

Exelby Green Dragon Community Pub Ltd Share Prospectus

A Community Enterprise in the North Yorkshire Village of Exelby



Exelby Green Dragon Community Pub Limited
(A Community Benefit Society Number 7599)

www.exelbygreendragonpub.co.uk

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1. What is this prospectus and share offer about?

In 2018 we launched a community share offer to be able to buy and refurbish the Exelby Green Dragon pub and adjoining cottage in combination with other grants and loans. The share offer raised £250,000 as a contribution to a £400,000 pot to be able to:

- purchase the pub as a community asset
- refurbish and improve the pub as a fit for purpose venue
- see the pub operated independently by a tenant who shares a vision for a successful village and destination pub also serving as a community hub for the village and surrounding area
- restore the essential elements of village life that a vibrant pub can bring and in turn support the local economy, sustainability and the future of the pub whilst being self-determining

Our priorities were to:

- revitalise the pub as a thriving business at the heart of the village, serving good quality food, beers, wines and spirits
- reinstate the cottage attached to the pub as an affordable home for rent, generating income
- establish a community shop/delicatessen and cafe
- encourage a range of social activities in the pub and grounds which rekindle the community spirit and meet the diverse needs of the village.

All of this has largely been achieved with a thriving pub at the heart of the village but with a project of this nature you can never say you are truly finished. The original share offer closed in 2020 but there are now opportunities from time to time to buy shares as they become available – mainly through a change of circumstances of the individual shareholders.

The Green Dragon is in Exelby, North Yorkshire. It is close to the A1M and the nearby market town of Bedale and RAF Leeming.

It is positioned at the southern gateway to the Yorkshire Dales, with the North York Moors to the East, the Nidderdale Area of Outstanding Natural Beauty to the West and Yorkshire Wolds to the South. The North Yorkshire County Town of Northallerton is 12 miles away. Historic York is 34 miles away and Ripon 12. Darlington is 22 miles to the north.

2. How much are we seeking to raise?

Initially we aimed to raise £250,000 from shareholders and achieved that. That remains the size of the total shareholding. As such we are not seeking to increase the total but to make available to new shareholders those shares that become available from existing shareholders, who might offer their shares back to the Community Benefit Society from time to time relative to their own circumstances.

Shares are not tradeable and retain their initial value. Interest is paid on an annual basis. They can only be sold back to the Community Benefit Society within our rules. When we agree to repurchase shares, they are immediately made available to retain the total shareholding value.

We maintain a waiting list of interested future shareholders and as soon as any shares become available, we seek to resell them to secure the future sustainability of the Pub and cottage (as an affordable housing unit in the village).

You will be investing in the Exelby Green Dragon Community Pub Ltd. This is a Community Benefit Society registered with the Financial Conduct Authority with the purpose of buying and renovating the pub and

adjoining cottage. Each shareholder has an equal say with 'one member, one vote' regardless of the number of shares held.

There is a strong future for the pub by retaining community ownership and run by someone with the flair to succeed backed by the shareholders. A copy of the initial business plan which has been delivered can be seen found [here](#) and you can judge progress against this.

There is still a great opportunity to be a part owner in a pub in North Yorkshire operated as a community asset and thriving pub business. We look forward to welcoming you as shareholders.

3. Background

The Green Dragon had traded very successfully in the past and a considerable body of goodwill towards the pub existed in the village and local catchment area. The pub had been at the centre of community activity within Exelby for many years. The pub was well used as a village and destination pub. It also supported and hosted community events and at one time a small community shop.

However, it was acquired by a 'Pub Company' around 2007 and a succession of tenants were unable to maintain its profitability. Consequently, the service offered declined and in the latter years prior to community ownership, the food offer was withdrawn, and little attempt made to maintain or build up trade. Eventually the 'Pub Company' made it clear they had no intention of investing in the pub and wished to dispose of it. Sadly, this is an all too familiar story, as national pub companies seek to dispose of what they define as unprofitable assets, by selling them to the highest bidder often for development.

