

THE DREWE ARMS COMMUNITY PUB



Investment Offer Summary

Drewsteignton Community Society Limited (DCS) is undertaking a share issue to raise capital to purchase, renovate and operate The Drewe Arms public house. This document should be read in conjunction with the Society's **Business Plan** and **Governing Rules** which are available on the website at: drewearms.org/downloads

Opening date: 29/09/2023

Closing date: 29/10/2023

The management committee of the society may choose to extend the period of the share offer by up to 6 weeks if they believe that by doing so they increase the chances of reaching the maximum target.

This offer of shares is made by Drewsteignton Community Society Limited, a Community Benefit Society registered on 12th April 2023 under the Co-operative and Community Benefit Societies Act with the Financial Conduct Authority (registration number 9052). The registered address is The Drewe Arms Community Pub, The Square, Drewsteignton, EX6 6QN. By subscribing for shares issued by the society in this share offer you will become a member of, and thus an owner of, the society and its assets along with other members. Our rules and other supporting documents are available on our website at: drewearms.org/downloads

Community Shares are withdrawable shares that cannot be sold, traded or transferred between Members, unlike shares in a typical company. All Members are entitled to one vote – regardless of how many shares they hold. Members can be paid interest on their shares if the Management committee believe it would be sensible to do so, and can also withdraw their shareholding, along with any interest accrued, again subject to the approval of the Management committee. **Community shares are fully at risk** and you could lose some or all of the money you subscribe. You have no right to compensation from the Financial Services Compensation Scheme, nor any right of complaint to the Financial Ombudsman Service. Please don't invest any money you can't afford to lose.

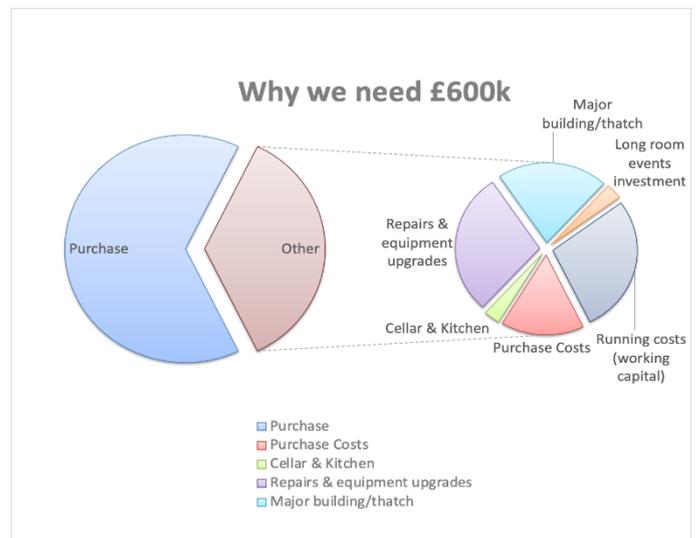
The Community Shares Standard Mark is awarded by Co-operatives UK to offers that meet national standards of good practice.

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



The Figures

- Minimum to be raised: £450,000
- Optimum target to be raised: £600,000
- Maximum target - £800,000
- Minimum share subscription per person: £100 in units of £50
- Maximum share subscription per person: £50,000
- Interest: none paid until year 3, subject to positive trading conditions (including achieving £600,000 to cover purchase and renovation without loans), rate to be decided by the Management Committee annually
- Withdrawal of capital targeted from year 5 onwards



Beyond the purchase price, there will be other immediate costs to get the pub open which are included in all targets.

We are working with tight time constraints

Before we could proceed with our share offer, we needed to confirm the purchase price. Our offer of £410,000 (on an asking price of £500,000 and our independent valuation of £415,000) has been accepted with an exchange/completion date of 30th November. The moratorium on an open sale from the Asset of Community Value (ACV) expires in December and cannot be renewed for 12 months, creating a deadline.

A unique building has some unknowns

The Drewe Arms' grade 2* listed status means that all renovations are sensitive and will have to be submitted for historic listed building approval. This affects our time scale and makes specific costings difficult to predict as works and materials used are yet to be specified and agreed. These have therefore been estimated by a chartered surveyor in our Capital Expenditure Plans. Seed funding from The Architectural Heritage Fund, Reach Fund and Boost Fund have enabled us to commission surveys and provide funds for our architect to create an overview of necessary and desirable changes. This however will not be available until after the share offer as these professionals have only recently been granted access to the building by the sellers. These plans will inform the development of The Drewe Arms Community Pub.

