

Broadwindsor Community Stores

Issue of community shares

You are invited to purchase community shares in Broadwindsor and District Community Enterprise Limited to help to maintain and secure the long term future of a village shop in Broadwindsor.

What is Broadwindsor and District Community Enterprise Limited?

Broadwindsor and District Community Enterprise Limited ('BADCE') was an Industrial and Provident Society conducting its trade for the benefit of the Community on a not for profit basis. It was registered under the Industrial and Provident Societies Act 1965 with Rules developed by the Plunkett Foundation, which are on the BADCE web site. This Act has now been replaced by the Co-Operative and Community Benefit Societies Act 2014 and our society is known as a registered society.

BADCE is similar to a limited company but it has a Management Committee, of which the current members are:- Fraser Hughes (Chairman), Mandy Crane, Chris Edgerley, Sue Hibbard, Andrew Hookings, Susannah Madigan (Secretary), Charles Ouin, David Taylor (Treasurer), and Stewart Urry (Vice Chair). Committee members retire by rotation. Steven Jarvis, the shop manager, is a co-opted member of the Committee.

Objectives

Shares in BADCE were first issued in 2012 with the objective of helping to re-open and secure the long term future of the village shop in Broadwindsor. The intention in 2012 was to negotiate a lease or the purchase of the previous village shop in the square which ceased trading in August 2011.

As matters turned out, it was not possible to reach agreement with the proprietor of the village shop, and instead a lease was taken of The Old Telegraph Exchange building on Drimpton Road, where a new shop was fitted out and opened in March 2013.

The objective remains to secure the long term future of the village shop, which in due course may mean establishing a freehold premises in the village.

Financial position

In the initial 43 week period of operation to 31 December 2013, turnover was £161,489 or £3,755 per week, on which an operating profit of £15 was made. In addition grants were received for set up and operating costs, net of corporation tax, of £10,546, making revenue reserves at 31 December 2013 of £10,561.

In the second year of operation to 31 December 2014, a 53 week period, turnover was £227,596, on which a pre tax profit of £1,042 was made, after exceptional costs due to the change of manager. In the third year

of operation to 31 December 2015, a 52 week period, turnover was £226,758, on which a net profit of £2,409 was made.

For 2016, budgeted turnover is £226,675, and the budgeted profit is £3,025. As at July 2016, the shop was trading close to budget.

At 31 December 2015, members' funds stood at £43,366, comprising the proceeds of share issues to date of £29,465, and revenue reserves of £13,901. The reserves are held as a buffer for any downturn in trade, and to build up funds to purchase a more permanent location for the shop.

The issue of further shares will enable members' funds to be further increased.

Issue of shares

We want the Community to buy into the shop project both literally and metaphorically and we believe that this is best done by the issue of shares to members of the Community. An investor, in effect, becomes a part owner of the business but, unlike investing in shares in commercial companies where personal financial gain is the main motive, shares in the Society are subject to laws that limit financial gain and emphasise social benefit. You will not be investing for profit but for the long term benefit of the Community.

To become a member you must purchase at least one share.

- Each share costs £5
- A member has one vote in the affairs of the company regardless of the number of shares held
- Interest may be payable on shares (see below)
- Shares are non transferable save on death or bankruptcy
- Shares may be withdrawable at face value after 5 years (see below)
- A member can now own up to £100,000 worth of shares
- The value of shares cannot increase

The Society's shares cannot be transferred or sold. Shares may be redeemed after five years and with 3 months' notice being given. Interest may be payable on shares. But funds to redeem shares and to pay interest may only be paid from trading surpluses of the shop or from a new issue of shares and, at any event, such payments are at the Management Committee's discretion. The Management Committee has an overriding duty to consider first the long term interests of the Society and thus, for example, it must ensure that prudent reserves are maintained.

Enterprise Initiative Scheme (EIS)

EIS has been devised by the Government to encourage investment in new enterprises, and the initial share issue did qualify in this scheme, enabling the subscription by individuals for shares to qualify for tax relief at 30%. It is anticipated that EIS relief will be available to future shareholders, but this will depend on HMRC approval.

It will be each investor's responsibility to make their own enquiries and to satisfy themselves as to their own eligibility to claim such tax relief.

What does being a member of the Society mean?

A member has to purchase at least one share, and is then entitled, inter alia, to:

- Receive information about the Society
- Attend, speak and submit motions to be considered at any members' meetings
- Have one vote at any such meeting when, subject to the Rules, all resolutions are decided by a simple majority
- Elect representatives to the Management Committee

There is *one vote per member* as opposed to one vote per share. So however many shares an individual may have, he or she only has one vote. This gives the Society the democratic structure that is so important to our Community project.

Further information is in the Society's Rules which are available on the BADCE website, and any prospective investor should read these carefully.

What are the business risks going forward?

Following the successful opening of the new shop, we have identified the following risks:-

- The inability to renew the lease agreement at a viable rent
- The lapse of the lease agreement with the owners of the shop, on its expiry in 2017
- The failure to achieve sufficient level of turnover, or gross margin, to make an annual surplus
- Insufficient volunteers to assist in running the shop

This cannot be a comprehensive list and, of course, as with any other business, we are subject to unexpected changes both to the economy generally and to the trade of a small retail business.

An IPS share offer is exempt from the Financial and Markets Act 2000 and other regulation. This means that you have no investor safeguards. The Society is registered with, but not authorised by the Financial Conduct Authority thus the money that you pay for your shares is not safeguarded by any depositor protection or dispute resolution scheme. You are reminded that you are not investing for profit but for the long term benefit of the Community and such investment has inherent risk; if needed seek independent advice.

This document is issued by the Management Committee of *Broadwindsor and District Community Enterprise Limited*.

Broadwindsor and District Community Enterprise Limited, Registered in England, No 31629R. Registered office: 2, Manor Farm Cottages, Common Water Lane, Broadwindsor, DT8 3QR

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