



The Baldons and Nuneham Community Society Limited Open Share Offer

**An opportunity to support a community
enterprise which owns the Seven Stars pub
in Marsh Baldon.**

1	Invest to maintain our community pub	2
2	What do the financials look like?	3
2.1	Outgoings	3
2.2	Rental Income	3
2.3	BNCS Profit & Loss and Cashflow	4
2.4	A Community Benefit Society	4
2.5	Who runs BNCS?	4
2.6	What does the Management Committee do?	5
2.7	What will Members do?	6
3	What do I get out of it?	6
3.1	The social return - A pub	6
3.2	Interest	6
3.3	Limited Liability	6
3.4	What you won't get	7
3.4.1	Windfall redevelopment returns	7
3.4.2	Increase in the value of the shares	7
3.4.3	Investment Guarantees	7
4	What are the potential risks?	7
4.1	A risk that you could lose part or all of your investment	7
4.2	Not be able to withdraw shares	8
4.3	Financial fraud	8
4.4	See no returns	8
5	Important Notice regarding the Share Issue	8
6	How do I subscribe now?	9

The Baldons and Nuneham Community Society Limited (“BNCS”) is a Community Benefit Society established and managed by the community for the benefit of the community of the Baldons and Nuneham Courtenay.

BNCS purchased the Seven Stars in March 2013 with the assistance of money raised by a closed share offer.

The purpose of this open share offer is to:

- (a) enable people who move into the village or who wish to increase their investment to buy shares;
- (b) provide liquidity in the long term; and
- (c) and to continue to ensure we can make the appropriate investments to protect the long term viability of the pub and society

You can join the society by becoming a member. This is an open offer.

This document:

- Outlines the project and its benefits for members and the community;
- Explains about the society and how the share offer works; and
- Invites you to become part of this project.

1 Invest to maintain our community pub

If you invest in this scheme you will essentially be investing in a property. The property (The Seven Stars) has been let to a tenant and BNCS charges rent sufficient to repay the mortgage, pay ordinary running costs and pay you interest.

Following the closure of The Seven Stars in November 2012, we had an opportunity for a community owned entity to buy the pub and let it to a tenant making it a long-term viable community facility. The previous owner agreed to sell it for a very fair price and gave BNCS a very favourable loan. Capital raised in the first offer permitted us to carry out initial refurbishment works, and with the assistance of grants from the South Oxfordshire LEADER fund, and the South Oxfordshire Community Investment Fund (both of which are gratefully acknowledged) former storage and dining space has been converted to provide a dining room and associated fixtures and fittings have been purchased.

Since this initial work to the pub, shares purchased have enabled us to extend and modernise the kitchen facilities, as well as improving the toilets in the bar, and providing a disabled toilet.

BNCS encourages new members of the community and customers to buy shares so that they are also part of the venture to maintain the Seven Stars as a pub which serves the community. Existing members may increase their holding if they wish. The continuing open share offer will also provide liquidity to enable people who are leaving the community to redeem their shares. How do we propose to ensure the ongoing viability of the pub in the long term?

Our Mission:

“To secure the long term future of the Seven Stars as a flourishing pub for the benefit of the community, by vesting ownership in a society controlled by the community and by running the pub profitably”

Historically the pub has come unstuck for a variety of reasons. At some times it has suffered from high rents and high beer prices due to a pub tie. At other times it has suffered from inexperienced tenants with no financial incentive to maximise profits. As a result cost control and revenue generation suffered.

We have taken steps to make the Seven Stars viable by:

- Having affordable rents and no beer ties by purchasing the freehold of the pub.
- Letting the Seven Stars to a professional and experienced tenant who knows how to control costs and maximise revenue.
- Forming BNCS, a community owned and run society to ensure community buy in and input to the future success of the pub.
- Carrying out phases 1, 2 and 3 of the refurbishment of the pub to provide improved facilities, particularly a dining area, modernised and extended kitchen, and improved toilet facilities. We have also continued with ongoing maintenance of the building to ensure it remains in good condition.

A future possibility is to purchase a generator for use during power cuts, and consider whether to include a shop.

2 What do the financials look like?

BNCS owns the pub and has let it to Matt Ford, based on a 10 year lease (as of March 2016), with a 5 year break-clause.

The core economics of the venture therefore revolve around interest and capital repayment outgoings vs. rental income. In addition, we need to build a reserve to pay members back their capital in the longer term and provide for developing the property further as appropriate.

Pub economics are important to us, because the overall income of the pub affects the rental income BNCS will receive to cover its outgoings.