Recognising the importance of the Green Dragon as the village's only community asset, the Exelby Green Dragon Group was set up in 2016. Its aim was to restore the pub to its former position and rekindle the community spirit that has always been a special characteristic of the village.

To build the case for retaining the pub it was registered with the local council as an asset of community value which gave it a status to be retained as a pub above other proposals if there were viable plans to do so. A series of public meetings and consultation events were held including a questionnaire to households in the village and views sought in the surrounding area. All events were well attended and demonstrated enthusiastic and significant support to create a community owned pub that would meet local needs.

This information gained from consultation was used to develop a business plan and the original share offer prospectus.

The pub formally closed in May 2018, and that concentrated efforts which had had been fermenting for a couple of years for a community buy out. Some of the residents of Exelby were determined that the pub should not be lost for good.

As a result, members of the Exelby Green Dragon Group agreed a purchase price of £200,000 for the pub and adjoining cottage and part of the associated land. With discussions with the 'Pub Company' having had an on/off nature for some time, suddenly there was a 'one-off' opportunity to purchase if we could complete by October 2018.

The share offer was formally launched and a funding package including a loan and grant was put in place to raise £400,000 for the purchase and the essential renovations that were required. People who had pledged financial support got involved with share purchases and by September the community green light was given to go ahead. The pub reopened under community ownership in December 2018.

Not all the shares sold in one go. Therefore, we did not have all the funding in place at purchase time but there was sufficient confidence to buy the pub and start a phase of essential renovations. As the proposals

became a reality and the pub was trading again the remainder of the shares sold over the next 18 months or so.

The Exelby Green Dragon Pub was part of a larger land holding originally. To progress the purchase of the pub, the 'Pub Company' advised of their requirement to sell part the land for development, so as to ensure a sale of their entire interest. Therefore, as part of the negotiations a deal was struck with a property company to independently buy the adjacent land at the same time as the pub purchase. To make the proposition work for all parties a further land swap was required which effectively flipped the car park from its original frontage position to the back of the site. From this the pub achieved a new car park, and with a small contribution to costs a car park with greater capacity than the original. The adjoining housing development has now been completed.

4. The business model

A Community Benefit Society has been formed as a legal entity to purchase the pub and cottage and it is called Exelby Green Dragon Community Pub Ltd (EGDCP Ltd). You will hold shares in this Society that now owns the land and buildings. There is a lease with a tenant to run the licensed business and a rental agreement for the tenancy of the cottage.

Shareholders are owners of the fixed asset of the pub and its land used as beer gardens and the car park. Also, the adjoining cottage at 1 High Row. Day to day business of the Community Benefit Society) is conducted by a Board of up to 9 people who have a fixed term of office and can be re-elected in their roles.

The Community Benefit Society in turn leases the pub to a landlord and the cottage to a tenant at an affordable rent. This income enables the Community Benefit Society to meet its costs, pay shareholder interest and build reserves to meet future obligations associated with the asset.

We strongly believe the best model is to lease the pub to a landlord rather than appoint a manager. This gives a clean separation between property ownership and business management which will allow the tenant to develop the business without constraints or restrictions that might frustrate this aim.

As such the Community Benefit Society has no day-to-day involvement in the running of the pub nor attempts to micro-manage the pub business. It is run independently as a business but with recognition that ours is a community owned pub. Beyond that, the tenants are left to manage the business as they see fit. The tenants are responsible for all outgoings necessary to run a pub on a fully repairable basis. They are responsible for determining staffing levels, opening times and the food and beverages available etc.

The advantage of this arrangement for the Society is that the tenants carry the business risk. The attraction for the tenants is that they benefit directly the more profitable the business becomes. Therefore, they have every incentive to ensure that the business thrives and grows.

Shareholders, as with customers, can share views at any time about the running of the pub with the tenants – Tom and Becci Baker – who are always receptive to such conversations as it is in their interest for the pub to thrive and be successful as it is for shareholders.

