

Littlebury Community Pub – Pledge Terms

This document sets out the terms on which pledgers will be investing:

Nature of investment

- Share capital in Littlebury Community Pub Limited (LCPL)
- LCPL is a Community Benefit Society
- Registered with Financial Conduct Authority
- Share in ownership of LCPL which will own the freehold and business of the Littlebury Pub

Financial terms

- Shares in LCPL are entitled to interest of a maximum of (i) 5% or (ii) 2% over Bank of England base rate, whichever is the higher, but **only** if there are surplus profits not required for reinvestment in the building
- No interest payments in first three years
- Pub will have to outperform business plan to allow payments of interest from Year 4
- Tax relief available for tax payers – see below
- Repayment of original investment can be requested from year 4, but will only be possible out of surplus profits – any requests in each year will be pro rated if requests exceed surplus profits available
- Interest payments are paid ahead of repayment requests
- If pub is sold, proceeds can be used to repay original investments plus interest, but remaining proceeds will be donated to community causes (eg village hall)

Voting and transfer rights

- One member, one vote – ie not proportional to amount of share capital
- Voting will only be undertaken at annual shareholder meetings on major company decisions, not on operational matters
- Non-transferable shares (other than inheritance on death) – but government considering proposal to allow sale of shares in the future

Tax benefits

- Tax benefits below are subject to HMRC approval, but we will not ask for money without having obtained such approval
- First £250,000 pledged will qualify for Seed Enterprise Investment Scheme, with 50% tax relief for tax payers
- Remainder of investment will qualify for Enterprise Investment Scheme, with 30% tax relief for tax payers
- In event of winding up of company, loss relief available – this reduces your taxable income by the amount of your net loss (after (S)EIS relief)
- Tax benefits above mean that, in a worst case scenario, if you are a tax payer, the most you can lose is between 30-56% of your original investment, depending upon whether you obtain the higher initial relief and whether you are a basic or higher rate tax payer.