

THE RACEHORSE



COMMUNITY SHARE OFFER

May 2021

Prospectus and Application Form

TIME LIMITED OFFER:

Open from 1st May 2021 until 10th July 2021

Join the Race for the Racehorse!



OUR VISION

“Our vision is that the Racehorse will thrive as a community owned pub, run for the locality. The community will have a say in the direction and the values of The Pub and our offering will be attractive and accessible to everyone in the community”.

THIS VISION NEEDS YOU!

This is probably our last chance to secure the future of The Racehorse in Westhall for both current and future generations.

Please join us in the Race for The Racehorse!

THE SHARE OFFER AT A GLANCE

- You are being invited to invest in Westhall Community Pub Limited ('WCP') through the purchase of Community Shares.
- WCP, a Community Benefit Society, has been established to purchase, refurbish and reopen The Racehorse Inn (the 'Pub') for the benefit of the community.
- Shares issued are Community Shares and are interest-bearing and withdrawable under certain conditions.
- Capital is being raised for the purpose of purchasing the Freehold of The Racehorse Inn, Westhall for the benefit of the Community.
- Shares will have a nominal value of £25 each and the minimum investment is 1 share (£25) with a maximum of 800 shares (£20,000).
- **The share offer will open on 1st May 2021 and will close on 10th July 2021.**
- This share offer is open to individuals, companies and other corporate organisations.
- Membership will be one member, one vote – regardless of amount invested and buying a share makes you a member of the Society and gives you the right to vote at the AGM on important decisions regarding the pub.
- Projected return: Annual interest payments – currently planned as 2% and is set each year at the AGM. Government legislation states interest cannot exceed the higher of 5% or 2% above the Bank of England Base Rate.
- The Society is seeking to raise a Minimum of £130,000 and has a Maximum target of £260,000.

HOW TO INVEST

To invest please read this Community Share Offer Prospectus carefully and then complete the Application Form at the end of this document, or complete the online application form at www.westhallpub.com

This document, the Society's Rules, our Business Plan and the Application Form can be downloaded from: www.westhallpub.com.

This offer is being promoted by Westhall Community Pub Limited, Keys Cottage, Locks Road Westhall IP19 8RD, a Community Benefit Society registered with the Financial Conduct Authority (Registration No.7806).

Capital at risk warning: You could lose some, or all, of the money you invest in this share offer, without recourse to the Financial Services Compensation Scheme or the Financial Ombudsman Service.

If you are unsure whether to invest or not it is recommended that you consult with a professional advisor. This document is designed to be read in conjunction with the Business Plan and other supporting documents which can be found on our website.

OUR MISSION AND THE PROJECTED BENEFITS TO THE COMMUNITY

WCP's vision is that The Racehorse will thrive as a community owned pub with direct involvement of the local community and serving that community.

AIMS & VALUES

- A pub owned by the community, with a diverse and representative mix of owners.
- A pub that is financially secure enabling us to plan for the long term.
- A pub with a strong commitment to local, independent sources for food and drink.
- A pub offering a range of well-kept beers, ales, lagers and ciders alongside a good range of wine, soft drinks, teas and coffees.
- A pub that provides good wholesome food, priced to be accessible to all members of the local and wider community, and that caters for all diets.
- An inclusive family friendly pub that promotes social cohesion, is accessible to all and which helps prevent isolation in our rural community.
- A pub that encourages community involvement and participation in local events.
- A pub that provides a venue for local groups and as a location for special occasions.

SUMMARY BUSINESS PLAN

Below is a summary of the main points made in the Business Plan produced by Westhall Community Pub Limited (WCP). The full plan is available on our website.