This business model has been tried and tested elsewhere. At the time we were the 53rd pub in the country to come into community ownership. Now there are around 150 and the model is securing the future of pubs, like ours, that were in jeopardy. When we set out, we received a lot of help from the Plunkett Foundation, specialist advisers and other community owned pubs. In turn we are now able to offer support to other communities who are moving down the same route.

So far, none of the community pubs that have adopted this model have closed and all are thriving. The top three pubs in the regional CAMRA pub of the year awards are all community owned (including ours). We

have a successful pub with a good reputation and customer base from the village, surrounding area and as a destination pub.

5. Share interest.

Shareholders, as members of the community benefit society can expect to receive a return on their investment.

In the first 5 years of community ownership this has gone from 1% in 2018 to 3% in 2022 as the pub has developed and this was with the uncertainty of two years of Covid 19 affecting the pub and the hospitality sector. The financial forecast now sees the potential for this to rise by ½% each year until 5% in 2027. The actual amount to be paid each year is declared at the Annual Members' Meeting.

Whilst future interest payments can not be guaranteed, with a new lease for the pub negotiated from April 2023 for 5 years, the Management Committee are reasonably confident about future returns.

6. Community and shareholder involvement

Formally, individuals as shareholders can participate through the legal mechanisms of Annual Members' Meetings or putting themselves forward as a committee member.

There was considerable volunteering effort in the initial phases of the pub refurbishment from clearing out and cleaning to decorating and helping with the renovations.

We hope that members will be active in helping with organising and supporting community events at the pub. Also, as the pub develops, there are opportunities for volunteer help with certain aspects of the offering and community involvement such as more formalised activities e.g., regular clubs or sessions. A group of volunteers meet regularly to maintain the beer gardens for example. There is a book club and book swap, coffee morning, Dragons club, and gardening club convened and brought together by people with a like-minded interest. There is potential to use the pub more as a community hub if there is community interest and the Community Benefit Society has a small grant scheme to help with pump priming activities etc.

Crucially shareholders will be encouraged to provide feedback to the tenants and management committee members, be ambassadors for the pub and encourage others. And be regular customers to!

7. Securing the future of the asset

We set out to create a £400,000 pot to purchase the pub and cottage and complete essential renovations. The pot was made up from £250,000 share capital, a loan and grant from the Plunkett foundation of £100,000 and a grant from the Council of £45,000 towards the costs of the cottage renovations as an affordable housing unit.

So far, we have spent around £461,000. The difference has been made up with additional grants and a new loan in 2023 to fund the cost of an extensive flat roof renewal at the rear of the pub.

Of our capital resources we have approximately £15,000 held as a contingency and £13,800 as unallocated balances.

Our future resource base is now driven by maintaining the value of the share capital and a medium-term revenue budget outlook. This budget outlook looks ahead over a 5-year rolling period. It enables us to plan

for expenditure and build up essential reserves, particularly for future repairs and renewal liabilities associated with the buildings we have. The budget outlook is available on our website [here](#)

When we first purchased the pub and cottage, they needed complete renovation as there had been no tangible investment by the previous owners.

No one would have taken on the pub as a tradable proposition in the condition it was in nor faced the prospects of the required improvements. We have brought the pub up to a standard that will enable our tenant to focus on running the pub without concerns about the condition of the building and give them the confidence that will enable them to take full responsibility for maintenance and repairs. Equally the cottage has been brought up to a standard that ensures it is lettable.

With tenants secured for the pub we set out on a phased renovation programme which allowed the pub to start trading and building up the offer as the renovations were completed.

The renovations to date have included:

- A full refurbishment of the cottage
- Consolidation of the bar areas into one with new flooring and updates
- Creation of new and accessible toilets
- A 'shop' area
- Fully refurbished bed and breakfast rooms
- An updated commercial kitchen
- New roofs to the main building and cottage and a renewal of the flat roof over the restaurant and bars
- New windows throughout
- A new car park as part of the original purchase agreements.
- Extended and renovated garden areas.

