

# EAST HARPTREE COMMUNITY BENEFIT SOCIETY LIMITED

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## THE WALDEGRAVE ARMS, EAST HARPTREE



## COMMUNITY SHARE OFFER PROSPECTUS ADDENDUM

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This document is to be read in conjunction with the Community Share Offer Prospectus v1.6 issued February 2024 and explains how you can become a shareholder in The Waldegrave Arms

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**EXTENDED SHARE OFFER CLOSES 19 NOVEMBER 2024**

# COMMUNITY SHARE OFFER PROSPECTUS ADDENDUM

*ISSUED 9 APRIL 2024*

THIS DOCUMENT IS TO BE READ IN CONJUNCTION WITH THE COMMUNITY  
SHARE OFFER PROSPECTUS V1.6 ISSUED FEBRUARY 2024

## The purpose of this Addendum

- What are the changes to our approach and why
- We will explain our new equity target to buy the pub
- What our updated costs are with clear time scales
- To explain the new target for the refurbishment
- What are the changes to the terms for members

This will enable new and existing applicants to be able to make an informed choice, as follows:

1. For **existing applicants**, whose money is held by EHCBS, to decide if they are content with the proposed new way forward or if they might want to withdraw their application for membership and shares at this point;
2. For **new applicants** (or existing applicants wanting to increase their current applications) to understand the updated proposal compared to the original share offer prospectus.

## Updated position at 6 April 2024

Since we initially launched the Share Offer Prospectus in November 2023, a significant number of details and costs have been clarified leading to the Management Committee making a number of recommendations. These are set out within this Addendum document which will now become part of the offer documentation.

The facts are;

- We have been awarded a £250,000 grant from the Community Ownership Fund (COF) for capital towards purchase of the Waldegrave Arms
- We have additionally been awarded £48,200 from the COF for running costs (this is £39,200 more than anticipated in the original share prospectus)
- We have been awarded a grant of £10,000 to help support survey costs
- We have agreed, subject to contract, a price of £425,000, with Admiral Taverns for the freehold purchase of the pub by the end of May 2024
- We are registered for VAT with HMRC (ie we can recover eligible VAT costs)
- We have formal quotes for acquisition costs
- We have undertaken a detailed condition survey and inspection of the premises
- The pub is now vacant and therefore not a 'going concern' so will incur VAT at point of sale

This Addendum is to be read before the Community Share Offer Prospectus as it updates a number of important areas that existing and potential investors need to be aware of

## **The new Phasing Approach**

The Management Committee are recommending a new approach to the phasing of the purchase, initial occupation, opening for business and subsequent renovations from that originally set out in the November 2023 Community Share Offer Prospectus.

### **Phase 1 (now until end May 2024)**

- Undertake further surveys, searches and pre-sale activity
- Continue to raise share capital or equity (which as of 6 April 2024 another £95k is needed)
- Purchase freehold of pub
- Prepare tenancy recruitment pack and Community Pub Specification

### **Phase 1a (end May - Summer 2024)**

- Recommission equipment and services
- Clean buildings
- Deep clean kitchen
- Recruit tenant on suitable lease terms
- Undertake minor repairs and remedials
- Allow the tenant to re-open the pub for trading as soon as possible

### **Phase 2 (Summer 2024 - end 2024)**

- Work with tenant to understand and scope refurbishment
- Seek further funding via shares and new grants for refurbishment
- Initial share offer closes
- New open Share Offer launched

## **What does this mean for members?**

### **1. What is the change to the interest payment?**

*1.1. There will be no change to the potential interest paid as set out in page 9 of the Share prospectus*

### **2. What are the changes to any share withdrawals?**

*2.1. There will be no change to the potential share withdrawals as set out in page 14 of the Share prospectus*

### **3. When will we become members and what happens to our investment?**

*3.1. Unless you choose to opt out of the proposal (see section 12 below) you will become a member on 19<sup>th</sup> April 2024 on which date the Management Committee will take in*

*all share capital for use of the EHCBS to fulfil its aim of acquiring the freehold of the Waldegrave Arms.*

4. When will the share offer close?

4.1. *The initial share offer will be extended until 19 November 2024 (12 months from its launch)*

5. What are the revised financial projections (for purchase and opening the pub)?

5.1. *See table 1 for a summary. Detailed updated 5 year financial projections (Profit & Loss, Cashflow & Balance Sheet) are available on the website via this link [www.waldegravearms.com/docs](http://www.waldegravearms.com/docs)*

