



The Locks Inn

ONE PUB. 500 CAREFUL OWNERS.

Community Share Prospectus



“We’re going all in - The Locks, stock and two frothing barrels!”

TIME LIMITED OFFER: Open from 15th January 2021 and closing 15th March 2021



Our Vision. Imagine if ...

- ...we secured the irreplaceable three hundred year old heritage of this iconic pub for the future, together?
- ...we reinforced the pub's role as a buzzing cultural hub for Norfolk and Suffolk alike?
- ...we reinvigorated the pub as a thriving venue for musicians and music lovers, contemporary and traditional, local, national and beyond?
- ...we enjoyed the sound of story-tellers practising their art by candle-light, hosted theatre productions and showcased art exhibitions?
- ...we celebrated and served up the best quality local food and drink?
- ...we created the greenest, fairest, best pub in Britain? Or even the world?!

This compelling vision needs YOU!

And with your help and investment we can achieve it by...

- ...drawing in over 500 shareholders to create a broad sense of community ownership
- ...building a truly democratic organisation that reflects the wishes of its members and the wider community
- ...bringing in those with a strong historical connection to the pub and attracting new generations of customers, supporters and volunteers
- ...re-establishing a great pub in which the shareholders have the opportunity to get involved in real and practical ways
- ...making the Locks Inn a truly sustainable pub - economically free from rent-seeking freeholders, socially generous and inclusive and environmentally zero carbon

This is a once in a generation opportunity to relaunch the Locks Inn as an authentic 'Public House', owned, run by and for the community.

For the twenty-first century, and beyond.

Please join us!



<u>CONTENTS</u>	<u>PAGE</u>
1. Offer Summary	4
2. Introduction	5
3. Background	6
4. The Community Share Offer	7
5. Our Mission and Projected Benefits to the Community	9
6. Financial Projections	10
7. Management of The Locks Inn Community Pub	22
8. Frequently asked questions	23
9. Application form	25

1. OFFER SUMMARY

- You are being invited to invest in The Locks Inn Community Pub Limited ('LICP'/'Society') through the purchase of Community Shares.
- LICP, a Community Benefit Society, has been established to purchase, refurbish and reopen The Locks Inn (the 'Pub') for the benefit of the community.
- LICP's vision is for The Locks Inn to be one of the greenest, fairest and best run community pubs in the UK, serving the needs of both the local and wider community.
- The Society is seeking to raise a minimum of £300,000 and a maximum of £600,000 from this share offer.
- Shares will have a nominal value of £50 each and the minimum investment is 1 share (£50) and the maximum is 1,000 shares (£50,000)
- **The share offer will open on 15th January 2021 and will close on 15th March 2021**
- This share offer is open to individuals, companies and other corporate organisations.
- LICP has received a conditional offer of a grant and loan totalling £100,000 from the "More than a Pub" programme.
- A detailed business plan setting out the proposal in full can be viewed on our website www.savethelocks.com
- This share offer is not subject to the Financial Services Markets Act 2000 nor covered by the Financial Services Compensation Scheme and investors will have no recourse to the Financial Ombudsman.
- This Share Offer has been awarded the Community Shares Standard Mark. The Community Shares Standard Mark is awarded by the Community Shares Unit 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 please go to: www.communityshares.org.uk



- **You should be aware the value of your investment could fall, and the amount returned could be lower than your investment.**
- **If you are unsure whether to invest or not it is recommended that you consult with a professional advisor.**

2. Introduction

The Locks Inn, Geldeston was purchased by a private group of local individuals on 4 November 2020 after very short notice of closure and auction of the pub.

There was a huge amount of community support for the idea of running this iconic venue as a community pub and having formed a Community Benefit Society to own and run the pub we are now ready for you to get involved.

Please read this prospectus together with the business plan (available on our website – www.savethelocks.com) - and consider whether you are able to support the project through this share offer. Investments are welcome from £50 to £50,000.

As a member you will not only own your own share of The Locks Inn but also have a say in its running and its future as the best pub in the world!

The Locks Inn Community Pub Limited (LICP) is a Community Benefit Society which is registered with the Financial Conduct Authority under the terms of the Cooperative and Community Benefit Societies Act 2014. The register number is 8526 and the registered office is 2 Yarmouth Road, Hales, Norfolk, NR14 6SP.

The LICP is owned and managed by its members, for the benefit of the community and was set up to purchase, refurbish and reopen The Locks Inn.

Its constitution is set out in its Rules which are based on the Plunkett Foundation's Model Rules for Community Ownership. The Society's Rules can be viewed on our website www.savethelocks.com

LICP is run as a not-for-profit organisation and any surpluses generated by it must be used either to further the business through reinvestment or distributed to community organisations within its community.

All assets are locked in the CBS and used solely for community benefit with any surplus profits being re-invested in the business or used solely for the benefit of the community as a whole. The purpose of an asset lock is to ensure that the community benefit of any retained surplus or residual value cannot be appropriated for private benefit of members. Having an asset lock is important as it provides assurance that the surplus ("profit") or residual value (e.g. if the venture was unsuccessful and the assets sold – members would get no more than what they put in and the remaining balance would be invested into a suitable community project) goes to the community and not the members (investors).

More information about the Community Share issue and Community Benefit Societies is set out in section 4.