We achieved this from the outset as a progressive plan that did not need periods of closure. How all of this has been done is documented in 'Our Story' which is available [here](#)

Future projects are looking at the restaurant area and the beer garden decking. We also know that asset renewal will be important to maintain the investment and ensure the buildings remain in good order. It is in our interest to do so as an asset owner and to ensure we continue to offer premises that can draw the Community Benefit Society an income and equally offer a good business opportunity in a changing sector and an affordable housing accommodation unit. From our income we are building up future reserves to cope with these demands.

8. Governance

We established a corporate body that is a Community Benefit Society; a form of co-operative established to benefit a community of interest or place. This is the usual model that community owned pubs have followed.

Community Benefit Societies are regulated by the Financial Conduct Authority. The model emphasises the social benefit of the investment we are asking our members to make. Limited liability gives the members and directors the protection of limited liability, just like a limited company, but unlike a company, a Community Benefit Society is not designed to generate private profit, but to deliver a community benefit (though we intend that investors will receive a fair return on their investment).

This model guarantees that the assets the society own are used for the benefit of the community and cannot be disposed of for the private profit of the directors or members. The rules, which act as our constitution, have been approved by the Financial Conduct Authority (FCA).

Providing that they behave responsibly, reasonably and legally and take out necessary insurances, incorporation protects the members and directors of the society from any legal action against them as individuals and any access to their personal finance in the event of the enterprise entering receivership.

The Community Benefit Society structure allows any person who buys one or more shares to become a member of the Society. Each member has one vote irrespective of how many shares they own.

The Community Benefit Society is managed by a Board of up to 9 Directors, all with a fixed term of office at which time they can offer themselves for re-election or co-option. They are accountable to the membership and will report via newsletters from time to time and through the Annual Members' Meeting. The current directors are:

- Peter Simpson - Chairman
- George Cornwall – Legh - Deputy Chairman
- John Walker - Secretary
- Linda Graham - Treasurer
- Mark Temple - Co-Treasurer
- Alasdair Campbell
- Cathy Ross
- Lucinda Riddell

The rules of the Society also include other ways in which the membership may hold the directors accountable for the running of the Society, including the calling of a special general meeting if this is required.

The full rules of the Society can be found [here](#)

9. Share purchase

Each share costs £500. This was set as the minimum investment due to the initial funds required. No shareholder can now invest more than £10,000. This may be revised from time to time. Now that we are established the Board remains cognisant of the potential for a small number of large investors and being susceptible to the impact of a shareholder withdrawing their investment.

Membership is open to any person (whether an individual, a corporate body or the nominee of an unincorporated organisation) who completes an application for membership and is 16 years of age or over. If you cannot afford to invest the minimum amount but would still like to contribute, it is possible to make a donation or gift, but this will not entitle you to voting rights or any other shareholder benefits.

The application must be accepted by the Board who may refuse membership at its absolute discretion.

With any investment there are potential risks.

The Community Benefit Society, now that it is established, is profitable and the ownership of the asset (pub, land and cottage) provides members with a high level of security. The asset value will have increased from the original purchase price which will take account of inflation and the improvements. However, with any business there are risks. Therefore, it is important for members to understand that there is a potential risk that the business may fail, and land and property values may fall. If this were to occur the value of a share in the Society could reduce.

The Society's rules determine that any surplus made by the Society after it has paid interest to its shareholders must either be reinvested in the business or used for the benefit of the local community or for another charitable or community purpose. Directors and members are forbidden from benefiting in any other way from the activities of the Society. It is our intention that the Society will continue to operate a public house in Exelby and offer a unit of affordable housing. If, however, the membership should choose in the future, to dispose of the property, any surpluses that may arise after all the shareholders have been paid back the amount they invested must be used for a charitable purpose.

As a member and shareholder of Exelby Green Dragon Community Pub Ltd you are part owner of the Society. If the Society is unable to meet its debts and other liabilities, you could lose the whole amount you hold in shares. This may make it inappropriate as a place to invest your savings.

The Financial Services Compensation Scheme, which applies to bank accounts, does not apply to your share account. The Society, unlike banks and building societies, is not subject to prudential supervision by the Financial Conduct Authority.