What we need

In order to buy the pub and commence trading, we need £600,000. This comprises £410,000 for the purchase, £20,000 on fees (including Stamp Duty, legal fees, and other professional costs associated with the purchase), £128,000 on necessary renovations (including turning the Long Room into a function space) and £41,000 for working capital.

Whilst not essential, there are a further set of projects that we believe will significantly enhance the pub – these include energy efficiency measure that reduce our ongoing costs, through to landscaping the car park which will make us a more attractive venue to potential customers. We're currently estimating the costs of these in the region of £135,000, but until we can take occupancy of the pub and assess the true state of affairs, we won't know for certain.

How we get there

Our **optimum** scenario – the one our business plan is based around – is where we raise £600,000 to fund the purchase, the essential works and provide working capital without the need for additional finance from any other sources. Share interest payments and withdrawal will be dependent on the trading position but our financial projections show the former should kick in from the third year of trading and withdrawal in the fifth year.

The **minimum** target is **£450,000** which, whilst not ideal, would enable us to move ahead provided we secured the additional £150,000 from either grants or loans. If we cannot raise £450,000 from the share offer, and neither agree a loan of £150,000 or get grant funding, we will check if we can renegotiate the purchase price but, if not, the project fails and money raised will be returned to investors.

With share capital of £450,000 and a loan or grant of £150,000, we can buy and return the Drewe to the condition where it will function as a pub. The larger the grant funding we can secure, the lower the amount of loan we would need. Were we to have to take out a short-medium term loan on the full £150,000, we would not be in position to pay interest to community share investors as the funds needed for this will be needed to pay interest to lenders. A lender would take security on the freehold and have priority over investors. In these circumstances, the withdrawal of capital is also likely to be delayed beyond year 5 and until such time as we were able to refinance over a longer term through a commercial mortgage.

If our ability to enable withdrawal of capital were compromised by our indebtedness, we may also launch an open share issue to create liquidity for investors, and our policy would be to use at least 50% of new capital introduced to allow some existing shares to be withdrawn, with up to 50% for ongoing capital investment in the business.

Non-urgent works

Ideally, the non-urgent works would be grant-funded but, if not, we could pay for these if the share offer raises more than our optimum. If we hit our **maximum** raise of £800,000, we can do everything required, resulting in greater profitability and the increased ability to pay interest and allow share withdrawals. We might also fund these out of future cashflow or, alternatively, we could explore taking on a loan to undertake them. If a loan were considered, any proposal to borrow will be brought to a members' meeting for consultation, given the impact on members' interests.

Oversubscription

The society's ambition is to utilise as much grant funding as is possible, then equity, and lastly debt as a last resort. As we don't yet know how much we could secure in grants, the precise amount of share capital we need to execute our business plan is also uncertain. We will accept all applications for investment up to £600,000, as these funds will be needed in all circumstances but beyond this, invested funds will be held by the society but not processed until we have a better picture of both our full renovation costs and the grant position. These later investors will not yet become members of the society until we have determined what the best route to achieving the full package of renovations is and, if we have received more capital than we need, any unused funds will be returned on a last-in, first-out basis. Funds held by the society in this manner will be held for no longer than 9 months after the closure of the share issue by which point they will be returned to investors if they have not been accepted.

We already have over £340,000 in pledges and we hope to raise a total of £600,000. We have agreed a purchase price of £410,000 based on an independent, professional valuation and costed the necessary urgent renovations and opening requirements. Surveys are being undertaken to check structure and services before purchase. These have been funded by grants from The Architectural Heritage Fund, The Reach Fund and The Booster Fund.

Grant Funds

We have had our Expression of Interest applications accepted by The Community Ownership Fund (COF) and The National Heritage Lottery Fund (NHLF). COF have awarded us consultancy hours to help us develop our full application. We also have the support of our MP, Mel Stride, for this. The regional manager for NHLF, Kelly Spry-Phare, has been in conversation with our fundraisers explaining the new community focussed funding available for application from January 2024. As neither of these funds can make decisions until 2024, we have left them out of our business plan.