3. Background

The Locks Inn has been the social and community hub of the Waveney Valley for generations.

The Locks Inn is an iconic pub in an iconic location. It may seem isolated on the river in the middle of nowhere but it is a really important part of life for residents of a large area of Norfolk and Suffolk. It is of particular importance to the residents of the Waveney Valley including the towns of Beccles and Bungay and dozens of villages on either side of the river. It can be reached by footpaths on both the Norfolk and Suffolk sides of the river, by a long vehicle track and by various types of river craft along The Waveney, including the Big Dog Ferry which runs from Beccles Lido to the pub during the summer months. The Locks Inn is a place to meet old friends and to make new ones. It is a special place for local musicians and music lovers. Many thousands of people have a really strong emotional attachment to the place.

On 21 September it was discovered that the pub was up for sale and would go under the hammer at auction on 21 October. The sale details implied that alternative uses for the site could be possible. There was a real risk that, at auction, the pub could be snapped up by a developer with very different plans, and that generations of social heritage could be lost.

A few local people immediately got together with more friends and neighbours to form a group with the view to creating a community-owned and community-run pub that retained all the positive elements of the past and reached out to an even greater range of people in the future. The group included people with skills in accountancy, commerce, fundraising, local government and much more besides. The response to our appeal has been overwhelming and we have been staggered by the offers of help and investment: we knew it was a special place but we didn't realise quite how many other people felt the same way. It may be a tough time to be taking on a pub but we are convinced that in community ownership it will thrive.

We have already received scores of offers of practical help with equipment and everything from cleaning and decorating to carpentry and business advice! We will be calling on many of these offers in the near future to help get the pub up and running again, but the most urgent need is your financial investment in these Community Shares to help repay the short-term loans and ensure that any major works can be paid for.

We have support from the Parish Councils on both sides of the river and from County and District Councillors of all political persuasions. We also have strong support from the Broads Authority and the River Waveney Trust.

Our community engagement has identified a clear desire to create an inclusive pub with a strong music emphasis and a commitment to providing good quality local food and drink.

4. The Community Share Offer

This is a time-bound Community Share offer to raise money for the purchase and relaunch of The Locks Inn and is open to anyone wishing to become a shareholder.

The **minimum** fundraising target from this share offer is **£300,000** and the **maximum** is **£600,000**.

Our target of £600,000 would repay bridging loans outstanding from the purchase of The Locks Inn for £405,000, pay for the improvements required in order to open the pub as detailed in the business plan, provide working capital and create a contingency reserve.

In the unlikely event that the share offer is under subscribed and insufficient grant finance is raised to make up the shortfall by 15 March 2021, the freehold of the premises will be sold on the open market (probably by public auction). In this event the proceeds of the sale will be distributed firstly to the providers of loans and grants. The remaining funds will be distributed to Shareholders in proportion to their shareholding and the company wound up. Aside from the purchase cost of £405,000 we have spent £9,750 on stamp duty and around £6,000 on fees and insurance.

The offer **opens on 15th January 2021** and **closes on 15th March 2021**. Applications will be accepted at the Management Committee's discretion.

Individuals (aged 16 years and over), companies and organisations can apply for membership by subscribing to at least one share and supporting the Society's purpose. The Society's Rules can be viewed on our website www.savethelocks.com. Shares have a nominal value of £50 and the minimum investment is one share. We have a lot of money to raise and encourage you to buy a larger number of shares if you can! It is possible to nominate a person to receive your shares upon your death. There is no annual membership subscription for members.

Each investor will have one vote regardless of the number of shares they buy. The maximum investment by one member is 1,000 shares. This is to avoid control of the project being deemed to sit with a small number of investors and is in line with best practice in the sector.

If the share offer is oversubscribed the Management Committee reserves the right to refuse part or all of an application for shares.

Community Shares do not go up in value, but they may go down.

You should be aware that this share offer is unregulated. It is not subject to the Financial Services and Markets Act 2000. Additionally, there is no recourse to the Financial Compensation Scheme nor to the Financial Ombudsman. This investment should be viewed as an investment in your community.

Community Shares behave very differently to ordinary shares and we advise that you read the guide which can be viewed on our website - www.savethelocks.com

Community Shares cannot be sold or transferred (except on death or bankruptcy). They may, however, be withdrawn from the society after three years.. After the initial three year period withdrawal requests may be made to the Management Committee, which at its discretion will repay the nominal amount of the shares to be withdrawn, subject to the conditions specified in the rules (please see part 8 of the society rules for details). The Management Committee will have the authority to refuse a withdrawal request if it would endanger the viability of the Society. If it is not possible to repay at that time requests will be held in a queue. In the annual financial accounts it will be made clear what reserve is available for share withdrawals in the following year.

No dividends are paid on Community Shares. Profitable trading will allow us to pay interest as described in the society rules at paragraph 8.5. For the first three years it is anticipated that profits will need to be reinvested in the fabric of the pub but in subsequent years we hope to be able to pay interest to our shareholders. This would be subject to the agreement of shareholders at the AGM.