Your investment may receive interest but does not enjoy any capital growth. It is primarily for the purpose of supporting the Society rather than making any capital gains. As a Society, the maximum return offered to investors by way of income will always be limited.

The Financial Ombudsman Service does not apply to your share account or your relationship with the Society, but under the Society rules, any dispute may be the subject of arbitration by the Chief Executive of the Plunkett Foundation.

All prospective investors are advised to read the full terms which are set out in the Model Rules which act as the constitution for the society. These are available on the society's website [here](#) or in printed copy on request.

10. Withdrawing shares

We require investors to commit to keep their investment in the Society for at least three years before they can withdraw it. After that they are required to give three months' notice of their intention to withdraw funds. The Society rules give the directors the power to refuse a request to withdraw funds if it would endanger the business. It is our very firm intention not to use these powers unless necessary. We want investors to know that their money is available when they need it which is why we now maintain a waiting list of people who might be interested in share purchase as they become available.

Shares are redeemable in the way set out above, but they are not transferable (i.e., members cannot sell them to anyone else except in the case of bankruptcy or death of the shareholder). This arrangement allows the Society to be exempt from the Financial Services and Markets Act for Society share issues.

11. Directors' Declaration

Due care has been taken in preparing this prospectus, a process that has been overseen by the Board who can vouch that the information it contains is accurate as at the date of production.

Our ambition is to see the Green Dragon, Exelby remain a vibrant and viable long-term business giving our community a pub, meeting place and community venue.

Frequently asked questions

Why are shares continuing to be sold.

The pub is a community asset, and we want it to continue so. We have share capital of £250,000 and need to be able to accommodate the needs of shareholders who may wish to withdraw their shareholding. Any such shares are then available for new or existing shareholders to purchase.

A waiting list is maintained for this purpose.

There are now over 150 community pubs across the UK using the same membership model. All of them are trading successfully. You can be part of this movement that invests in local communities and provides local services. You also have the opportunity to get a drink in your very own community pub!

What is the future for the pub?

We have refurbished and revitalized the pub and lease it to be run for the benefit of the residents of Exelby, the surrounding villages and visitors to the area. It is a village and destination venue once more. Our medium-term finances are sound and positive.

How do I become a member of Exelby Green Dragon Community Pub Ltd?

Simply by completing the application form at the back of this prospectus when shares become available.

Members can invest a minimum of £500 up to a maximum of £10,000 in multiples of £500. Each member has an equal say irrespective of how much they invest. The Board of Directors for the Society are accountable to the membership and are elected by them. Members receive newsletters and they are encouraged to attend the Annual General Meeting and other special meetings that may be called from time to time. There are many more opportunities to get involved and participation is actively welcomed.

How much needs to be raised?

With the initial share capital having been raised to purchase and renovate the pub and cottage, the Community Benefit Society needs to maintain the share capital at £250,000 by offering shares for sale that Members release by requesting withdrawal of their shareholding.

What are the likely returns?

The pub is now established in community ownership. In the first 5 years of community ownership interest payments have gone from 1% in 2018 to 3% in 2022 as the pub has developed and this was with the uncertainty of two years of Covid 19 affecting the pub and the hospitality sector. The financial forecast now sees the potential for this to rise by ½% each year until 5% in 2027. The actual amount to be paid each year is declared at the Annual Members' Meeting.

We believe that the business will remain profitable, but if it is not, the Society will own assets – the buildings and land associated with it - which can be sold to return funds to investors. Your investment is in the building and land – the bricks and mortar, not in the licensed business.

What if we are over-subscribed from people wishing to invest?

A waiting list exists for this purpose.

What if a lot of shareholders want to withdraw?

We have only had a few shareholders withdraw their shares for personal reasons. This is the experience of other community owned pubs.

If several shareholders did seek to withdraw their investment the business might have to close, and the assets would have to be sold to return the shareholders' funds. Our business plan and medium-term budget demonstrates that this eventuality is unlikely, as the business is successful. The few shares that have been withdrawn have all been resold. Also, an investment in a business that you use regularly and that is run by people that you know and trust, is a reasonably safe investment.