Our purpose

The purpose of our venture is to sustainably preserve the pub as an important social hub and successful business in and for our community. We are raising money to buy, refurbish and run The Drewe Arms, Drewsteignton, which has been closed since September 2022, as a Community Pub and Social Hub.

Drewsteignton is a Devon village within the Dartmoor National Park. In the 2011 census its population was 1,614. Until last autumn, it had a pub, a shop and post office. All these are now closed. The Drewe Arms is in the centre of the village, next to the church. Social isolation is a problem in many rural areas. In Drewsteignton this is amplified as there is no longer a school, doctor's surgery, a post office, a shop or a pub/cafe. Apart from the Church's premises, there is no indoor meeting space. The Community Pub, as we envisage it, will serve many of the complex social needs of all ages. The pub has always spilled out into the square, which gives a visible feeling of companionship and welcome to the village and its visitors. We have identified the very real and often hidden effects of rural social isolation in our community. This particularly affects the young and old who do not have independent means of travel. We believe that much of this can be alleviated through the community offer in our project. Apart from the Church and seasonal provision, shops and services are several miles away.



The Drewe Arms is grade 2* listed and has an exceptional architectural and social history. It is a 17th Century thatched building but according to its listing the main interest is in its 'completely preserved late 19th century public house interior'. It is described by CAMRA as a 'legend in the annals of historic rural pubs'. The plan for ownership of the pub by the community has already given a new sense of pride and confidence to the local residents. There is a growing belief that we can do this and failure would be devastating. Once the doors are open and the planned activities are happening, Drewsteignton will be seen as a model of rural regeneration.

For 75 years it was kept by Mabel Mudge who retired in 1994, aged 99, and who was thus England's oldest licensee. Many families have generations of history in Drewsteignton. The legacy of 'Aunt Mabel' is remembered with pride and the empty, neglected building affects us all. The Facebook page has sections for stories about The Drewe and its history. These are attracting many responses and prompting local discussion. Such posts also reach a large external community who know The Drewe and support our aims.

The Drewe Arms was owned by local breweries and then for many years by Whitbread. Sam Whitbread took special interest in the pub, promising 'Aunt Mabel' a lifetime tenancy. In 1995, the locals ran the pub on her behalf under the banner 'Save the Drewe' Regulars raise their pints to Auntie Mabel but it was then acquired by a succession of large investment companies. The latest iteration of these is Stonegate, the largest pub company in the UK, who have put it up for sale. This is the first time the freehold has been available. Due to neglect, some urgent repairs are required to save the building such as re-thatching and chimney maintenance (£34,000) and lime plastering (£20,000). Further investment will be needed over the next 5 years.

The pub has always been at the heart of local events. It has always been the meeting place of clubs and societies. The 'Long Room' at the rear of the pub has been the social centre of the village, being the venue for music, dances, harvest suppers, local weddings, teenager discos, children's parties and much more.



The Community Benefit Society

When the pub closed its doors and was put up for sale, a group of a dozen local residents formed a committee to explore possibilities. We organised a public meeting and a survey to gather ideas and find out what people wanted. This produced lots of ideas and evidence of strong support for a Community Pub. The 80 attendees and 300+ responses to the survey have shaped the business plan and how it could serve local needs (see Business Plan - Community Offer Doc – Annex 2). We joined the Plunkett Foundation for help and support and formed a Community Benefit Society in April 2023.

The intention is to provide a viable pub business, serving locally sourced, sustainable food and drinks. Our aim is to be much more than a pub. By using the ancillary buildings, we will provide a centre for activities for all ages and fulfil needs, including internet access, music, arts events and clubs, toddler groups and a warm friendly space for coffee and a chat. All volunteers are welcomed to help shape this venture. As a local pub, owned by the community and run for its benefit, the aim is to be flexible to suggestions and changing needs. It will offer the public space and facilities that the village currently lacks.

Community involvement

The impressive turnout for recent Pop-up pub events in the square have demonstrated (even in the pouring rain!) how much we all miss going to The Drewe.