LICP has received advance assurance from HMRC stating that, based on the information provided, HMRC should be able to authorise LICP to issue compliance certificates under the terms of the Enterprise Investment Scheme (EIS), in respect of shares purchased. The income tax relief of 30% means that if you invest £1,000 (for example) you would be entitled to a £300 offset against your income tax bill. Of course this only works if you have paid that much tax but there are options to spread over more than one tax year. A copy of the assurance is available to view on our website – www.savethelocks.com

If for whatever reason The Locks Inn is sold, shareholders would be repaid their investment after repayment of all debts. Any resulting surplus would, in accordance with the Society's Rules, be paid to a charitable or community body.

It is important to note the value of the shares will not increase. The only financial benefit for members is any interest paid annually and any initial tax relief that may be obtained.

As LICP benefits from limited liability, the maximum that an investor could lose is the value of their shareholding.

The Business Plan and the Society's Rules can be viewed on our website www.savethelocks.com and can be requested from the Company Secretary.

You can join the project and help secure the future of the pub by subscribing for shares and becoming a member.

It is important that you read the document carefully in full before deciding whether you want to subscribe for shares.

We will promote this Community Share Issue using our extensive supporter network on social media and via email as well via a printed flyer and other media outlets. **More information is provided in Appendix 6 of Business Plan which can be found on our website -www.savethelocks.com**

If you are unsure whether to invest or not it is recommended that you consult with a professional advisor.

5. Our Mission and Projected Benefits to the Community

LICP's vision is for the Locks Inn to be one the fairest, greenest and most democratically run community pubs in Britain if not the world. The residents of the Waveney Valley and surrounding areas will benefit from having an important social amenity secured for present and future generations, both through the direct provision of services but also because the pub will help to create a stronger, more vibrant and cohesive community in which to live. The pub will also provide employment and youth training opportunities for local people.

We will be a community owned pub that will be the social and community hub of the Waveney Valley and beyond. We will preserve the traditions behind its iconic status, and serve the needs of the local and wider community.

Our community engagement clearly demonstrates the desire for a fully inclusive pub with a strong music emphasis and good quality local food and drink.

As a community business, LICP aspires to have an engaged and participative body of members. There will be plenty of opportunities in which a member can play a part in the organisation's success. More information is provided in Appendix 6 of Business Plan which can be found on our website - www.savethelocks.com

AIMS & VALUES

- A pub genuinely owned by the community, with a diverse and representative mix of owners
- A pub that encourages community involvement in setting its direction and values, and participation in local events.
- A fully inclusive family friendly pub that promotes social cohesion and addresses isolation for a dispersed rural community
- A pub with a strong commitment to local and independent sourcing for food and drink offers
- A pub that is net zero carbon, that even exports renewable energy back to the grid.
- A pub that utilizes its unique location in the Broads National Park to act as a focal point for environmental education
- A pub that provides a welcoming space for musicians and music lovers to enjoy a wide range of music, including traditional music, local bands and inclusive music sessions.
- A pub that provides a venue available for locals to hire, such as for weddings.
- A pub that provides a venue for local artists to exhibit their work, and for local theatre productions and storytelling events.
- A pub that is financially viable for the long term
- A manager who is knowledgeable about, and shares the traditional values of the pub and is friendly, efficient and welcoming
- A pub offering a range of well-kept beers, ales, lagers and ciders including vegan and gluten-free options alongside a good range of 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.
- A pub that actively promotes sustainable transport by encouraging visitors on bikes, on foot, by canoe and the Big Dog Ferry. Visitors will also be welcomed by other modes of course!

6. Financial Projections

The freehold of the pub has been purchased at £405,000, which came to a total of £418,127 after fees and stamp duty. A survey was commissioned and has not revealed any issues that have not been considered and planned for.

A new sewage treatment system is required to conform with Environment Agency regulations at an estimated cost of £42,000, totalling £50,000, including installation.

An expected £40,000 is required to re-equip the pub prior to re-opening and to undertake any repairs; only basic maintenance had been undertaken by previous owners.

An estimate of £100,000 has been allowed to connect to the national grid.

The Community Share issue aims to raise a maximum of £600,000 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.

The pub was purchased using unsecured bridging finance from private individuals. This finance is interest free but is intended to be short-term. If the share issue falls short of the target some of this bridging finance may need to be converted to a commercial loan. However, at least two major lenders have stated that they would be prepared to extend the loan period.

We have secured a £50,000 grant and a £50,000 loan under the “More than a Pub” scheme.

The share issue forms the major part of the funding. We currently have almost 500 people who have expressed an interest in purchasing Community Shares. While many of these pledges are for unspecified amounts those stating an amount add up to over £200,000.

Current Financial Position - Income & Expenditure Statement to 11th January 2021:

Income & Expenditure Statement		29th September 2020 -
11 January 2021		
Income		
Bridging Loans	£589,101.00	
Smaller Loans	£58,905.00	
Crowdfunder	£7,939.17	
Donations	£76.00	
Total income		£656,021.17
Expenditure		
Purchase price	£405,000.00	
Stamp duty	£9,750.00	
Legal fees & disbursements & auction fee	£3,377.02	
Insurance	£1,288.74	
Website, survey, Pew	£231.45	
ACV Consultancy	£850.00	
Membership & Registration	£562.00	
Loan Repayments	£189,101.00	
Total expenditure		£610,160.21
Balance at bank 11 Jan 2021		£45,860.96