6. What our contingency position will be (including potential costs)?

6.1. **Contingency 1** - *fail to raise the additional £95k equity needed to purchase and open the pub by 3 May - In these circumstances temporary funding in the form of interest free loans from members of the community will be sought to try to fund the shortfall, repayable from VAT refunds later in 2024. If this fails then the project will abort (see contingency 3). In addition, any shortfall in equity funds raised will mean there are less funds available to undertake future refurbishments and they will be delayed (see contingency 4).*

6.2. **Contingency 2** – *Delay to tenant recruitment and opening - The building can continue to be mothballed to keep operational costs down to insurance and essential maintenance. Repairs to open and other non-recoverable start-up costs can be delayed up to March 2025 (12 months after COF grant award). This provides a window of an additional 9 months to recruit a new tenant if needed.*

6.3. **Contingency 3** - *sale not proceeding (e.g. due to not raising sufficient funds or seller pulling out) and project ends - Our unavoidable costs in these circumstances are forecast to still be within the 3% explained in the original share prospectus. It is hoped that these will in any case be covered by the COF revenue grant awarded although this has not yet been confirmed.*

6.4. **Contingency 4** - *insufficient funds raised to undertake refurbishment - Planned refurbishment may be delayed or take longer. Without the refurbishment it may be more difficult for a tenant to grow turnover. Even if the tenant is trading at say 20% below that forecast in the Business Plan then the target interest payable to members and the share withdrawal facility remain unaffected.*

## What happens now?

- The management committee have formally approved this **Addendum** and the share offer retains the **Community Share Standard Mark** with the changes outlined in the Addendum
- This document will be issued to all current prospective members (shareholders)
- It will form part of the pack for potential future members (shareholders)
- On 19th April we will be admitting shareholder funds for the purchase of the pub.
- After 19th April 2024 we will take in any share capital as it arises rather than wait until a target share amount is reached (this means we can use the funds available without formally closing the share offer)
- Once the target amount has been reached allowing us to fund the Phase 2 renovations we will close the issue. This amount may be a mixed finance package including grant, share and loans.

## What happens if I have already subscribed to the current share issue and I'm not content with the proposal contained in this addendum?

- You will have until 12:00 on Friday 19<sup>th</sup> April 2024 to say if you are **not** content with this proposal (this date is the end of the Asset of Community Value moratorium period)
- You must advise [waldegrave.arms.ca@gmail.com](mailto:waldegrave.arms.ca@gmail.com) of this and the society will cancel your member and share application and reimburse your share subscription

## What if I'm content with this proposal?

- You do not need to do anything, you will be admitted to membership on Friday 19<sup>th</sup> April 2024

## Reminder of some Key Dates

- Week commencing **8<sup>th</sup> April** you will receive the **Addendum** document
- By **19<sup>th</sup> April** you must reply if you are **not** content with this addendum
- On **19<sup>th</sup> April** you become a 'Member' of EHCBS
- By **3<sup>rd</sup> May** we need to have raised the outstanding Equity (this is our estimated exchange of contracts date and we will be paying a non-refundable deposit at that stage)
- We complete purchase of Pub by **31<sup>st</sup> May**
- **June** - working groups formed to help tenant clear pub and make ready for trading
- **Summer** pub is open for trade
- **19<sup>th</sup> November** Share offer closes

**Table 1**

<b>First Phase Costs</b>		<b>Phase 1</b>	<b>Phase 1A</b>
<b>Expenditure</b>	Purchase of pub	425,000	
	Acquisition costs	19,375	
	VAT on pub purchase	76,500	
	Pre-completion feasibility costs	15,442	
	Repairs to open pub		24,000
	Non recoverable start up costs	3,277	22,704
	<b>Total</b>	<b>£539,594</b>	<b>£46,704</b>
<b>Income</b>	EHPC grant	5,230	
	COF Revenue grant	13,400	34,800
	COF Capital grant	250,000	
	Shares received	187,500	
	<b>Total</b>	<b>£456,130</b>	<b>£34,800</b>
<b>ADDITIONAL EQUITY NEEDED</b>		<b>£ 83,464</b>	<b>£11,904</b>
<b>TOTAL ADDITIONAL EQUITY NEEDED</b>			<b>£95,368</b>

**Table 2**

<b>Second Phase Costs</b>		<b>Phase 2</b>
<b>Expenditure</b>	Working capital available for future refurbishment	95,368
	Contingency and working capital	4,822
	<b>Total</b>	<b>£100,190</b>
<b>Income</b>	Refund of VAT on pub	76,500
	Other refunds of VAT on phase 1 costs	8,723
	AHF project viability grant	10,000
	Net rental income less costs during 2024	4,967
	<b>Total</b>	<b>£100,190</b>