management Committee have re-estimated the refurbishment at £220,000. Additionally, we estimate that equipment, fixtures, fittings and professional fees would cost an additional £60,000. The total budgeted is therefore £460,000.

We believe that this is a realistic estimate and that with lots of volunteer help from the community, we may be able to develop the pub for less than the figure budgeted.

## What are you investing in and how will it work?

You will be investing in the Society, ie Henry Jenkins Community Pub Ltd, which as stated above is a CBS registered with the FCA, Reg. No. RS8058. Investment is through the purchase of shares in the Society; shares are priced at £250 each, and the minimum purchase is ONE share (investment £250) with a maximum of 120 shares (investment £30,000).

The Society itself will own the pub, which it will rent out to a tenant, who will run the pub as a commercial venture and pay rent to the Society. So the Society's income will be the rent received from the tenant, not the trading profits generated. Any such trading profits will become the earnings of the tenant.

We believe that such a "tenancy model" is the most appropriate to ensure that whoever runs it is incentivised to create a successful and thriving business.

## How can I find out more?

All supporting documentation is available for download on our website [thehenryjenkins.com](http://thehenryjenkins.com), in the Key Documents section, as follows:

Detailed Business Plan

Society Rules

Society Membership Rules

Design Plans

Membership Application form

## Who are we?

The Society was incorporated on 14 February 2019, sponsored by its Founder-Members, who are Richard Sadler, David Robinson, Janet Robinson and Kevin Ison.

Since its incorporation, even before the launching of this CSI, a number of supporting residents of the community have applied to become members, and the Society now has a membership of 26 individuals, who have agreed to purchase £24,000 of shares.

The Society is run by the management committee, which consists of:

Chair: David Robinson

The driving force behind the HJCP, David has a degree in drama from Manchester University. After running a theatre company for three years, he started his own company providing project management, lighting and technical services to the entertainments industry. Semi retired, he has lived in the village since 1991 and now involves himself in many local community projects

Secretary: Kevin Ison

Kevin has run his own businesses specialising in building and carpentry, and has spent 2 years in an internet company doing web design and database programming. Originally from Australia, he has lived in the area for 20 years, originally in KM and now in Grewelthorpe.

Treasurer: Bryan Pool

Bryan is a graduate Chartered Accountant, recently retired, who spent the last 15 years of his career in general operational management, both in the UK and overseas. He has lived in the village since 1986.

Commercial Development: Janet Robinson

Janet worked for 25 years as Exhibition Executive at ICI Fibres in Harrogate, organising projects and events throughout Europe. Since then she has remained an active member of the community, with interest in many differing projects within the community.

Administration Secretary: Sarah Haslam

Sarah is the former Chair and Secretary of the village pre-school and was deputy pre-school leader. She has experience as an office administrator and now works within the travel industry organising exclusive villa holidays. She has lived in the village for many years.

## Financial Information

The detailed financial information can be found in the Business Plan, which is available on-line on the Society's website, and a summary is contained here.

Shares are priced at £250 each. We aim to raise as much as possible, up to a maximum of £400,000 and subject to a minimum of £230,000. This minimum is required because below this amount the Society would have to rely on too high a value of commercial loans, which have to be repaid and would therefore be too much of a drain on the cash resources. The community capital raised can be a combination of investments and donations, but we are assuming at this stage that they will be investments.

In the original share offer issued on 3 June 2019, we based the financial projections on two differing scenarios:

- A. Budgeted funding levels which assumed we achieved the minimum only of £230,000 and was therefore the "worst case" scenario. This level required the shortfall to be made up by secured bank loans, which would of course carry interest and have to be repaid over a period of time.
- B. Optimum funding levels, which assumed £330,000 was raised.

However, as the results to date of the initial share offer suggest that we are unlikely to achieve the optimum funding, our revised business plan is based on the minimum funding only.

In addition to the above, we will apply for £100,000 of funding from the "More than a Pub" scheme, in which we will be assisted by the organisation Locality. We have been advised by Locality that this is in the form of (up to) a £50,000 grant and a £50,000 unsecured high interest loan. It is to be highlighted that we have not as yet applied for this funding, so it is by no means certain that we will receive it, but should it not

be granted we will seek make up the difference from additional funding sources. For more details, please see the Business Plan.

**Costs:**

Capital cost of venture	£460,000
Working capital requirement	<u>£ 20,000</u>
Total requiring funding	<u>£480,000</u>

**Funding:**

	<u>“Budgeted”</u>	<u>“Optimum”</u>
Community share issue/donations	£230,000	£330,000
More than a Pub Grant	£ 50,000	£ 50,000
More than a Pub Unsecured Loan	£ 50,000	£50,000
Secured bank Loan	<u>£150,000</u>	<u>£50,000</u>
Total	<u>£480,000</u>	<u>£480,000</u>

Based on the above and a rental income of £25,000 per annum, the following financial projections have been forecast:

<b>Budgeted Funding Level</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Society NPBT	-4,800	7,048	8,561	7,840	9,513
Society y/e cash balance	-19,065	7,605	961	14,003	7,539
Interest paid to Members	NIL	NIL	NIL	2,300	2,300

Interest paid to Members is 1%.

Should more than the minimum community share funding of £230k be realised, then financial results would improve as there are fewer bank loans to repay.