Background: The Racehorse Inn has a history going back to the 19th century, when it was one of several pubs in Westhall and in the surrounding villages. The 21st Century has not been so kind to village pubs. In August 2016 The Racehorse, the last pub remaining in Westhall and the surrounding villages, closed. The closure was due to changes in society and a slow decline in support for local pubs. A group in the community led by Chris Punt and Brenda Smith believed that the emerging trend for community run pubs during the last decade presented an opportunity for a new chapter in the life of The Racehorse. Following a survey of attitudes, a village meeting resolved to form the Westhall Community Pub Limited (WCP) as a Community Benefit Society to be a vehicle to raise funds to purchase and reopen The Racehorse as a Community Pub. Following an initial share offer an unsuccessful bid to purchase the pub was made. However, WCP negotiated a lease to run the pub for 1 year which was subsequently extended until January 2022. The pub which had been unoccupied and on the market was revived by the volunteers of WCP and opened on the 19th December 2019. The Racehorse has been successfully trading managed by the committee and run by volunteers for the last 16 months.

We now have what is probably our final chance to secure the future of The Racehorse pub for the benefit of the local communities now and in future by purchasing the freehold - we hope you can join us and support our Community Share Offer.

The Business: With a different business model based on a deep community engagement, Community Pubs all over the country are proving successful not only in trading as a public house but in producing important associated benefits in terms of improved social cohesion and community engagement.

The Racehorse has been trading 5 days a week in 7 open sessions. The pub has emphasised quality beers from smaller local breweries and home cooked food supplemented by guest chefs. A lunchtime café has also been established. Successful events have been held, quiz nights, themed food evenings and summer music afternoons and BBQ's. These services have been delivered by a roster of volunteers and managed by the committee of WCP. Behind the scenes maintenance, food preparation, baking, accounting, marketing, planning and procurement of stock has been managed by experienced and talented volunteers giving their time freely.

The Racehorse has had a successful 16 months of trading despite the Coronavirus pandemic and its effect through lockdowns on the continuity of the business. We have not filed a complete and uninterrupted years results due to the timing of our financial year and the pandemic, however internal forecasts indicate that had circumstances been more normal the pub was on track to deliver revenues of around £85,000 (the Trend rate). Trading results, for the periods we have been able to operate, have been supplemented by one off government grants as compensation for the periods of lockdown and restricted operations.

Management accounts have shown that WCP has grown from the initial investment of £10,500 to generate Capital and Reserves of £35,800 by March 2021.

Future Developments: It is planned that The Racehorse will grow from this solid start by providing more opening sessions, events and services whilst still being rooted in the community and remaining a local pub. It is planned that although in the medium term The Racehorse will continue to be managed by the committee and largely staffed by volunteers, there is a recognition that additional paid support will be required to supplement and assist in the development of the pub and to enable the sustainable use of volunteers. In the longer term we plan for there to be a steady increase in paid support and management in line with growth of the business while retaining the friendly service provided by volunteers.

This growth of the business will entail an increase in the nature and complexity of the business as to grow further we are obliged to register and charge VAT and the addition of paid support will require registration as a PAYE employer as well as the increase in other activities related to the scaling up of the business. The committee believes that we can meet these challenges through adaptation of the business and with the added help of experienced paid staff.

Financial Plan: A schedule of forecasts for future activity can be found below. This plan assumes additional shares issued of £150,000 which together with loans and mortgages of £80,000 and utilising reserves is sufficient to proceed with the purchase of The Racehorse. The change in the company's balance sheet and the cashflow transactions are shown on the enclosed schedules.

The profit and loss account shows the impact of the changes discussed above. Growth is projected (from the Trend rate) to be 10%, part of which will be due to increases in prices and part to organic growth. 2nd quarter of 2022 is the assumed start date for a part time manager. Registration and payment of VAT is forecast to start in 2023, this results in a temporary reduction in reported revenues due to payment of tax from £99,000 in 2022 to £91,000 in 2024. Organic growth in 2024 enables the company to resume growth with revenues of £100,000.