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

Minimum Share Issue

Income	£	Expenses	£
Share Issue	300,000	Property Cost	418,127
Grants/loan/Bursary	201,250	Capital Cost (Sewerage, Generator)	70,000
Short term loans ¹	479,981	Refit & Repair Costs	10,000
		Short Term Loan Repayment ¹	479,981
		Balance	3,123
Total	981,231	-	981,231

Maximum Share Issue

Income	£	Expenses	£
Share Issue	600,000	Property Cost	418,127
Grants/loan/Bursary	101,250	Capital Cost (Sewerage, Generator)	170,000
Short term loans ¹	479,981	Refit & Repair Costs	40,000
		Short Term Loan Repayment ¹	479,981
		Balance	73,123
Total	1,181,231		1,181,231

Five Years' Year-on-Year Summary Projected Profit & Loss

Maximum Share Issue

P&L Year 1				£
Takings				325,050
Purchases				115,000
Gross Profit				210,050
Total Expenses and Costs				167,293
Balance				42,127
Other Income				4,850
Net Profit before Managers' Bonus				46,977
Managers' Bonus				7,276
Employer's NI on Bonus				1,004
Adjusted Net Profit				39,702
P&L Year 2				
Takings				357,555
Purchases				126,500
Gross Profit				231,055
Total Expenses and Costs				188,267
Balance				42,788
Other Income				4,850
Net Profit before Managers' Bonus				47,638
Managers' Bonus				7,390
Employer's NI on Bonus				1,020
Adjusted Net Profit				40,248
P&L Year 3				
Takings				411,188
Purchases				145,475
Gross Profit				265,713
Total Expenses and Costs				192,765
Balance				72,948
Other Income				4,850
Net Profit before Managers' Bonus				77,798
Managers' Bonus				12,592
Employer's NI on Bonus				1,738
Adjusted Net Profit				65,206
P&L Year 4				
Takings				472,866
Purchases				167,296
Gross Profit				305,570
Total Expenses and Costs				293,623
Balance				11,947
Other Income				4,850
Net Profit before Managers' Bonus				16,797
Managers' Bonus				2,069
Employer's NI on Bonus				286
Adjusted Net Profit				14,727
P&L Year 5				
Takings				543,796
Purchases				192,391
Gross Profit				351,406
Total Expenses and Costs				302,178
Balance				49,228
Other Income				4,850
Net Profit before Managers' Bonus				54,078
Managers' Bonus				8,500
Employer's NI on Bonus				1,173
Adjusted Net Profit				45,577

Minimum Share Issue

P&L Year 1			£
Takings			325,050
Purchases			115,000
Gross Profit			210,050
Total Expenses and Costs			167,923
Balance			42,127
Other Income			4,850
Net Profit before Managers' Bonus			46,977
Managers' Bonus			7,276
Employer's NI on Bonus			1,004
Adjusted Net Profit			39,702
P&L Year 2			
Takings			357,555
Purchases			126,500
Gross Profit			231,055
Total Expenses and Costs			188,267
Balance			42,788
Other Income			4,850
Net Profit before Managers' Bonus			47,638
Managers' Bonus			7,390
Employer's NI on Bonus			1,020
Adjusted Net Profit			40,248
P&L Year 3			
Takings			411,188
Purchases			145,475
Gross Profit			265,713
Total Expenses and Costs			192,765
Balance			72,948
Other Income			4,850
Net Profit before Managers' Bonus			77,798
Managers' Bonus			12,592
Employer's NI on Bonus			1,738
Adjusted Net Profit			65,206
P&L Year 4			
Takings			472,866
Purchases			167,296
Gross Profit			305,570
Total Expenses and Costs			248,623
Balance			56,947
Other Income			4,850
Net Profit before Managers' Bonus			61,797
Managers' Bonus			9,832
Employer's NI on Bonus			1,357
Adjusted Net Profit			51,965
P&L Year 5			
Takings			543,796
Purchases			192,391
Gross Profit			351,406
Total Expenses and Costs			257,178
Balance			94,228
Other Income			4,850
Net Profit before Managers' Bonus			99,078
Managers' Bonus			16,263
Employer's NI on Bonus			2,244
Adjusted Net Profit			82,815

The Society will apply for investment from the Community Shares Booster Programme. Under this programme, up to £25,000 is available to match applications for shares from the public. LICP will

seek to secure an equity investment from the Booster Programme for this offer. If successful, it would mean that for every pound invested by individuals up to £25,000, another pound will be invested in matched shares.

Once The Locks Inn is re-opened, we are confident it will be financially viable. Full detailed financial projections are included in our Business Plan, which can be viewed and downloaded from our website at www.savethelocks.com

Five-year cash flow predictions for both the maximum and minimum share issue have been included below.