It is to be noted that the “More than a Pub” Loan will be paid off during year 6, so capital withdrawals become more possible from then onwards.

Key assumptions in preparing the above:

- Year 1 commences on the date of acquisition of the pub
- Refurbishments take 9 months to complete
- Tenant starts trading in quarter 4 of year 1
- Tenant receives rent free period of 6 months
- Rent of £6,250 per quarter starts in Quarter 2 of year 2
- More than a Pub loan of £50,000 carries interest at 8% repayable over 5 years
- Loan interest terms:
  - Loan 1 - Benefactor - 1 year term, zero interest, repaid at end

- Loan 2 Secured Bank – 15-year term, starting on repayment of loan 1, 5.5% interest
- Tenant takes £4,000 per week average revenue at 60% gross margin, does most of the work themselves, and live on the premises.
- No tenancy change through the timescale of the plan.
- Any pre-purchase costs of the Society are covered by grants and donations received prior to purchase.
- Inflation at 2.5% pa.

## Risk Factors

There are a number of differing risk factors in this investment. Examples of these and the Society's likely response are:

1. The minimum share capital is not raised. In that case, the venture does not go ahead and the investors will not have to pay for their shares.
2. The Society raises the minimum capital required but the owner refuses to sell us the building at the cost budgeted. In this instance, we would either:
  - a. Have to raise more funds in order to allow purchase to go ahead (provided, of course, that the price negotiated was at market rate), or
  - b. Apply to HBC that they issue a compulsory purchase order, purchase the building and then sell it to us, or
  - c. Not go ahead with the purchase, in which case the shareholders will be reimbursed their investment, possibly less any small amounts used for expenses incurred by the Society.
3. The pub fails to attract a tenant. The Society would have to employ a manager and run the pub directly. There would be little or no rent (accommodation rent only) but the Society would keep the profits. This may or may not be sufficient to generate a profit.
4. The pub suffers a trading failure and the tenant cannot pay the full rent. The response of the Society would depend on the individual circumstances and the amounts involved. Various options, depending on circumstances, would exist:
  - a. If it was due to an unsuitable tenant, then a suitable new tenant would be sought, during which intervening period the Society would manage the pub directly and keep the trading profits. A new tenant may (but not necessarily) result in less rent and recruitment/advertising costs, resulting in a short-term fall in profitability, but we would seek to mitigate this by negotiating a share in trading profits while the tenant settled in.
  - b. If takings are insufficient, then we may have to suffer reduced income and raise more community finance or loan capital, increasing the risk to shareholder capital.
5. The pub is unviable and suffers a major trading failure, generating insufficient income to support the tenant and rent. This may result in the pub being sold to pay off any secured loans. Any residual funds would reimburse shareholders, but this is not guaranteed and investors may lose some or all of their investment.
6. The "More than just a Pub" grant and loan, totalling £100,000, is not granted. In this case, we would explore other options to raise the funding required. If sufficient alternative funding were not to be found, then unless the CSI raised a sum closer to the "optimum" level of £330k rather than the minimum, the purchase would not go ahead and shareholders would be reimbursed, possibly less any small amounts used for expenses incurred by the Society.

## How the Share Offer Works

If, having read and understood this offer document and the business plan, you are, like us, convinced that the investment is worth the risk, then please complete and sign a Members Application Form (one of which has by now been delivered to every household in the parish or you can use the interactive membership form on the website), indicating the number of share at £250 each you would like to buy. Once your application has been accepted by the Management Committee, you will be sent a **Share Certificate** evidencing your investment.

You will not have to pay for your shares straight away. Payment will only be due when requested by the management committee and **once required to negotiate and agree the sale of the property..**

When payment has been made, you will receive an Activation Code to write on your share certificate, which indicates that the shares are fully paid up.

## Rules of Membership and Share Ownership

- Minimum shareholding – ONE share per person (ie investment of £250)
- Maximum shareholding – 120 shares per person (ie investment £30,000)
- Minimum age – 16 years old
- Shares are non transferable and are withdrawable at the sole discretion of the Management Committee, on the condition that
  - They have been held for a minimum of three years
  - There are adequate trading profits or reserves or new capital raised in order to fund the withdrawal, having regard to trading liabilities and the long term aims of the Society
- Shareholders can vote at Members Meetings, on the basis of ONE MEMBER ONE VOTE, irrespective of the number of shares held.
- There will be no joint or corporate membership of the Society, although local businesses will be invited to donate to our funds, as well as appoint an individual from their business to become a Member and if required represent their interest.
- A CBS is run for the benefit of the community, not the shareholders. Should the Society be wound up and there be surplus funds remaining, reimbursement of shareholders is limited to their investment plus any unpaid interest. Any funds still remaining after reimbursing shareholders will be invested in the community.
- A CBS contains a statutory “asset lock” in which assets of the Society are to be used for community benefit. Any profits from the sale of such asset (in our case the Henry Jenkins) will be ploughed back into the Community.
- We shall maintain a database of Members to whom we will send a regular (at least quarterly) electronic Newsletter, keeping them up to date with events. We will also hold regular Members meetings, and create an “Operations Group” of Members and Associate Members to perform specific tasks and help in the development of the pub. Members will also be able to have an input in the running of the pub, through the Management Committee, by making representations at Members Meetings. In turn the Management Committee will have quarterly trading meetings with the tenant, making known the majority views of the Members