Profit and loss account

	2020	2021	2022	2023	2024
Sales	67,794	73,369	99,376	91,053	100,158
Gross Margins	33,600	35,898	49,432	46,665	51,331
Overhead costs	20,777	28,142	32,412	33,158	36,715
Other Income	(13,563)	(24,684)	(4,800)	(4,800)	(4,800)
Net Overhead costs	7,214	3,458	27,612	28,358	31,915
Net profit / (loss)	26,386	32,441	21,821	18,307	19,416
Interest cost	-	2,040	10,050	10,158	10,030
Corporation Tax	5,014	7,894	1,946	1,234	1,783
Net profit / (loss) after tax	21,372	22,507	9,825	6,915	7,603

Balance Sheet

	2020	2021	2022	2023	2024
Fixed assets	-	255,100	255,100	255,100	255,100
Current Assets					
Cash reserves	37,400	39,888	47,552	53,746	62,199
Other current assets	2,058	3,118	2,789	2,421	2,611
	39,458	43,006	50,341	56,167	64,810
Current Liabilities	(6,861)	(12,777)	(10,287)	(9,199)	(10,240)
Net current Assets	32,597	30,229	40,054	46,968	54,570
Long term loan	-	(80,000)	(80,000)	(80,000)	(80,000)
Net Assets	32,597	205,329	215,154	222,068	229,670
Capital and Reserves					
Share Capital	(10,550)	(160,775)	(160,775)	(160,775)	(160,775)
Reserves B/fwd	(675)	(22,047)	(44,554)	(54,379)	(61,293)
(Profit) / loss YTD	(21,372)	(22,507)	(9,825)	(6,914)	(7,603)
Net Capital Reserves	(32,597)	(205,329)	(215,154)	(222,068)	(229,670)

Cashflow Statement

	2020	2021	2022	2023	2024
Cash received	81,357	328,053	104,176	114,062	124,989
Cash paid	(57,660)	(325,565)	(96,512)	(107,868)	(116,535)
Net Cash received/ (paid)	23,697	2,488	7,663	6,194	8,454
Balance b/fwd	13,703	37,400	39,888	47,552	53,746
Balance c/fwd	37,400	39,888	47,552	53,746	62,199

The Community Share issue aims to raise a maximum of £260,000 to cover the above costs and to ensure that there is a reserve available for future share withdrawals. The Community Share issue will be supplemented by grants and loans as required.

We have secured a £15,000 grant and a £10,000 loan from local sources.

The share issue forms the major part of the funding. In 2019 we received over £100,000 in pledges during our first share offer.

The income and expenditure tables below demonstrate the position in terms of the maximum target share issue and the minimum.

Minimum Share Issue Forecast at 2021:

Income	£	Expenditure	£
Share Issue	130,000	Property Cost	235,000
Grants/loan/Bursary	25,000	Transaction Costs	1,500
Mortgage	80,000	Capital Cost Allowance	20,000
Reserves	21,000		
Total	256,000	Total	256,000

Maximum Share Issue Forecast at 2021:

Income	£	Expenses	£
Share Issue	260,000	Property Cost	235,000
Grants/loan/Bursary	25,000	Transaction Costs	1,500
		Capital Cost Allowance	48,500
Total	285,000	Total	285,000

WHAT IS A COMMUNITY SHARE OFFER AND WHAT ARE THE FEATURES OF THE SHARES TO BE OFFERED?

A Community Share Offer is a method of raising share capital from communities to invest in community enterprises for the social benefit of those communities. Following government legislation shares are offered by Community Benefit Societies (CBS) to provide a vehicle and management coordination for these ventures. CBS were established under the Cooperative and Community Benefit Societies Act 2014. CBS have been used across the country to finance numerous community projects including 150 Community Pubs and other ventures including shops, community building and renewable energy schemes.

The Westhall Community Pub Ltd (WCP) is a Community Benefit Society (CBS), established in July 2018, to manage and purchase The Racehorse pub for the benefit of the community of Westhall and surrounding villages.

This share offer is open to all individuals (aged over 18) and organisations wishing to become shareholders. Please note we cannot accept joint applications; please complete a share application for each person.