CASHFLOW FORECAST						
	£	£	£	£	£	£
	Pre Start	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Income	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
Opening Balance		73,123	120,100	165,167	237,137	251,271
Share Issue	600,000					
Share Booster						
New Shares Issued						
Grants/loan/Bursary	101,250					
Short term loans ¹	479,981					
Bank Interest		50	50	50	50	50
Gross Profit		210,050	231,055	265,713	305,570	351,406
Rent - Managers Accommodation		4,800	4,800	4,800	4,800	4,800
Total Income	1,181,231	288,023	356,005	435,731	547,557	607,527
Property Cost	418,127					
Capital Cost (Sewerage, Generator, Grid)	170,000					
Refit & Repair Costs	40,000					
Short Term Loan Repayment ¹	479,981					
Plunkett Loan Repayment		17,700	17,700	17,700	3,767	
Total Start-Up & Capital Costs	1,108,108	-	-	-	-	-
Balance	73,123	270,323	338,305	418,031	543,790	607,527
Operating Costs						
Manager's Salaries		44,313	45,199	46,103	47,025	47,966
Staff Wages/Salaries		45,600	47,880	50,274	52,788	55,427
Rates & Water		7,680	7,834	7,990	8,150	8,313
Light & Heat		16,000	16,320	16,646	16,979	17,319
Telephone & Mobile		1,000	1,020	1,040	1,061	1,082
Repairs & Renewals		12,500	12,750	13,005	16,256	17,882
Licenses & Insurances		2,840	2,897	2,955	3,250	3,575
Postage, Stationery & Advertising		1,300	1,326	1,353	1,690	1,724
Entertainment		9,000	9,180	9,364	10,768	11,845
Accountancy		1,440	1,440	1,440	1,460	1,460
Cleaning & General		5,250	5,355	5,462	6,555	7,865
Sundry Expenses		1,000	1,020	1,040	1,500	1,530
Bank Charges		2,300	2,346	2,393	2,441	2,490
Manager's Bonus			7,276	7,390	12,592	2,069
Employer's NI on Manager's Bonus			1,004	1,020	1,738	286
Interest payable to members					30,000	30,000
Share Withdrawals					60,000	60,000
Corporation tax			10,291	13,418	18,266	20,538
Total Operating Costs		150,223	173,138	180,893	292,519	291,371
Total Expenditure		150,223	173,138	180,893	292,519	291,371
Net Cash Flow		120,100	165,167	237,137	251,271	316,156

CASHFLOW FORECAST						
	£	£	£	£	£	£
	Pre Start	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Income	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
Opening Balance		3,123	50,100	95,167	167,074	226,144
Share Issue	300,000					
Share Booster						
New Shares Issued						
Grants/loan/Bursary	201,250					
Short term loans ¹	479,981					
Bank Interest		50	50	50	50	50
Gross Profit		210,050	231,055	265,713	305,570	351,406
Rent - Managers Accommodation		4,800	4,800	4,800	4,800	4,800
Total Income	981,231	218,023	286,005	365,731	477,494	582,400
Property Cost	418,127					
Capital Cost (Sewerage, Generator)	70,000					
Refit & Repair Costs	10,000					
Short Term Loan Repayment ¹	479,981					
Plunkett Loan Repayment		17,700	17,700	17,700	3,767	
Total Start-Up & Capital Costs	978,108	-	-	-	-	-
Balance	3,123	200,323	268,305	348,031	473,727	582,400
Operating Costs						
Manager's Salaries		44,313	45,199	46,103	47,025	47,966
Staff Wages/Salaries		45,600	47,880	50,274	52,788	55,427
Rates & Water		7,680	7,834	7,990	8,150	8,313
Light & Heat		16,000	16,320	16,646	16,979	17,319
Telephone & Mobile		1,000	1,020	1,040	1,061	1,082
Repairs & Renewals		12,500	12,750	13,005	16,256	17,882
Licenses & Insurances		2,840	2,897	2,955	3,250	3,575
Postage, Stationery & Advertising		1,300	1,326	1,353	1,690	1,724
Entertainment		9,000	9,180	9,364	10,768	11,845
Accountancy		1,440	1,440	1,440	1,460	1,460
Cleaning & General		5,250	5,355	5,462	6,555	7,865
Sundry Expenses		1,000	1,020	1,040	1,500	1,530
Bank Charges		2,300	2,346	2,393	2,441	2,490
Manager's Bonus			7,276	7,459	12,661	9,901
Employer's NI on Managers' Bonus			1,004	1,029	1,747	1,366
Interest payable to members					15,000	15,000
Share Withdrawals					30,000	30,000
Corporation tax			10,291	13,403	18,251	24,545
Total Operating Costs		150,223	173,138	180,957	247,583	259,291
Total Expenditure		150,223	173,138	180,957	247,583	259,291
Net Cash Flow		50,100	95,167	167,074	226,144	323,109

In summary, it shows the different sources of funding pre-start when it is planned to raise £600,000 through the share issue, which, along with the loans, grants and bursary, is sufficient to cover the cost of the sewage plant, refit & repairs, and connection to the National Grid. The £479,981 raised in short term loans that covered the purchase of the pub will be repaid in full, hence, the Short-Term Repayment balancing entry, above. If the minimum level only of £300,000 is raised through the share issue, the connection to the national grid will be delayed until financially viable, the refit will be basic and include a pared down stock level totalling £2,750. However, a local brewery is a keen supporter of TLICP and will allow excellent initial credit terms. In addition, a mortgage will be applied for via the Co-operative & Community Finance to the value of £100,000 (see below).

In the two scenarios – a) raising the maximum £600,000 through the share issue or b) if the minimum £300,000 only is raised, it is assumed that the reserve for and running costs of the

generator will be required in both scenarios. The best-case scenario of raising £600,000 will include an allowance to enable the pub to connect to the national grid. If the cost is significantly higher than £100,000 the options would be to offer a supplementary share issue, seek additional funding, either grant or funding via debt or from retained earnings.

