



PLEASE PLEDGE NOW, TO HELP TO BUY THE ROYAL OAK PUB

**The people of Crawley Down have gathered together to save our local pub.
We have triggered the right to submit a bid to purchase it before
20 September 2015 – please help us to raise the money.**

WHY ARE WE DOING THIS?

- The pub is up for sale, and is likely to be lost to a large retail chain or residential redevelopment if we do nothing.
- If the pub is bought by a large retail chain, we not only lose our pub, but it could force out other businesses and thereby create a virtual monopoly, reducing shopping variety and quality in the village.

WHAT'S IN IT FOR YOU?

- A local community pub if we succeed.
- An investment with potential tax advantages.
- Some payback if successful.
- Possible development of the pub facilities for wider community use.

WHAT ARE WE ASKING OF YOU?

- To make a pledge if you support the concept. You would not be making a firm commitment at this stage, but we do need to have an idea of how much finance we could raise locally. Our business plan requires us to have an idea of available finance before the end of April 2015.
- If you cannot contribute financially we would still like your help.

WHAT HAPPENS NEXT?

- We will form a company.
- If the plan looks viable, we submit our expression of intent before 1st May 2015.
- As the business plan progresses, we would ask those who have pledged to firm up on their offer before September 2015.



What Happens Next?

We will set up a company to buy the pub. It will be called "The Royal Oak Association Ltd". The company will have an unpaid Board of Directors, who will be elected by a general meeting of shareholders. There will be a Chairman, Secretary and representatives from the community. In advance of that election, the "Save the Pub Team", will temporarily manage the company.

The company will be funded by shares and possibly loans. The day-to-day management of the pub will be in the hands of professional managers, who will not be Directors. They will be awarded bonuses for beating sales and profit targets.

The company will be run for the community and subject to shareholder approval, a part of the profits will be used to support village based charities and causes.

There will be a formal offer of shares, in a document called a Prospectus, which will be issued later. Only then will you be asked to part with money. What we would like from you now, is an idea of how much you would like to invest.

We also need some more volunteers, especially to contact further possible shareholders.

What Is A Community Pub?

Let's give you an idea of our vision of what the pub will be like under community ownership. We will be there to serve local people. The pub will be open during the day, with snacks, coffee and soft drinks always available. We will encourage groups and meetings of all kinds, and you will be able to bring children in, for whom there will be a stock of toys and games. You will also be able to rent the pub (or part of it) for functions, weddings and other

family parties. In the evenings, we will have regular music nights, themed events and a regular pub quiz.

We intend to serve light and full meals at lunchtimes and in the evenings - home-cooked pub food at an affordable price, including a children's menu. We do not intend to be a tied house, so there will be a range of good quality real ale and keg beer, cider, wine and spirits on offer. We will hold beer and cider festivals and wine tasting dinners. The bar area will also be dog friendly for those well behaved canine members of the community. We want a pub that the community can be proud of.

We also welcome other ideas, so please let us know what else you would like to see in your pub.

Why Should I Be Interested?

The good news is that the government is prepared to help you invest in The Royal Oak. You can reclaim 30% of your investment back from your Income tax bill in the year you invest, or carry it back to the previous tax year if there is insufficient tax paid/due in the year of investment. This enables you to perhaps invest a little more. To benefit from this tax benefit, the shares can only be bought by individuals, as this doesn't work for companies or groups. Information can be obtained from HM Revenue & Customs (www.gov.uk/government/publications/the-enterprise-investment-scheme-introduction/enterprise-investment-scheme). The final page of this document includes a little more detail on the Enterprise Investment Scheme (EIS), showing worked examples of the tax advantages. Using EIS you get a 30% return on day one. That return would take more than a decade in most banks or building societies.

The better news is that we expect the company to be profitable. As with all new businesses, the first year will be the most difficult. There will be a transfer period from the existing owner; building repair work will have to be done (without affecting trade too much); and new lines of business such as food introduced. The Business Plan is still being developed, and we will let you know how it is progressing.

We will have to sell up to £1.5m worth of shares to buy, renovate and refurbish the building. We will be applying for grants – if you know of any sources,

please let us know. We need to sell shares: to you, our supporters. You will then own the pub and influence how it is run.

How Does It Work?

A minimum of One Share (costing £100) in "The Royal Oak Association Limited" will give you a say in how it is run. We aim to sell 15,000 shares to achieve our target of £1.5m.

The Company will hold Annual General Meetings for all shareholders, holding votes on key decisions. While we will particularly encourage local people to support us, investors from outside of Crawley Down are equally welcome to invest.

To give the Company a chance to get established and to benefit from some of the tax advantages of the EIS scheme, shares must be held for a minimum of three years from the date the pub opens (i.e. the trade begins), after which time you could apply to cash in your shares or offer them for sale to the existing shareholders and more widely, the village community. We will obviously need to protect the Company from too many shareholders wanting to cash in their shares at any one time. As such, the ability to cash in your shares, would be dependent on the profitability of the Company, its cash reserves, and also be subject to a maximum percentage of the total Company shares, being cashed in within each year. Any sale of shares after the three year period referred to above will be free of tax (provided initial tax relief is claimed on the original purchase of shares). Any loss on the sale of shares can be used to offset against current income tax – the final page of this document gives worked examples of these scenarios.

For an individual to take advantage of the EIS tax scheme, they cannot acquire more than 30% of the total shares issued. There are rules around this including their spouse, parents and associates. If anyone has concerns at this level of investment we will naturally be delighted to discuss them further. There are also some rules about employees and Directors not being able to use the EIS scheme, however there are exceptions for non-remunerated Directors, which the tax legislation refers to as "Business Angels".