For the repair and refurbishment, we will be using local tradespeople and volunteers where possible. The steering committee will oversee the business, based on the business plan, and will employ a manager and other staff to run the community pub, recruited where possible from the community. It is proposed that a part-time events manager will also be employed. The Drewe will thus provide jobs and training opportunities for local people in an area with few employment opportunities. The 'Community Offer Plan' (Annex 2) gives details of how we intend to liaise with local businesses, offer practical and social support to elderly and vulnerable people, give opportunities and training to aspiring chefs, encourage the use of local food suppliers and use the space for yoga classes, films, music, the arts and a multiplicity of village events.



The questionnaire indicated that about 70 local people expressed a wish to volunteer and members of the steering group are working with this group. They have already been delivering leaflets and helping with the two community pop-up events held recently.

The accommodation will be developed over the first three years for walkers and tourists. We are developing this offer from community responses and practical advice from existing community pubs.

We are actively seeking the involvement of younger people in the project. Many suggestions from this group have come through social media and are integrated into the community plan. We hope a vibrant pub and social hub will encourage young families to settle in Drewsteignton. There are few members of minoritised communities in our local area but the intention is to be as inclusive and welcoming as possible.

Raising the money

We are launching the community share offer through Crowdfunder, with publicity through Facebook, our website (drewearms.org), national and local media, leaflets, posters and a community meeting held on Friday 29th September in the Drewsteignton Square. Although we are a small community, The Drewe Arms is well-known throughout Devon and beyond. We want to attract this wider group to invest in our share offer on Crowdfunder.

Crowdfunder use a safe financial institution, **Stripe**, to handle the share purchase. Stripe will take the money offered via credit or debit card and hold it for up to six months if necessary. If the campaign fails and not enough is raised, Stripe will return the monies with no penalty cost. Any funds received directly by bank transfer or by cheque will be repaid. The Society will only draw down the money when it is needed for the purchase of the pub.



If you choose to pay directly to The Drewsteignton Community Society Limited, the money will be held in a single purpose DCSL deposit account with The Co-operative Bank. If the project fails, this will be returned by direct transfer or by cheque.

Community Shares

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

Our Society can issue a form of shares known as **withdrawable share capital**. You can make a request to have your capital returned but you must understand that this is dependent on the trading position. This is unlikely to be until after the fifth year of trading and will always depend on the financial position of the Society. The Society needs to establish trading surpluses to provide for withdrawals or to attract new share capital from new or existing members to replace capital being withdrawn (the FCA has made a policy statement that a society should only allow the withdrawal of shares if it has trading surpluses that match or exceed the value of shares involved). We would use at least 50% of new capital introduced, through an open or further time-bound share offer, to allow some existing shares to be withdrawn, with up to 50% being retained for capital investment in the business.

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

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

These community shares will **not change in value** but provision is being made for modest **interest** from year 3. Details will be decided by the Management committee. Interest may be paid in the form of new shares. This is made possible by setting the value of a share at £1. **No dividends** are payable on Community Shares. The rules of the society contain an **Asset Lock** and so members will not have rights over residual assets of the company. If it is dissolved, after paying back creditors' claims and then shareholders, any residual amount will be invested in another non-profit organisation with a similar asset lock.

Tax Relief

We have successfully applied to **HMRC** for our proposals to qualify for tax relief on the purchase of shares. We have received from HMRC **advance assurance** that the venture is eligible for the Seed Enterprise Investment Scheme (**SEIS**) and the Enterprise Investment Scheme (**EIS**).

All investors will be able to claim **30%** against their Income Tax bill with the EIS scheme. Those investors who buy 10,000 shares or more can benefit from SEIS, which allows them to claim **50%** against their Income Tax. However, the SEIS scheme has a total investment limit of £250,000 so we will allocate this tax relief benefit on a 'first come first served' basis. Investors in SEIS can also use a **Capital Gain** incurred on the sale of another asset to invest in community shares and only pay half their normal Capital Gains Tax. Investors in EIS using a capital gain on the sale of another asset can fully defer their capital gains tax (100%). On top of that, if the venture were to fail, then you could also claim additional loss relief on your investment. This relief is calculated by multiplying your investment, less the income tax relief received, by your income tax bracket (e.g. 40%). Using the example above of an investment of £10,000 with £5,000 in tax relief, you could get reimbursed a further loss relief of £2,000 (£5,000 x 40%) meaning your actual exposure on a £10,000 investment drops to £3,000.

Another very useful benefit is that once the Society's shares have been held for 2 years they are free of **Inheritance Tax**.