2.1 Outgoings

We need to repay the purchase loan and pay interest over a 20 year period. Each year £12.4k capital is repaid and then interest at 1.5% above base rate based on the remaining balance. Other running costs include licences (e.g. FCA, Insurance, Audit & Accountancy Fees).

In addition, we pay interest to members. Our current shares amount to £171,804 (as at financial year ending 24th March 2017), and we intend to pay interest at 1.5% over base rate for the foreseeable future.

We also envisage that some shares will be withdrawn, but over a longer period. We have been prudent in keeping at least 10% of the shareholding in reserve should withdrawal requests be made.

2.2 Rental Income

The rent agreed is 10% of revenue net of VAT. Due to the increases in revenue, the rent has increased to its current level of £70k+ per annum. We envisage that this will be the stabilised position at present, notwithstanding inflation and any incremental gains. Whilst the current tenant, service, quality and therefore trading remain in place, we do not see there is any material downside risk to this.

2.3 BNCS Profit & Loss and Cashflow

Based on this revenue, BNCS incurs base running costs of circa £24k per annum. This excludes any share redemptions, corporation tax and capex investments. Therefore, there is currently circa £50k+ surplus before covering share redemptions, corporation tax and capex investments.

2.4 A Community Benefit Society

After taking advice from The Pub is the Hub, The Plunkett Foundation (who support community enterprises) and several community pubs around the country, BNCS was registered with the Financial Services Authority ("FSA") on 10 December 2012. BNCS is a Community Benefit Society, a modern form of the historic Industrial and Provident Society. It has withdrawable shares and legal personality, and members have limited liability.

The objectives of BNCS, as articulated in the Rules of BNCS, are to carry on any business for the benefit of the community and in particular by acquiring the freehold premises of the Seven Stars, to provide a venue for the community which:

- Promotes social gathering and employment and tourism;
- Provides facilities and services for the community
- Provides event facilities

The Rules of BNCS define its structure, management and operation. They are available on the website at www.bnscsltd.com. Copies of the Rules are available from any member of the committee. If you have any question about the Rules, please raise them with any member of the committee.

The Rules are important. They define your rights as member; please read them if you wish to invest.

2.5 Who runs BNCS?

BNCS has a Management Committee. The Committee is set out below. The Management Committee is elected by the members and members have to stand for re-election in rotation.

The initial Committee is as follows:

- **Phil Collins (Chair)** has enjoyed extensive Board level experience as CEO, Managing Director and Commercial Director across a range of food and non-food business, including Mars, Bulmer's, Golden Wonder, Chemtek and Henkel. Phil has also been involved in Corporate, MBO, MBI and Owner managed business sales and purchases and is currently a partner in a Consultancy business with a number of clients in the FMCG industry and Deputy Chairman of Durham County Cricket Club. Phil is an active member of the Baldon Events Committee.
- **Philip Gardner (Treasurer)** has 20 years of hotel industry experience currently working for InterContinental Hotels Group and previously for Marriott International. He specialises in revenue generation, planning and strategy, responsible for this area of the business across Europe. Having grown up in Oxfordshire, he currently lives in Toot Baldon and has long standing family connections with the Baldons and Nuneham Courtenay.
- **Dave Greenaway** Born, bred and lives in Toot Baldon, with wife Sandy and daughters Samantha and Victoria. Attended local primary school. Worked for Oxford City Council, Oxford Water Board and latterly Thames Water Utilities as a Works Manager. Retired after serving 46 years in the wastewater industry and now pursues a career of working with horses at the family yard. Other interests include Country sports, dining out, social events and keeping the village pub open!
- **Fran Butler** has lived in Toot Baldon for over 18 years, along with partner Bruce and they have two children who attended the local primary school. Fran has worked in different parts

of the NHS for most of her working life, including recently managing a GP practice, and now manages dementia projects.

- **Kevin Hutchinson** and his wife Lindsey moved to Toot Baldon from Nuneham Courtenay in 2016. He works as a Management Consultant, principally around programme management and change leadership within financial services and retail. In his spare time he is a keen magician and Member of the Magic Circle.
- **Elizabeth Petrou** moved to Marsh Baldon, along with her family, in 2012. Elizabeth is a Consultant Thoracic Surgeon at the John Radcliffe Hospital.
- **Robin Timms** has been connected with the village for over 22 years through his wife Emma (Maskell). Since 1993 he has been involved in many areas of the village including the Baldons football team, the Cricket team, working at The Crown pub (now The Mole), Inter village challenges, Jubilee Event Committee and most recently the Baldons Event Committee. He has two children at the village school. His professional background is finance based and he currently works for Close Brothers Merchant Bank for their Asset Finance arm.
- **Paul Torevell** was born and raised in Sutton Courtenay and has lived in Toot Baldon for 5 years with his wife Emma. He currently works for Svenska Handelsbanken at the Oxford branch and has previously worked for the Natwest/RBS group, accumulating 25 years banking experience with private clients, small and medium sized businesses with a long spell in property finance. He has also undertaken a 4 year stint in the IT industry with Siemens. He is a keen gardener, skier, sports fanatic and theatre lover.
- **Fiona Webster** is a national newspaper, magazine and broadcast journalist who has worked in London and New York. She also runs the journalism training courses for The Press Association in London and teaches on the Telegraph, Mail and Irish Independent training schemes.