The shares are offered as part of a time limited share offer. The offer opens on 1st May 2021 and closes on 10th July 2021. The offer has set a minimum share sale of £130,000 and a maximum share sale of £260,000. If the minimum sale of £130,000 is not met the share offer will have deemed to have failed and shareholders funds will be returned. If the minimum share sales is met but ultimately funds are insufficient to secure the pub, then investors will be contacted and a decision made as to whether the share sale shall be extended for a further period of time.

Shares are being offered at a nominal price of £25 per share, with a minimum investment of 1 share, i.e. £25 and a maximum investment of 800 shares, or £20,000. By buying a share you become a member of the Society and are entitled to a vote at the AGM on the running of the Society and the election of the Management Committee. Each member has a single vote irrespective of the number of shares held.

It is important to note that these are Community Shares and not designed as an investment for gain but as an investment in your Community.

An interest rate payment is allowable to compensate for the use of money. WCP plans to pay interest on all shareholdings at an interest rate proposed by the Management Committee, based on the performance of the Society, and put to a vote of Members at the Annual General Meeting (AGM) The Society can only pay interest out of its trading profits and the rate of interest cannot exceed the higher of 5% or 2% above the Bank of England Base Rate. The Management Committee has recommended the rate for the first year will be 2%.

The assets of the Society are, by law, subject to an "Asset Lock" meaning you cannot, by statute take out more than you have invested. An Asset Lock restricts the use of surpluses so that should the business be sold, or dissolved, any residual surpluses remaining after all the members' share capital has been refunded must be transferred to another prescribed community benefit society, a community interest company, a charity, or a registered social landlord.

As WCP benefits from limited liability, the maximum that an investor can lose is the amount of the original investment.

Shares are not tradeable, with the exception on the holder's death, or bankruptcy, but are withdrawable on request. Investors may request withdrawal of all, or part, of their shares by giving three months' notice to the Management Committee. Shares cannot be withdrawn until three years have elapsed from the date the shares were issued and the Management Committee has the authority to refuse a withdrawal request if it is detrimental to the viability of the Society. Withdrawal can only be funded through Trading profits, or by further share issues. Full details of share ownership and the terms of withdrawal are set out in the Society Rules.

The Society will apply for Social Investment Tax Relief (SITR). This government scheme devised to encourage investment in Social Enterprises provides tax relief at 30% of the cost of investment for income tax payers.

Deferral of Capital Gains Tax is also available by utilising the proceeds of a transaction that would have been subject to Capital to invest in Community Share issue.

Holding of Community Shares may also be considered to be a Business Asset and therefore exempt from Inheritance Tax.

You should be aware that this share offer is unregulated and is not subject to FSMA 2000 or regulated by the FCA. As such there is no recourse to the Financial Compensation Scheme, nor to the Financial Ombudsman.

FREQUENTLY ASKED QUESTIONS

Will we be able to buy the pub?

The WCP has been renting the pub from the owner since December 2019. Part of this rental agreement also includes an option to purchase the Freehold of the Racehorse for £235,000. The WCP can either exercise this option or seek a separate agreement with the owner.

Why should I buy shares?

Your investment is vital in helping us purchase The Racehorse and bring it into community ownership. We are relying on substantial community support without which we will be unable to purchase the freehold of the premises and continue with the successful business that we have established over the past year. The more money we can raise through our share offer the less reliant we will be on raising capital through loans, mortgages and other sources.

Who will benefit from this project?

The residents of Westhall and the surrounding village communities will benefit directly by preserving this vital village pub. By making an investment you will be ensuring that The Racehorse is brought into community ownership and remains a hub for the village which can be enjoyed by both current and future generations.

What happens if insufficient capital is raised to buy the pub?

All subscriptions to this fundraising are recorded and will be retained by the Company. Should the minimum fundraising of £130,000 not be met then all subscribers' funds will be returned and the bid for the pub will fail.

