



Community Share Offer

Version: 27 May 2021

Executive Summary

Sylvania Community Stores Ltd is offering the sale of community shares required to raise capital for the opening of Sylvania stores and café in Pennsylvania, Exeter in 2021. The opening date of the share offer is 1 June 2021 and the offer will continue indefinitely to allow new members to continue to join this community benefit society¹.

Membership is the means by which the society is owned by the community and all members have the option (but are not obliged) to participate in the society's affairs by speaking and voting at annual and special members' meetings and electing representatives to the management committee. Any individual aged 16 years or over can become a member of the society by buying one or more non-transferable shares costing £25 each. Corporate bodies (e.g. local businesses) can also buy shares.

Share money will be used to buy stock and equipment and pay initial salaries necessary for the opening of the stores hopefully in June or July 2021. Every share bought will make a big difference – the minimum of £20,000 needed to open the stores would be achieved if only a 1/5th of the households in Pennsylvania purchase 2 shares each. The estimated target for long-term sustainability identified in the business plan is £60,000 (2400 shares).

¹ Registered with the Financial Conduct Authority on 22 March 2021: registration number 8590; Office: 1, Stoke Meadow Close, Exeter, EX4 5EG.

1. Invitation

This is your invitation to invest in this exciting new enterprise and become a shareholder member in your local not-for-profit community stores and café. This prospectus tells you about the project and the benefits (and risks) of investing in what will become your community-owned shop. The following pages

- summarize our vision and the benefits for the community;
- explain the share offer;
- invite you to invest in this community society.

This prospectus has been produced by the management committee of Sylvania Community Stores Ltd. This community benefit society is also a member of the Plunkett Foundation, which has successfully advised more than 300 communities on how to open and operate a community shop.

This prospectus and our business plan are available from our website: <https://sylvania-community-stores.business.site/>

Please contact us at pennstores.ex4@gmail.com if you have any queries about anything in this prospectus.

2. Our vision

Our vision is to provide the residents of the Pennsylvania estate and neighbouring areas of Exeter with the essential community services of a convenience store, a café and space for social engagement and interaction. We will encourage personal development through volunteering opportunities and will create a warm, inclusive and welcoming environment where everyone can work together to create a sense of belonging and community.

Our objectives are to:

- provide a community store selling items produced by local makers and growers as well as basic essentials.
- provide a café and community space for our neighbourhood where we are able to facilitate a diverse range of regular activities including internet advice surgeries, a book club, art classes, storytelling for pre-school children and much more.
- provide employment, volunteering and learning opportunities to the residents of the estate and beyond.
- function as a social hub for the community. The Pennsylvania locality contains no shop, café, club, church or public house. Therefore the experience of isolation is strongly felt by many residents. We know this because of a series of public listening events and an extensive survey, and we are determined to change this situation for the better.

- promote diversity and inclusion. The community encompasses a diverse range of ages, household compositions, socioeconomic backgrounds and nationalities. Many have no transport and are forced to rely on public transport or taxis to visit a supermarket 1.6km away. Therefore, to actively include such residents in our project is a high priority. Ours is a strongly international community, which will be reflected in the items we plan to source and sell.
- strive to be environmentally sustainable wherever possible. We will use energy-efficient equipment to maintain a low carbon footprint and we will minimise and responsibly manage any waste produced. Green values will be strong features of this project.
- donate surplus profit for the benefit of the local community. So, sports clubs, parent and carer groups and more are likely to receive donations.

To give this vision full ownership by the community, we set up the community benefit society, Sylvania Community Stores Ltd.

Please consult our business plan (available from <https://sylvania-community-stores.business.site/>) to learn more about how the history of this project, the motivation, and detailed financial plans.

3. What is a Community Benefit Society?

Community Benefit Societies (CBS) are member-owned organisations that seek to provide benefits for their community. A CBS is owned by its member shareholders and can only carry out business for the benefit of the community, which it serves. The benefits of a larger membership include:

- Having a larger number of people who have a financial interest in the running of the enterprise and who are more likely to use it regularly
- A greater number of people who attend annual meetings and committee meetings and positively contribute to the overall direction of the business
- A more accessible pool of people to draw on when committee numbers are falling, or when more volunteers are needed to help run the business.

A CBS is an equitable organisation, with every member having just one vote, irrespective of how many shares they hold. CBS decisions are made by a management committee of up to 10 people, elected by and from the membership annually at the annual meeting.

4. The funding requirements

Initial capital needs to be raised to buy stock and equipment, pay initial manager salaries, and refurbish the premises. We estimate that £60,000 is required to be able to open the stores and also provide some longer-term financial resilience (as described in the detailed financial plan in our business plan).