The short-term loans were a function of the very tight time constraints; there was no time to prepare a share issue as the pub was listed for sale by auction. There was also no time to incorporate as a Community Benefit Society (CBS), hence, the decision to first create a Limited company - to be able to purchase the pub, while the CBS process was underway.

The priority is the repayment of the short-term loans through the share issue and grants, the MTAP grant & loan and other grants or bursaries currently being actively investigated. The balance from the share issue and grants after repayment of the short-term loans provides the working capital to begin trading. The remainder of the forecast reflects the trading surplus based on the projected profits and costs. This builds a positive balance year on year.

It should be noted that the projections are based on pub trade only - during year one, the Management Committee will investigate potential diversification opportunities, which will serve two purposes: first and foremost, to provide opportunities for the local community to become involved and secondly, to generate a secondary revenue to augment the pub trading revenues and lead to enhanced financial stability, especially considering the current Covid-19 pandemic and the potential for restrictions in the Spring/early Summer 2021.

The Five Year Cashflow shows increasing projected net cash flow year on year based on a Gross Profit Percentage (GPP) of 65%. The GPP is based on actual trading figures as below.

Operating Costs projections are based on prior pub trading figures for 2016/2017, 2017/2018, 2018/2019, along with the summer of 2020, which was a very important consideration given the restrictions that were in place because of the Covid-19 pandemic, when the pub still made a profit. The projections also benefit from no need to include a rental figure.

It is assumed that staff levels will remain at least at the same level as the rotas historically required for summer and winter staffing, on which staff costs in the financial projections are based. However, as it is planned to increase the number of events during the lucrative Spring and Summer months, staff levels have been enhanced to reflect this expected increase in trading.

It is also assumed that all staff will receive the real living wage for their age group, which, again, is reflected in the staff costs in the financial projections.

The LICP has already received a tremendous number of offers to assist by volunteers. When considering the staffing levels and costs, it was assumed that the Management Committee could call on volunteers to help during periods of unprecedented demand, such as at peak times during an event. Help would include assistance behind the bar and with glass collection, clearing tables, food prep and clean down.

It is assumed that restrictions due to the Covid-19 pandemic might still be in place into early Summer 2021. As such, the aim is to replicate its success by providing a simple, popular menu, with longer daytime hours allocated for food service, covering breakfasts, brunches, lunches, and main meals. The focus is on daytime/early evening service based on the assumption that the pub might have to close early if, for example, a curfew exists.

The trading figures are without any consideration of potential future capital expenditure. The Management Committee will be investigating the potential of purchasing such items as marquees, to enable service to continue in inclement weather, catering size BBQ equipment, a pop-up outdoors bar and potentially a pizza oven for outside. This will further enhance the revenues and profitability.

The current level of fund raising is considered sufficient. However, it might be in future the Management Committee would consider open share sales or seek further grants or loans. For

example, Co-operative & Community Finance could potentially provide a loan of up to a further £100,000, but as this would need to be secured on the pub and require a repayment term of up to 20 years, the Management Committee is not currently considering this as an option. This would remain an option should the minimum share value be raised. In the event a level in between the maximum and minimum is attained the capital expenditure and/or need for an additional loan will be assessed and the financial projections adjusted accordingly.

The cash-flow projections include repaying the MTAP £50,000 loan in just over 3 years, well within the 8 years typically allowed.

Balance Sheet – Maximum Share Issue

The Locks Inn Community Pub Limited								
Balance Sheet								
		Current	01/04/2021	28/02/2022	28/02/2023	28/02/2024	28/02/2025	28/02/2026
Fixed Assets								
Freehold Property		418,127	588,127	579,627	571,127	562,627	554,127	545,627
Fixtures and Fittings		67	40,000	32,500	25,000	17,500	10,000	2,500
		418,194	628,127	612,127	596,127	580,127	564,127	548,127
Current Assets								
Cash and Bank		67,051	79,258	120,100	165,389	234,848	246,266	298,739
Stock		0	3,750	4,000	4,250	4,500	5,000	5,500
Debtors		0	0	0	0	0	0	0
Prepayments		1,181	0	0	0	0	0	0
		68,232	83,008	124,100	169,639	239,348	251,266	304,239
Current Liabilities								
Loans		479,981	50,000	35,786	20,393	3,722	0	0
Creditors		0	3,750	24,617	32,480	43,459	79,657	92,785
Accruals		310	0	0	0	0	0	0
		480,291	53,750	60,403	52,873	47,181	79,657	92,785
Net Assets		6,135	657,385	675,824	712,893	772,294	735,736	759,581
Represented by:								
Share capital		0	600,000	600,000	600,000	600,000	540,000	480,000
Profit reserve		6,135	57,385	75,824	112,893	172,294	195,736	279,581
		6,135	657,385	675,824	712,893	772,294	735,736	759,581