Once profitable, the company will aim to pay dividends, and give money to support the local community.

In the unlikely event that the Company fails, or if the shareholders decide to wind the Company up, the assets would be sold and proceeds of the sale would be used to repay any debts and then to repay shareholders the remainder pro-rata to their shareholding. If there is a surplus, it could be paid back to the existing shareholders or donated to community causes. This point would be agreed by the shareholders, and written into the Company's constitution.

Please pledge what you think that you can offer, so that we have the resources to work with.

How Can I Help?

We need pledges of support. You can pledge to:

- **buy shares – letting us know how much you would like to invest**
- **offer time or skills**

No money changes hands at this stage, and this is not a final commitment on your part. At this stage all pledges of money will be **completely confidential** with only one member of the "Save the Pub Team" being privy to individual pledges. More financial information (including further details of the tax relief available) and a detailed share prospectus will be provided in due course, before you actually have to decide whether or not you are going to buy shares.

We need pledges both large and small, but obviously the more large investors we get, the quicker we can achieve our target. For those individuals who wish to pledge over £10,000, the "Save the Pub Team" will, if requested, send representatives to meet you to discuss the EIS scheme and the plans in more detail. If you wish to invest more than the 30% of the total amount raised under the EIS scheme, you can of course do so, but you will not benefit from the EIS tax breaks noted elsewhere in this document.

Not all pledges need be financial and you may wish to support the project in other ways. Please tell us if you have particular professional or practical skills that you think would be of use, or if you have time and enthusiasm to support a management structure. Once we acquire the pub, practical help will be needed to carry out improvements and renovations. We would also welcome any assistance with fundraising.

We appreciate each and every offer of support made. Each pledge will increase our chances of success. Many local residents have indicated a strong desire to save the pub and we hope that you will be generous with your pledges.

In order for us to assess viability of the scheme, we would like to receive your pledge on or before Thursday 30th April 2015.

We have already spoken to a reputable firm of Chartered Accountants that has implemented EIS schemes for community purchases of pubs, and are ready to engage them when we have the support of the community to ensure the process flows smoothly.

**Please complete the Pledge Form on our website (www.savetheroyaloak.org),
or complete the Pledge Form below, and return it in confidence to:**

Mr J. R. Sullivan MICM
"Kinvarra"
16 Kiln Road
Crawley Down
West Sussex
RH10 4JY

If you would like to join our mailing list or offer to help in another way, please make contact via our website, or send us an email.

With our thanks for your time

The Save the Pub Team

Email : contact@savetheroyaloak.org

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PLEDGE FORM

NAME	
ADDRESS	
PHONE NUMBER	
EMAIL ADDRESS	
CONFIDENTIAL PLEDGE AMOUNT	£
ADDITIONAL COMMENTS	

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Using the Enterprise Investment Scheme (EIS) to buy shares in The Royal Oak Association Ltd

The EIS scheme reduces the cost of investment and associated risk for individual investors:

- The Investor will get 30% of their investment back, by offsetting against their tax bill in the current or previous year.
- No capital gain on the sale of shares after 3 years from commencement of trade.
- If loss on shares when sold, the investor can get loss relief against their tax bill.

Simple worked examples:

Example 1: THE COMPANY DOUBLES IN VALUE

You've invested £10,000

You receive £3,000 back in Income Tax Relief from HMRC

You hold the shares for a minimum of three years from commencement of trading, and when you sell the shares for £20,000, you will owe no capital gains tax on your profit

Total gain to you is £13,000 (£10,000 from the sale plus £3,000 from the income tax relief)

Example 2: THE COMPANY MAINTAINS THE SAME VALUE

You've invested £10,000

You receive £3,000 back in Income Tax Relief from HMRC

You sell your shares for the £10,000 price you paid

Total gain to you is £3,000 received from the tax relief. There is no tax to pay on the sale of your shares.

Example 3: THE COMPANY SHARES FALL BY 50%

You've invested £10,000

You receive £3,000 back in Income Tax Relief from HMRC

You sell your shares for £5,000

You receive loss relief from the government based on the loss of your at risk capital (in this case the £10,000 invested minus the £3,000 received in Income Tax Relief), multiplied by the percentage tax bracket you belong to. For this example let's say your tax bracket is 40%. The loss relief you receive will then be £7,000 - £5,000 x 40% = £800.

So your actual loss would be £10,000 less the £3,000 tax relief on issue, less the £5,000 proceeds on selling the shares less the loss relief of £800. Therefore the net loss would be £1,200, rather than the £5,000 loss on the sale of the shares.

Example 4: THE COMPANY FAILS

You've invested £10,000

You receive £3,000 back in Income Tax Relief from HMRC

The company goes bust and your shares are worth £0. In the instance of the pub, given its most significant asset will be the freehold property, it is highly unlikely that the shares would ever be worth zero, but it's worth seeing worse case scenario.

You receive loss relief from the government, equal to your at risk capital (in this case the £10,000 invested minus the £3,000 received in Income Tax Relief), multiplied by the percentage tax bracket you belong to. For this example let's say your tax bracket is 40%. The loss relief you receive will then be £7,000 x 40% = £2,800. This means that for the £10,000 invested your real loss is £10,000 - £3,000 - £2,800 = £4,200. In other words as a 40% tax payer your maximum amount at risk is £4,200, not the £10,000 originally invested.