She was born in Oxford and has lived in Marsh Baldon for 23 years with her husband Carson, and their three children, who started their education at Marsh Baldon School. She supports local events, clubs and campaigns such as preservation of the Green Belt.

2.6 What does the Management Committee do?

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

- Organised and supervised the purchase and the refurbishment works
- Appointed the tenant
- Monitored and managed the Society's financial affairs for the benefit of the Community.
- Overseen the lease and managed the relationship between BNCS and the tenant.

The business model adopted is to lease the business to a tenant, who runs the pub and pays rent to BNCS. The Management Committee has set the broad policy direction for the business and agreed key targets with the tenant, including certain aspects which community feedback has shown to be important. Beyond that, however, the tenant is left to manage and operate the business as they see fit. The Management Committee does not intend to interfere with the day to day running of the business or attempt to micro-manage the pub.

In the future, if there are free funds the Management Committee will decide what other community projects those funds should be spent on.

2.7 What will Members do?

The Community Benefit structure allows any person who buys the minimum number of shares 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 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 a number of 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.

3 What do I 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.

3.1 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. Fortunately, with the assistance of all the existing members of BNCS, we now have that facility, which now also benefits from the beautiful new dining room.

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.

The Society's 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 the Baldons and Nuneham Courtenay – some suggestions have been a shop and a post office. Those will however be long term possibilities and depend on how successful the pub is.

3.2 Interest

The Management Committee has resolved to pay interest on all investments from day 1.

The initial rate of return was 2%, moving to 1.75% in 2016 following a reduction in the BOE base rate. It will not exceed the rate of interest payable to the current owner under the mortgage so long as the mortgage exists, namely 1.5% above base rate. Thereafter it will be at such rate as is required to keep people invested in BNCS (so far as necessary).

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

3.3 Limited Liability

This is a limited liability entity. The most you could lose is your initial investment (though we believe that this is highly unlikely). You will not be liable for activities of the tenant – for example, if they run up huge bills and then disappear.

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

3.4 What you won't get

3.4.1 Windfall redevelopment returns

In the event that the pub ceases trading and is say, 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.

3.4.2 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.

3.4.3 Investment Guarantees

Our share offer is 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 Services 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.

4 What are the potential risks?

Although it is not possible to foresee all possible adverse outcomes there are a number which it is reasonable for the Management Committee to guard against.

4.1 A risk that you could lose part or all of your investment

The management committee believes that it is unlikely that you will lose your capital investment. This will only happen if BNCS's liabilities exceed its assets. For example, the pub closes, we have no rental income, yet we still have loan payments. It might be that if BNCS eventually sells the pub there is no surplus after repaying creditors. BNCS could not in those circumstances repay your share capital. Your liability, however, is limited to the value of your shares.

We think this extreme situation is very unlikely because:

- The Management committee obtained a valuation and a building survey and engaged experienced solicitors to satisfy ourselves that we paid an appropriate price and have good title to the pub.
- The pub is now profitable. The anticipated returns over the 20 year period of the mortgage will not only exceed the anticipated outgoings, they will also allow all share capital to be repaid over the same period (if members wanted to withdraw their capital).
- BNCS will not be trading the pub so there will not be trading losses from the pub business. BNCS will own the property.
- If a community benefit society could not make the pub successful then BNCS would seek to sell for residential development. BNCS would only consider this if there is no prospect of running the pub viably. So long as the pub can be run viably, which to date has been proved, it is the intention of the management committee that the building should operate as a pub. If BNCS could not find a tenant to run the pub, then in those circumstances we believe that the relevant planning permission would be available. The likely value with residential permission would substantially outweigh the mortgage remaining and the repayment of shares. Even if no residential planning permission were available, the alteration to provide the dining room has provided a substantial increase in covers so that the value of the pub would increase. The current trading history already means that we are confident that the value of the pub has significantly increased.

- Both of these are highly unlikely scenarios, but for the reasons set out above the management committee believes that there is not a substantial risk if the pub cannot be run viably.
- Nonetheless you must understand that there is a risk that you may not get all your money back and you should take that into account in deciding whether to invest.