If the funds raised is in excess of the minimum threshold, but insufficient to purchase The Racehorse, then subscribers will be consulted as to whether to extend the fundraising for a further set period in order to raise the required further funds. Should this extended period fail to raise

sufficient funds, and alternative sources not be found to bridge the difference then again funds will again be returned to the subscribers and The Racehorses' future will, regrettably, be in doubt.

How safe is my investment?

The Racehorse has traded profitably, in a difficult year, since December 2019. Although we will need to transition to a long-term management structure our financial projections forecast that the pub can be self-supporting and run profitably into the foreseeable future. These full financial projections and commentary can be found in the Business Plan. Your investment is also funding the purchase of a property which if the company cannot continue trading for any reason should provide some security for your investment.

What happens if the Racehorse fails as a business?

If the Racehorse were to fail as a business and becomes insolvent then either the Management Committee, or an insolvency practitioner would be obliged to realise the Company's assets to repay any mortgage providers and other creditors. Once these debts are resolved the remaining value will be available for distribution to shareholders and other community projects or charities. The Asset Lock rules mean that, if available, the shareholders will have the face value of their investment returned together with any accrued interest. Any surplus thereafter will be distributed to other community projects or charities nominated by the Management Committee.

Is this a good investment?

We have forecast that the business will be financially profitable, but this is a community venture rather than a profit-making exercise for shareholders. However, there are some financial benefits of making an investment, interest is planned to be paid, for use of your capital.

Tax relief through the SISR scheme may be allowable on 30% of your investment and there is also the possibility of deferring Capital gains by reinvesting capital proceeds in Community Shares. Further details and examples can be found on our website together with other documents concerning the share issue. A member of the committee would be delighted to discuss these schemes with anyone considering an investment.

What redress do I have if the business fails and I lose the value of my shares?

The share offer is exempt from the Finance Services and Markets Act 2000, or subsidiary regulations, which means there is no right of complaint to the Financial Ombudsman, nor can you apply to the Financial Services Compensation Scheme.

Can I influence the way The Racehorse is run?

By being a shareholder, you will be a member of the CBS and able to attend the Annual General Meeting and put motions forward for consideration at the meeting, you will have an equal vote with all other members regardless of their investment on these motions presented. You can also put yourself forward to be elected to the Management Committee and have a direct influence on the direction of the community enterprise.

How can I get my money back?

You cannot sell, or transfer, your shares (unless you die or become bankrupt), and withdrawals can only be funded from trading surpluses, or by the issuing of new shares. You will not be able to withdraw your shares for at least 3 years after the Share offer closes. After that time you may make an application to withdraw your shares by giving the Society's Management Committee three months' notice. However, the amount of shares that can be withdrawn at a particular time will depend on the funds available, and the need to maintain adequate reserves to secure the long-term interests of the Society as determined by the Management Committee.

This is consistent with the expectation that investing in The Racehorse is a long-term investment in your community rather than for personal gain. Before investing you may wish to consider whether to take independent financial advice.

What do I do if I have any further questions about the investment?

Our website contains the important documents relating to this share offer.

It is important that this Community Share Prospectus is read in conjunction with the Business Plan which outlines the background to the offer and our plans for the future development of the pub, including financial projections for future trading.

If you would like to discuss any of the plans we have set out, or have questions about the share offer then please contact the Secretary (email: info@westhallpub.com) and they will put you in touch with a member of the committee who will; be delighted to discuss our plans with you hopefully in person, or over the phone.

I'm in - how do I buy shares?

That's great that you have taken the decision to invest in helping to safeguarding The Racehorse and keep the pub running as a vital hub of the community for current and future generations of villagers.

Please go online and complete the Share Application Form at www.westhallpub.com or complete the Share Application Form at the end of this document. Details of the bank account to send your investment can be found on these forms. You will receive a letter confirming your subscription and will be issued with a share certificate on the successful completion of the Share Offer.