We aim to raise capital in three ways: community shares, donations, and grant applications. We have already had some success with grant applications and have so far raised £30,000 from various sources such as Exeter City Council – and these grants are now being used to refurbish and buy equipment for the premises.

However, we still need to raise at least £20,000 more in either community shares or donations in order to be able to open the stores ideally in early summer 2021. Money raised from this share offer will be used in various ways, for example; employ a part-time manager until the stores is making sufficient turnover, purchase an electronic till system, purchase chairs and tables for inside the shop and outdoors, buy essential machinery such as a coffee machine, and a freezer.

5. Why should I invest?

Community shares are not investment for personal profit but are an investment in the community. By investing you will enable Sylvania Stores and Café to open and so create

- a fantastic local community-owned stores and café that will meet both your needs, and the needs of future generations
- a hub where people can meet, drink, eat, celebrate, console one another, do business, raise funds for good causes and bring more activity, life and fun into our midst
- jobs: in the shop and café and among local suppliers of food and produce that supply the shop and café
- volunteering opportunities in the shop or the café.

Every share bought will make a big difference – the minimum of £20,000 required to open the stores would be achieved if only a 1/5th of the households in Pennsylvania bought 2 shares each. Furthermore, a successful share issue will demonstrate community support and make future grant applications far more likely to succeed.

By buying one (or ideally more than one) share, you will become a member of the community benefit society and will be able (but not obliged) to help contribute to its development by speaking, and voting at members' meetings and electing representatives to the management committee. As a member, you will become eligible to be appointed or elected to the management committee.

6. The share offer

Shares are priced at £25 and the minimum investment is one £25 share. The maximum number of shares per person is 240 shares (£6000). We have set this limit based on Plunkett foundation recommendations to encourage a wide share ownership and ensure that no single individual member shareholding exceeds more than 10% of the issued share capital.

Any person 16 years of age and over and who supports the society's purpose can apply for shares. Organisations, whether incorporated or not, who support the project can also apply. Regardless of how many shares they hold, every member will have one vote at members' meetings, which ensures a very democratic and inclusive structure.

Community shares such as these can only be issued by community or co-operative societies subject to the Co-operative and Community Benefit Societies Act 2014. This act allows societies to issue community shares, otherwise known as withdrawable shares. These shares are not transferable except on the death or bankruptcy of the shareholder.

Shares may be withdrawn at face value after a minimum period of three years and at the absolute discretion of the management committee having regard to the needs of the business and only if trading conditions allow. Withdrawals must be funded from the profits or reserves of the business, or from new share capital raised. From year 4 onwards, the management committee would limit withdrawals to 10% of the share capital – only if trading conditions and the needs of the business allow. A full report of the business will be presented at the annual general meetings. The value of a share in the society cannot increase beyond the nominal value of £25 and may be reduced if liabilities exceed assets. However, because the shares are issued by a corporate body, no further liability can fall on you as a shareholder. You are advised to read the business plan and obtain independent financial advice if you are unsure about investing. Community shares are fully at risk and you could lose some or all of the money you invest (see section 8 below).

It is the aim of the society to attract as wide a membership as possible from within the local community as this will mean maximum involvement and interest in ensuring that the business will succeed and be valued by all. Anyone with an interest in, or connection with our project can buy shares.

Our rules allow interest to be paid on shares but given the aims of the project, the current management committee intends to reinvest any surplus in the community rather than pay interest. Over time, members can review this policy.

7. Are there any tax benefits?

After four months of trading, the Management Committee will apply to HMRC for the Seed Enterprise Investment Scheme (SEIS). Subject to HMRC approval, individual UK taxpayers may be able to claim the following tax benefits:

- Investors can obtain 50% relief for income tax on the cost of shares, on a maximum annual investment of £100,000.
- Loss relief - Should the company go bankrupt, investors may claim loss relief on their investment and can choose to set the loss amount, less any income tax relief already given, against their income.
- 100% inheritance tax relief (provided the investments have been held for at least two years at time of death).

Under the scheme, investors will be able to claim 50% income tax relief on their share purchase. This is regardless of the rate of tax they pay, providing they have paid sufficient tax to cover the amount being reclaimed.

This will include both tax paid in the year in which the investment is made and the preceding year. The business has to trade for four months before a formal application for qualification for the relief can be made by the business. The relevant form will then be provided, enabling you to make the appropriate claim to HMRC for tax relief at that time.

To qualify for tax relief, the shares have to be held for a minimum of three years. This very generous support by the government to investors in small start-up businesses recognises the risk involved. We hope that this will encourage strong interest in supporting the share issue.

To qualify, the investment must be personal and individual and not by a company.