In order to benefit from the tax relief, you must be a UK income and/or capital gains tax payer with tax due to pay equal or greater than the amount of relief you're seeking.

You can claim the relief in either the tax year you make the investment or the previous tax year. The date of investment will be the day the society accepts your application for investment after the share offer has closed, not the date on which you made the investment. The SEIS/EIS certificates will be issued 4 months after the business begins to trade.

If you pay tax via PAYE, you send the certificate to the tax office that processes your employer's payroll tax collection, and, if you do self-assessment, you claim the relief when completing your tax return (unless you want to backdate it for a tax year you've already filed a return for, in which case you have to contact HMRC directly).

We cannot give tax advice, and can only vouch that the investment is a valid investment for tax relief. Anyone considering investing with tax relief in mind should seek the advice of a financial advisor.

Investor Benefits

- Interest may be paid on your investment from Year 3 except those benefitting from SEIS who will not receive interest until after year 5. This will be at a rate decided by the Management committee on an annual basis in accordance with the Society's Rules. The maximum rate will be 5%. This can be in the form of shares or cash. If we raise the optimum target of £600,000 or above, we expect to pay 2% interest in year 3, and 3% in years 4 and 5. If we raise the minimum target, but are unable to raise grant funding to help the renovations, we would likely take on borrowing which would mean there would likely be insufficient funding to pay interest.
- Investors (over 16) are eligible to vote at the AGM on important matters facing the society and for the Management Committee
- Investors (over 18) have the chance of standing for election to join the Management Committee.
- If we raise our optimum or maximum targets in our share issue, Investors will have the chance to have their money returned on a first-come-first-served basis if share capital is available for withdrawal from year 5 onwards.
- Investors are eligible for tax relief –EIS and SEIS as set out above. Investors benefitting from the SEIS scheme will not be eligible for interest payments for the first 5 years. Payments of less than £100 will be treated as donations.

Management

In terms of the actual running of the pub, DCS will be directly employing the key staff (landlord and chef etc). Ensuring that there is a clear and exciting plan, clear accountabilities and responsibilities, attractive remuneration and reward for the staff will be essential in order to make the business successful. To this end we will also employ, as required, an operations director, Guy Arnold, who has huge experience in running pubs, to set up and oversee the establishment and ‘bedding in’ of the core team.

Whilst stability of leadership from the Management Committee, certainly over the initial years, is important, inevitably people’s personal circumstances change or needs arise that require new team capabilities. To this end, the AGM of DCS provides the opportunity for people to stand down or stand for (re)election thus ensuring confidence in, and legitimacy of, the Management Committee by it being democratically elected by all our members.

The Plunkett model rules have been adopted which ensure the participation of the membership. These also require that the benefit of the wider community is at the heart of the enterprise. Over time, the Management Committee members (max 12) will be replaced through election to reflect the changing demographic. The values of inclusivity and sustainability underpin the regeneration concept. All will be invited and welcome to become members (with 100 x £1 shares; this was deliberately set low to enable participation), stand for the committee, volunteer and become part of The Drewsteignton Community Society.

The Community Benefit Model and the Model Rules require an annual meeting of members (one member, one vote). This meeting will elect the steering committee and vote on other matters arising. The Management Committee will meet on a regular basis at least once a month.

The current Management Committee

The brief biographies of the current DCS Management Committee are set out below. They highlight the wide range of skills and experiences the team possess.

<p>Toby Rubbra, Chair and Director DCS</p> <p>Toby moved to Drewsteignton 30 years ago drawn by the pub, and the amazing community. He is passionate about getting the Drewe open again and brings to the project 30 years of business consultancy experience. He has also served on the Parish Council.</p>		<p>Gary Read, Community Propositions</p> <p>Gary has lived in the area for 37 years. Having had a long and very successful career in education – including head teacher roles in four different schools – he has now set himself up as qualified chimney sweep.</p>	
<p>Liz Wiseman, Community Propositions</p> <p>Liz has spent most of her career in the world of education, latterly as the Headteacher of the local primary school in Chagford for seven years. Liz is focussing on the wide role the pub can play as a community-based hub.</p>		<p>Steve Wiseman, Buildings</p> <p>Steve is a chartered surveyor and a company director with 30 years’ experience in the construction industry. He specialises in the care and repair of historic buildings and is keen to use these skills to help get the ‘Drewe’ back in good condition and open to all.</p>	



Tim Stone, Community Propositions

Shortly after moving to the village in 2021 Tim witnessed the closing of both the post office and the pub. He shares the same drive to get the pub open again and brings to the project some exceptional operational and logistics experience with a major UK company.