Balance Sheet – Minimum Share Issue

The Locks Inn Community Pub Limited								
Balance Sheet								
		Current	01/04/2021	28/02/2022	28/02/2023	28/02/2024	28/02/2025	28/02/2026
Fixed Assets								
Freehold Property		418,127	488,127	479,627	471,127	462,627	454,127	445,627
Fixtures and Fittings		67	10,000	8,000	6,000	4,000	2,000	0
		418,194	498,127	487,627	477,127	466,627	456,127	445,627
Current Assets								
Cash and Bank		67,051	79,258	120,100	165,389	234,848	246,266	298,739
Stock		0	2,750	4,000	4,250	4,500	5,000	5,500
Debtors		0	0	0	0	0	0	0
Prepayments		1,181	0	0	0	0	0	0
		68,232	82,008	124,100	169,639	239,348	251,266	304,239
Current Liabilities								
Loans		479,981	200,000	185,786	170,393	153,722	150,000	150,000
Creditors		0	2,750	24,617	32,480	43,459	64,657	77,785
Accruals		310	0	0	0	0	0	0
		480,291	202,750	210,403	202,873	197,181	214,657	227,785
Net Assets		6,135	377,385	401,324	443,893	508,794	492,736	522,081
Represented by:								
Share capital		0	300,000	300,000	300,000	300,000	270,000	240,000
Profit reserve		6,135	77,385	101,324	143,893	208,794	222,736	282,081
		6,135	377,385	401,324	443,893	508,794	492,736	522,081

7. Management of The Locks Inn Community Pub

Community Benefit Societies are run on a democratic basis, with each member having one vote.

The running of the society is the responsibility of the Management Committee, which in turn will delegate the day to day running of the pub to a manager.

The Locks Inn Community Pub will be run for the benefit of the community and the Management Committee will not gain financially from the society. The Management Committee has already put huge amounts of time and work into this project and will continue to do so. The reward will be a thriving pub and new friendships.

The Management Committee is, so far, made up of volunteers who came forward during the planning stage of the project. If you would like to get involved, please do let us know. There are a maximum of 12 places on the Management Committee. At each AGM the members of the Society will elect the Management Committee from within the membership of the Society. The Management Committee members are elected for a period of three years except for the start-up Management Committee who serve for one year initially. Full details can be found in the Society's Rules on the website at www.savethelock.com

Members of the current Management Committee are listed. Bios have been included in the business plan. We are all active members of the community in the Waveney Valley and we all love The Locks. We have a broad variety of skills and experiences to draw on and have been calling on experts such as the Plunkett Foundation to fill in the gaps in expertise.

At this stage there no conflicts of interest and no vested interests. If such an interest arises, the affected Committee Member(s) will be excluded from taking part in any decision making pertaining to that interest.

The Management Committee comprises::

- **Graham Elliott (Chair)**
- **Pauline Midwinter (Secretary)**
- **Louisa Yallop (Treasurer)**
- **Brian Medd-Sygrove**
- **Toby Hammond**
- **Christine Pinsent**

We also have four working groups that are made up of a combination of the above Committee members, plus additional people with relevant expertise and enthusiasm. These working groups will report to and support the work of the Management Committee and the pub managers. The four working groups are as follows:-

- **Admin** for shares, accounts, grants.
- **Buildings** for building repairs and enhancement, drainage, energy.
- **Events** for events, publicity and social media
- **Equipment** for equipping the pub in readiness for opening

Thank you so much for reading this prospectus. It has been written in good faith and we have taken care that the information is as accurate as possible at the date of production. We very much hope that you share our excitement and vision for The Locks and will join us as members.

8. Frequently Asked Questions

Why should I buy Shares? The Locks Inn Community Pub (LICP) needs your investment to help relaunch The Locks Inn. Without sufficient investment from the community LICP will be unable to pursue the Business Plan and the chance of a vibrant community owned pub may be lost.

Who will benefit from this project? The residents of the Waveney Valley and surrounding areas will benefit from having an important social amenity secured for present and future generations, both through the direct provision of services but also because the pub will help to create a stronger, more vibrant and cohesive community in which to live. The hub will also provide employment opportunities for local people.

Is this a good business proposition? LICP expects that the pub will be financially sustainable. It has prepared financial projections based on the perceived specific strengths and weaknesses of the pub and on real historic figures for the years 2016-2018. These show that the Locks Inn can be successful. There are now over 100 community owned pubs in the UK and 20 in East Anglia. None has failed to date. Full details of our forecasts are shown in the Business Plan.

Have you paid a fair price for the Pub? LICP believes the total cost of buying and refurbishing the pub is reasonable, the pub was purchased in a pre-emptive bid at the auction guide price and the business plan will enable it to establish itself as a going concern.

Who are the people behind LICP and what do they stand to gain? The Management Committee currently consists of a group of local residents whose details are given above and in the business plan. They care positively about the future of the Locks Inn. They will also be investing in this share issue. They will have no personal financial interest in the project, above and beyond their own investment in shares. They have contributed a large amount of time to the project so far, at no cost to LICP.

Will my shares give me voting rights? Yes. A Community Benefit Society is an open and democratic organisation. One Member receives one vote on issues determined by members, irrespective of how many shares that member has purchased.

Who will run the pub and make the day-to-day decisions about the business? The Management Committee will oversee the business of LICP. Experienced manager(s) will be employed to oversee the running of the pub business. The employment contract will set out the obligations and responsibilities of the manager(s) and LICP (the employer). Arrangements will be put in place with the manager(s) to monitor performance against agreed community focused objectives. There will be an open and regular dialogue between the manager(s) and the Management Committee with one member of the Management Committee having responsibility for overseeing the manager(s). The views of members and customers will be actively sought by the committee.