If you wish to make an SEIS qualifying share purchase, make sure you tick the relevant box on the application form. For further details of SEIS tax relief, you should read the HMRC guidance and you should take independent tax advice. Please note that we cannot guarantee the outcome of the application to HMRC.

8. Is the investment guaranteed?

No, community shares are a long-term investment for the benefit of the community. They are not the same as the more familiar share investment in a private sector business where investors hope to make capital gains from an increase in the value of shares held which are freely marketable.

The value of a share in the Society cannot increase beyond the nominal value of £25 and may be reduced if liabilities exceed assets. However, because the shares are issued by a corporate body, no further liability can fall on you as a shareholder.

The Society is subject to an asset lock and therefore cannot be sold for the benefit of its member shareholders. In the event of the business failing, assets would be sold, and creditors paid. Finally, shareholders can be repaid up to the value of their shares. Any surplus will be transferred to another asset locked Society. If the Society's liabilities are more than the assets, shareholders will lose their investment.

The Society share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman and you could lose some or all of the money you invest.

A community benefit society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As your investment could carry a risk, please consider it carefully and, if needed, seek independent financial advice.

9. How do I apply?

The easiest way to do this is to go to the About Us section on the stores website <https://sylvania-community-stores.business.site/> and then click to register online. Once we've received your registration form and the bank transfer for your shares, we will then issue you with a membership certificate.

If you would prefer to apply on paper and/or pay by cheque then please email us at pennstores.ex4@gmail.com

10. Frequently Asked Questions

Who can become a member?

Anyone with an interest in the communities for which Sylvania Community Stores Ltd has been established is eligible to become a Member. You do not have to live in the local community. The Management Committee may refuse any application for membership at its absolute discretion.

Will my investment increase in value?

Shares can go down in value if our auditors were to suggest a revaluation, but they cannot increase in value above their original price.

How is a community share different to a company share?

A community share does not increase in value and cannot be transferred. It is not intended as a financial investment that can make a profit but is instead an investment into your community.

Can I sell my shares?

No, these shares cannot be sold. They are a special type of share known as a 'withdrawable' share. The only way to recover their value is to apply to withdraw your shares from Sylvania Community Stores Ltd itself, which can only allow the withdrawal if it has sufficient trading surpluses or reserves in its accounts to support its objectives and its commitment to community projects.

How do I get my money back if and when I need it?

To enable the business to build up sufficient reserves, our Rules state that no withdrawals can be made in the first 3 years of trading. The two exceptions to this are as a result of the investor's death or bankruptcy. From the 4th year of trading onwards, shareholders may request to withdraw their investment by giving 3 months' notice in writing. However, as stated earlier, withdrawals are at the sole discretion of the Management Committee having regard to the current and future needs of the business. If you already anticipate wanting to withdraw your investment, you should reconsider whether this is the right investment for you.

What happens to my shares if I die?

In the event of the death of a Member, the face value of the shares will normally be added to the estate for probate purposes. Under current legislation, you may (if you wish) elect to nominate a beneficiary for the value of your shares (but only up to £5,000), and thus exclude up to 200 £25 shares from your estate for probate purposes (i.e. the shares may pass to the nominee outside the will of the deceased). Our Rules allow shares to be transferred in case of death, or they can be withdrawn, but only if the Management Committee agrees, as explained previously.

Will my investment remain confidential?

We will keep a Members' Register with the names of Members but not the amount they have invested, and although access will not be encouraged, this Register will be available to the public. A separate Share Register that contains the information about an individual's shareholding will be held in a password controlled confidential environment. It will be necessary for this information to be known to the Treasurer, Society Secretary (carrying out the role of Membership Secretary), the Chairman and the accounts administrator, for administrative and management purposes.

As required by the General Data Protection Regulations, we will register with the Information Commissioner's Office, which is aware that we will hold this information. Individuals have the right to view any information about them that is held by Sylvania Community Stores Ltd.

Will I be asked to pay an annual subscription?

No. All shareholders are members from the point they invest, until they cease to be a member by either resigning from membership or withdrawing their shares (with the agreement of the Management Committee).

Is it a good business proposition?

The community shop model has proved itself to be very robust. Out of a total of 309 community shops established in the UK, only 15 have closed, which is a 95% success rate. It is proven that communities that work together to set up such a venture will support it in the future.

Who are the people organising this? Can I trust them?

The initial steering group was a group of volunteers who believed passionately in recreating these stores for the neighbourhood. The steering group has evolved into the management committee of the society and comprises 10 volunteer members of whom none has a personal financial interest in this project.

Who will run the shop and the society?

The shop will be run by volunteers and by paid staff, employed on the society's behalf. The society is run by the management committee, which is re-elected each year by your vote at the AGM.