4.2 Not be able to withdraw shares

The Rules permit withdrawals only in certain circumstances. If many people want to withdraw their money in a particular year, then not everyone will be able to withdraw their money in that year. Withdrawals are only available out of a trading surplus. In those circumstances, the repayments will be made in the order in which notice to withdraw was received. In addition, shares cannot be withdrawn at any time during which there is a default on the repayments to the vendor under the mortgage.

4.3 Financial fraud

The risks here are very low. The management committee does not intend BNCS to trade as a pub. 2 signatories are required for any transaction, and BNCS has taken out appropriate insurance against inappropriate actions by any member of the Management Committee.

4.4 See no returns

Another possible, albeit unlikely, outcome, is that there is no scope to pay interest on the investment for several years. This does not currently appear to be a likely scenario.

5 Important Notice regarding the Share Issue

- i. The minimum shareholding is 300 shares. Each share has a value of £1. The maximum number of shares that can be purchased is 100,000 shares. Members must be over 16 and shares must be paid for in full on application.
- ii. 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.
- iii. 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.
- iv. 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.
- v. Currently 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 to be suspended if the financial performance of the society did not justify such payment.
- vi. The only way in which investments can be recovered (whether the initial sum or any reduced value) is on liquidation of the society or by giving the society notice of withdrawal. **YOU SHOULD THEREFORE VIEW THIS AS A LONG TERM INVESTMENT AND REVIEW YOUR FINANCES ACCORDINGLY.**
- vii. The specific conditions for withdrawal include:
 - a. 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;
 - b. The total repayable each year is limited to a sum which bears the same proportion to the capital repayment made to the mortgagee as the current shareholding bears to the capital outstanding to the mortgagee at the start of the relevant year, (so we will not be repaying capital to shareholders any quicker than we are paying capital to the mortgagee under the terms of the mortgage);
 - c. 3 months' notice is given.
- viii. All funds invested in this Community Share Offer will be used only for the purpose of acquiring, refurbishing and owning the Seven Stars.

- ix. The Baldons and Nuneham Community Society Limited is registered with the Financial Services Authority. However, as community shareholders, investors are deemed to invest for social returns and not for financial gain. The sale of community shares is not regulated by the FSA. There is no right of complaint to the Financial Ombudsman Service and nor can investors apply to the Financial Services Compensation Scheme.
- x. Shares are available at any time under this share offer unless the Management Committee causes the share offer to be withdrawn.

6 How do I subscribe now?

You must be 16 or older to become a member. There is no residential requirement, just a desire to support the cause. If you know of anyone who may wish to invest, please let them know! This includes corporations.

When considering taking part, it is vital to realise this is an investment in our community – creating a unique asset for us all, and helping to make the Baldons, Nuneham and the surrounding area a more vibrant, thriving and sustainable place. It is not a conventional financial investment with an expectation of direct financial returns. The full details are set out in the Rules of the Association. Copies of The Rules are available on www.bnscltd.com. Please fill in the form on the last page and become a member of BNCS.

For further information please contact any member of the committee or e-mail info@bnscltd.com.

Further information on community benefit societies is available at <http://www.communityshares.org.uk>, and in particular there is a guide to investing in community shares on their resources page.

**This share offer is authorised by the Management Committee
17 December 2013 (updated June 2017)**

Society Membership Share Application Form

If you would like to become a member of The Baldons and Nuneham Community Society Limited please complete the form below, tear it out and return it together with your cheque for the total subscription amount to the address below. You can also pay by direct bank transfer using the account details below...please ensure you use your full name as the reference. You can then scan and send this to info@bnclsld.com.

Paying by cheque :

Baldons & Nuneham Community Society Ltd.
c/o Mr Philip Gardner
Treasurer
Yew Tree Cottage
Toot Baldon.
OX44 9NE

Paying by Bank Transfer:

Account Name : BNCS Ltd
Sort Code : 08-92-99
Account Number : 65629633
Reference : Full Name

Name:

Address including postcode;

Email address:

Phone numbers:

Home

Mobile

Your Bank details:

Sort code:

A/c No:

The number of shares you wish to subscribe for (minimum £300, maximum £100,000)

Shares cost £1 each

Value of the shares applied for:

£

I request that I become a member of The Baldons and Nuneham Community Society Limited. I agree to my name, address, phone numbers, email address and the number of shares that I am purchasing being held on a computer database. I understand that this information will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the Society, and for communicating with members and will not be passed to any third party. I confirm that I have read the Share Offer and agree with the terms and conditions which it states.

If you would like interest on your shares paid direct to your bank account please enter your bank details above: please consider doing this as it will make administration considerably easier.

Signed.....

Dated.....