Will the three-year rule be strict?

Whilst the Society asks that every member commits their investment for at least three years, if, for a pressing reason, a member needs to withdraw their shares in advance of these deadlines, then the Board has the power to allow this and will make every effort to facilitate it.

Might there be a further share offer available?

This may happen to raise funds for:

- Any shareholder who wishes to withdraw, or
- If there is a need to invest additional capital to develop the business further.

What if the business is not viable?

If, at any stage, the prevailing market conditions are so unfavourable that, despite best efforts and the support of local users, the business does not continue to develop in the way anticipated, then the directors will be forced to close the pub and offer it for sale currently as an Asset of Community Value. Options for the future use would have to be considered to make the asset saleable at a price that should be more than sufficient to pay back shareholders in full and provide a high level of interest for the last year. This is not an outcome that we seek as the priority remains the future of the pub. However, this possible course of action should give investors the security they need in the unlikely event of the enterprise being unsuccessful.

Can people group together to buy shares?

No, shares must be held by a nominated person of a recognised group or corporate body.

Can members pass on their shares to others?

No, shares can only be sold back to the Society at the price at which they were bought. The only circumstance in which they can be transferred is as part of your estate when you die or in the case of bankruptcy.

How do the directors ensure that the tenant is running the business successfully?

A Board member meets the tenants on a regular basis to discuss progress and get any early warnings of likely issues etc. The Board offers full support to the tenant (without interfering in the day to day running of the business) to ensure a successful business is maintained. The Board can make suggestions on behalf of the community and ensure that the tenant positively seeks user feedback and attracts new customers.

Will a prospective tenant be put off by the thought of having around 150 members who want a say in how their pub is run?

Having 150 shareholders gives us a base of committed customers who will be investors and want to ensure success. The tenant is responsible for the day-to-day running of the pub and the decisions that go with that. As with any enterprise, the tenant will be expected to react to customer feedback and experience to support the growth of the business. The Board will reflect the wider shareholder voice through its relationship with the tenant.

Why should someone who does not live in Exelby be interested in investing in EGDCP Ltd?

Why not? British pubs are an 'institution' and if not supported they will be lost. A community owned pub is a successful model that has achieved national and international interest elsewhere. We are no different. Uniquely, investors will also own a traditional country pub and bit of Yorkshire which will always have a premium attached to it!

Further Information

Thank you for taking the time and trouble to read this prospectus. We hope you are as enthusiastic as the Directors and shareholders about the future of the Green Dragon under community ownership and wish to invest.

Additional Information is available on our website at www.exelbygreendragonpub.co.uk

Or by contacting

John Walker (Secretary, Exelby Green Dragon Community Pub Ltd
Garth House
Exelby
DL8 2HD

Tel. 07791 128 183

Email: egdg@gmx.co.uk

How to invest

Please complete if you would like to invest in and become a member of Exelby Green Dragon Community Pub Ltd

Name	First Name		Date of Birth
	Surname		
Company or group name (if applicable)			
Address	No. or house name		
First line			
Second Line			
Village, Town or City			
Post code			
E mail			
Telephone	Home Mobile		

I wish to purchase shares as follows (Minimum 1 share, Maximum 200 shares):

No. of shares @ £500 each		Total Value of shares (No. of shares x £500)	£
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Payment:

Cheques payable to: Exelby Green Dragon Community Pub Ltd.

Or

Bank transfer to

Exelby Green Dragon Community Pub Ltd

Co-operative Bank

a/c no. 65843309

sort code 08-92-99

Please reference your payment with your surname and first initial.

Signed	
Date	

Completed forms and cheques should be returned to:

John Walker, Secretary

Exelby Green Dragon Community Pub Ltd,

Garth House | Exelby | Bedale | North Yorkshire | DL8 2HD or email: egdg@gmx.co.uk

By buying these shares, I agree to all the information disclosed here being held on a computer database in compliance with General Data Protection Regulations (GDPR). I understand that this information will be used by the Society only and will not be passed to third parties.