Jane Martin – Fundraising and Director DCS

Jane recently retired from Exeter College where she worked for over 20 years. She has held senior roles in education (lecturer in English language, team leader, principal examiner, Hamilton editor, OFQUAL Eng Lang subject specialist) and financial business management experience.



Glyn Martin – Treasurer and Director DCS

In 1984, Glyn established and still runs a successful art publishing business. He also self-built a RIBA double award-winning house (Sustainability and Arnold Sayers Award). He renovated the family's listed farmhouse and has an organic farm.



Ian Pickford – Society Secretary and Director DCS

A career in logistics culminated in a management buy-out and subsequent successful sale. He then turned to troubleshooting struggling businesses including working as a turnaround chief executive for a national college for the blind, a hospice and part of the YMCA.



Helen Chaloner – Fundraising

Helen works in the charitable sector and brings extensive grant fundraising knowledge to the project. Having led two national charities with portfolios of listed properties, she also knows a few things about animating beautiful old buildings.



Peter Clements - Marketing

Peter runs an Exeter based communications agency, specialising in graphic design and films. Much of his work is in the not-for-profit sector and includes the BBC, National Trust and NHS.



Imogen Clements - Marketing

Journalist and marketing advisor, founder of Manor magazine. She is a business strategy lecturer with vast experience as a senior strategist in prominent global and UK corporations, spanning various industries like the public sector, FMCG, automotive and telecommunications.



Guy Arnold – Consultant

Guy has spent over 30 years in the pub and leisure business. In this time he has turned round over 40 pubs, built a nationwide pub brand from scratch, developed national award winning pubs, won the ALMR Regional Manager of the Year' award, been an Operations Director for the largest PubCo in the UK, developed a hugely effective Pub Customer Service training system, and written 4 books on customer loyalty and reputation systems



Common Questions:

Who can invest?

Individuals over the age of 16, charities and other organisations may invest in this offer.

What if the society isn't financially successful enough to survive?

If we did become insolvent, the ability of investors to recoup the funds they have invested would depend on firstly the value we (or the appointed insolvency practitioners) could get for the assets of the society and secondly, the value of our debts at that point.

In the event of our insolvency or orderly winding-up, the proceeds from the sale of those assets and our cash would firstly pay off all our creditors, and if there were any funds left after that, would be used to pay back shareholders as much of their investment as they have outstanding as possible, on a pro-rata basis.

As we are a society with a Statutory Asset Lock, any surplus funds after paying creditors and investors at par will be distributed to a similar organisation in the local area committed to providing community benefit.

What happens if I didn't get all my investment back?

Although we are registered as a society with The Financial Conduct Authority (FCA), the sale of withdrawable shares in the society is not regulated by the FCA. Like many investments, these community shares are at risk and you could lose some or all of the money you invest.

Can my investment be gift aided?

No, because we aren't a charity.

Can I sell my shares?

No. This investment is in withdrawable share capital which cannot be transferred, sold or given to anyone else, except on your death or bankruptcy. The first £5,000 of any investment can be transferred on your death to anyone you have directly nominated and informed us of, without going through the probate process; any remaining investment can only be transferred in accordance with the provisions of your will (and will qualify for Business Relief and be free of Inheritance Tax after two years). If you do not inform us of any nomination, the society board will rely on the probate process.

Will I get a Share Certificate?

Everyone who invests will receive a community share certificate.

What will you do with my personal details and data?

Your personal details as submitted on the application form will be held by the society and used in accordance with the provisions of the rules and of the 2014 Co-operative and Community Benefit Societies Act. Only members can inspect the members' register and view members' names and addresses (but not how much they have invested) but the society will not share, sell or provide my details to any other individual or organisation and will ensure compliance with the GDPR regulation in accordance with its responsibility as a data controller. The society also has the obligation to notify HMRC of certain share interest payments.



Invest to help us
re-open
The Drewe Arms
as a vibrant, welcoming
Community Pub