Can I get my money back? You will be unable to withdraw your shares for the first three years after purchase. Thereafter you will need to give at least three months' notice of your wish to withdraw shares. Shares can neither be sold nor transferred to someone else. Withdrawals must be funded from surpluses generated by the business or from new share capital raised from members. The Management Committee may decline requests for withdrawals depending on the long-term interests of the society, its need to maintain adequate reserves, and LICP's commitment to community benefit.

Can I make a profit on my capital investment? No. LICP is a Community Benefit Society (CBS), which means that no individual can make a capital gain from their investment. If the assets of the CBS are sold for a profit, any surplus after costs and expenses must be applied to other community causes in

the local area. Shareholders can be repaid their initial investment and may receive a modest interest on their capital, but this is not primarily an investment for capital gain.

What happens if the relaunch of the Locks Inn does not proceed? It is possible that LICP will not be able to raise sufficient funding. In the event that this happens LICP will return any funds it has received less any outstanding expenses to investors. It is probable that investors would receive back the greater part of their investment should the relaunch attempt fail.

What happens if LICP fails? Should the underlying business fail, all assets, including the freehold of the land and building, would be sold and the proceeds of the sale (after paying any creditors) divided between the shareholders up to the value of their shares. Any overage payable on a disposal of the property will be paid along with any other creditors. You might receive the full value of your shares back or you might lose part or all of your investment. However, you should remember that this is an investment underpinned by freehold property.

What redress do I have if the business fails and I lose the value of my shares? This share offer is first and foremost an investment in your community. The investment is unregulated and not covered by the Financial Services and Markets Act 2000. There is no right of access to the Financial Services Compensation Scheme nor to the Financial Ombudsman.

Will I receive interest from my shares? The rate of interest to be paid in any year is to be approved by resolution of the Members at the Annual Members' Meeting, and shall not exceed 5% or 2% above the base rate of the Bank of England whichever is the greater. The payment of interest will be subject to the business generating sufficient surpluses. Under current tax rules, interest will be paid gross and it will be each Member's responsibility to declare such income to HMRC if appropriate. Interest will not be paid for the first 3 years and, in the case of any investments made after the initial share offer period, only once the investor has held shares for 3 years.

Will my investment be eligible for tax relief? LICP has received advance assurance from HMRC stating that, based on the information provided, HMRC should be able to authorise LICP to issue compliance certificates under the terms of the Enterprise Investment Scheme (EIS), in respect of shares purchased. If you are a UK taxpayer and wish to benefit from this scheme please tick the box on the attached Application Form. A copy of the assurance is available to view on our website – www.savethelocks.com For details of the EIS please visit: [HS341 Enterprise Investment Scheme – Income Tax relief \(2020\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/enterprise-investment-scheme)

What happens to my shares if I die? You can nominate a person for your shares to be passed on to after you death. If there is no nominated person the shares are dealt with as part of your estate.

How can I purchase shares in LICP? To buy shares in LICP and take part in this exciting opportunity, please complete the attached Application Form and return it to the address shown.

If I want more information, whom should I contact?

- **Graham Elliott**
- **01502 714661**
- invest@savethelocks.com
- www.savethelocks.com

APPLICATION FORM

If you wish to purchase shares in The Locks Inn Community Pub ('LICP') and become a member of the Society, please complete the form below and return it to:

The Secretary, The Locks Inn Community Pub, 2 Yarmouth Road, Hales, Norfolk NR14 6SP

Name:

Address:

.....

Email address:

Phone number(s):

For corporate bodies, provide details of a nominee

Shares cost £50 each. The minimum investment is 1 share = £50. The maximum investment is 1000 shares = £50,000

Number of shares you wish to purchase:

Value of shares :

£

Tick the box if you are a UK taxpayer and wish to claim tax relief on your investment under the EIS scheme *[see FAQs above]*:

☐

Tick the box if you have already loaned us money and you wish to convert this loan to shares [nb. this will NOT enable you to claim tax relief]:

☐

Payment should be made either:

- by cheque, drawn on a UK bank, payable to "The Locks Inn Community Pub Limited". Please enclose your cheque with this application; **OR**
- by direct transfer from a UK bank to LICP's bank account, as follows:

Account Name: The Locks Inn Community Pub Limited

Sort Code: 60-83-71 (Starling)

Account Number: 86406435

Reference: "Share issue/[your name]"

Please tick the box to confirm payment has been made directly to our account

☐

If you wish to nominate a person to receive your shares upon your death please supply details here:

Name:

Address:

.....

By requesting to purchase shares, I agree to my name, address, phone number(s), email address (where applicable) and the number of shares I wish to purchase being held on a computer database. I understand this information will be used for the purpose of maintaining a register of members as required by the rules of LCIP and for posting of notices regarding the activities of LCIP. This information will not be passed to third parties.

If you are happy for us to communicate with you on non-membership issues (eg. events, business matters, marketing etc.) please tick box.

☐

I confirm I am 16 years or older and that I have read the share prospectus:

☐

Signed: Date: