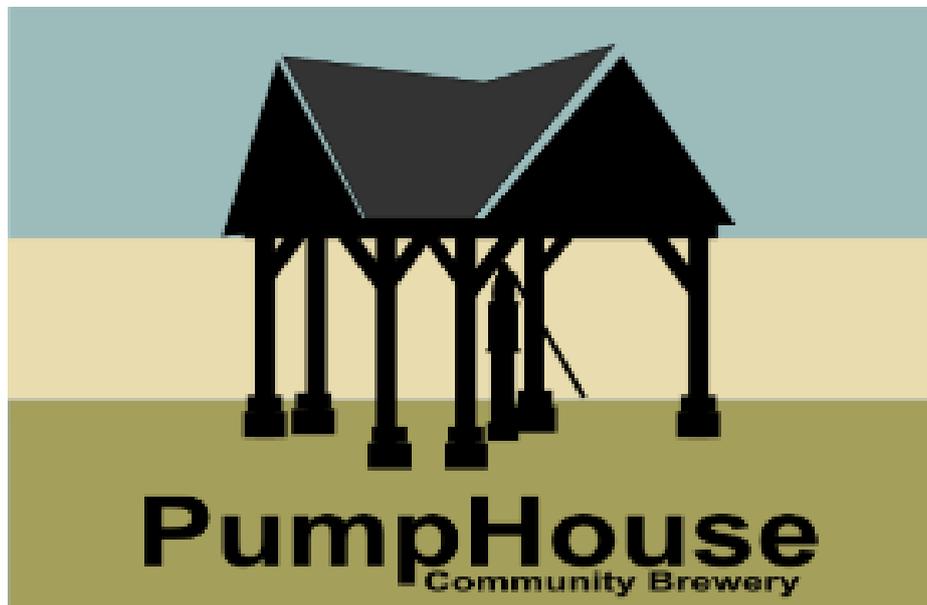


PumpHouse Community Brewery Limited



Share Prospectus

Launch Date: 7th December 2018

Closing Date: 28th February 2019

(or such later date as advised)

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1. OFFER SUMMARY

- You are invited to invest in Pumphouse Community Brewery Limited ('PHCB') through the purchase of Community Shares;
- PHCB, a Community Benefit Society, was established in 2015 to build and develop a craft brewery in Toppesfield;
- PHCB is registered at the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014. Its Register number is 7061;
- PHCB raised a total of £38,000 in 2015 to complete the original project. Funding for the project came from a mixture of grants and a Community Share sale;
- PHCB is now seeking to raise from this second Share Offer a minimum amount of £10,000 and a maximum of £25,000 in order to help finance an increase in production, to improve production and storage facilities and to enhance the efficiency of the brewery;
- In total PHCB is aiming to raise a minimum of £30,000 through a combination of the sale of Community Shares, grants and loan funding.
- Community Shares have a nominal value of £50.00 each;
- The minimum investment under this share issue is £50.00 (one share) and the maximum is £10,000 (200 shares);
- The Offer is open to both individuals and institutions;
- The opening date of the Offer is 7th December 2018 and it will close on 28th February 2019 or such earlier or later date as the Society may determine and advise;
- The Business Plan of the Society is available to view on request;
- **You should note that this Share Offer is not subject to the Financial Services Markets Act 2000 ('FSMA'), is not covered by the Financial Services Compensation Scheme ('FSCS') and investors will have no recourse to the Financial Ombudsman;**
- **Investors could lose all or some of their investment**

This share prospectus is intended to:

- Explain about Pumphouse Community Brewery Limited and how the share offer will work;
- Outline the project and its benefits for existing and new members and for the community; and
- Invite you to apply to buy Community Shares and help PHCB continue its successful beginning.

If you are unsure whether to invest or not it is recommended that you consult with a professional advisor.

2. WHAT IS THE PUMPHOUSE COMMUNITY BREWERY LIMITED?

Pumphouse Community Brewery Limited ('PHCB') is a Community Benefit Society ('CBS') established under the Cooperative and Community Benefit Societies Act 2014. It is owned and managed by the community for the benefit of the community. PHCB is registered with the Financial Conduct Authority ('FCA'), Register No. 7061.

PHCB was originally set up in 2015 to establish and run a community owned craft brewery in Toppesfield.

Its constitution is set out in its Rules which are based on the Model Rules of the Plunkett Foundation. The Society's Rules can be viewed on PHCB's website (www.toppbrew.co.uk).

PHCB is run as a not-for-private-profit Society. Any surpluses generated by the Society must be used either to further the business through reinvestment or distributed to charitable or community bodies.

3. THE COMMUNITY SHARE OFFER

This document describes an opportunity to become a member of PHCB ('Member') by subscribing for shares in the Society ('Shares'). Any individual, company or organisation can become a Member. PHCB is operated on a one Member, one vote principle, as set out in its Rules.

Individuals (aged 18 years and over) and institutions can apply for membership by subscribing for shares at a nominal price of £50.00 per share, with a minimum investment of one share. i.e. £50.00.

The maximum that can be invested by an individual or institution is £10,000.00, which will purchase 200 shares.

If the share offer is oversubscribed the management committee reserves the right to refuse part or all of an application for shares.

HMRC has issued an Advance Authorisation to PHCB confirming that investments by individuals would be eligible for tax relief under the Social Investment Tax Relief scheme ('SITR'), which is administered by HMRC. Under this scheme, investors can offset 30% of the cost of their investment against their personal income tax liability, either for the tax year in which the investment is made or for the previous year.

This would have the effect of reducing the net cost of shares by 30% of the value of an investment through an offset against income tax. This means that the net cost of an investment can be reduced. Investors in the first share issue by PHCB in 2015 were able to benefit from similar income tax relief under the Seed Enterprise Investment Scheme ('SEIS'), similar to SITR but directed at start-up enterprises and those under two years old.

PHCB plans to pay interest on all shareholdings at an interest rate proposed by the Management Committee, based on the performance of the Society, and put to a vote of Members at the Annual General Meeting. It is our intention to pay an interest rate of 2% above the Bank of England Base Rate.

It is important to note that the value of the shares will not increase. The only financial benefit for members is any interest paid annually and any initial tax relief that may be obtained.

The shares are not transferable (except on death or bankruptcy) and cannot be sold.

Investors may request to withdraw their shares by giving three months' notice of withdrawal to the Management Committee. Shares cannot be withdrawn until at least three years have elapsed from the date the shares were issued and then only at the discretion of the Management Committee. The Management Committee will have the authority to refuse a withdrawal request if it would endanger the viability of the Society.

The amount available to be withdrawn by shareholders in any one financial year will be 10% of the total value of shares outstanding. Should withdrawal requests exceed the 10% figure, investors would receive a pro rata payment based on their original investment.

Full details of share ownership and the terms of withdrawal are set out in the Rules of the Society.

In the event that, for whatever reason, the brewery ceases to trade, all the assets of PHCB would be sold and shareholders would be repaid their investment after repayment of all debts. Likewise, if the brewery is sold as a going concern the proceeds of such sale would be used first to repay any debt and secondly to repay the investments of shareholders. If any surplus remains after such repayment, it would be paid to a charitable or community body, in accordance with the Rules of PHCB.

It is possible that, in the circumstances detailed above, that shareholders may not receive their investment in PHCB. As PHCB benefits from limited liability, however, the maximum that an investor can lose is the amount of the original investment.

An investment in PHCB should be viewed firstly as an investment in the community.

You should be aware that this share offer is unregulated by the FCA. It is not subject to FSMA 2000. Additionally, there is no recourse to the FSCS nor to the Financial Ombudsman.

A copy of the Business Plan can be seen on request and the Rules of PHCB are available on our website (www.toppbrew.co.uk) and can be requested from any member of the Management Committee.

You can join the existing shareholders of PHCB and support this expansion by subscribing for Shares and becoming a Member. If you are an existing shareholder you can increase your shareholding.

It is important that you read the document carefully in full before making a decision on whether you want to subscribe for Shares.

This offer for Shares opens on 7 December 2018 and will remain open until 28 February 2019, or such later date as may be advised.

4. BACKGROUND AND PROJECTED ACTIVITIES

Pumphouse Community Brewery Limited was established in 2015 as a community owned craft brewery. It raised at that time the sum of £38,000 by way of PHCB's first community share offer (£21,000) and grants from Braintree District Council (£10,000), the Sainsbury Family Charitable Trust (£4,000) and the Yellow Car Charitable Fund, through Essex Community Foundation, (£3,000). Subsequently, further shares with a value of £1,450 have been sold to new shareholders. The funds were used on the substantial building works required, on a range of equipment (including the brewing vessels, casks, bottling and labelling equipment and stocks of consumable items such as chemicals, shives, keystones, bottles, labels etc.) and working capital.

The brewery is located in an old cart lodge which is part of a Victorian brick barn adjacent to the community owned Green Man pub, in the centre of Toppesfield. Rent is paid by PHCB for the premises occupied.

The first beers were produced during October 2015 and since then production has amounted to the equivalent of more than 1,150 firkins of ale (roughly equivalent to 80,000 pints).

Most of the beer is sold in draught form, mainly to the adjacent Green Man, but also to a growing number of pubs and clubs in nearby villages, including Belchamp Otten, Great Yeldham, Cornish Hall End, Steeple Bumpstead, Gosfield, Clare, Earls Colne and Castle Hedingham. There has been a modest volume of sales to private individuals and to functions such as parties, weddings and special events such as Christmas and we have supplied numerous beer festivals. In recent months we have supplied beer to festivals in Chappel, Colchester, Ely, Rochford and Braintree. We have received positive feedback from buyers.

We are also seeking to increase the sale of bottled beers. These are sold directly to the public from the brewery (the brewery has an off-sales license issued by Braintree District Council), in the Green Man and increasingly through retail outlets, such as farm shops.

From 2018 PHCB is listed in the Grape & Grain Trail promoted by Braintree District Council. This will offer an increased opportunity to sell our products to a wider base and will also provide opportunities for Toppesfield's community shop and community pub.

The beers produced by the brewery have been of traditional styles which meet the requirements of the local population. This means that PHCB has not focused its efforts on stronger beers but on those in the 3.6-4.2% abv range. Occasionally stronger ales have been produced but these have been and will continue to be mainly for bottling in smaller 330ml bottles; an example is the recently produced Pumphouse Imperial Milk Stout which is 9% abv.

5. OUR MISSION AND THE PROJECTED BENEFITS TO THE COMMUNITY

When the brewery was established in 2015, the following key objectives were set:

- Provide a further activity in a relatively isolated community, especially for retired people.
- Provide a further attraction for people to visit Toppesfield with knock-on benefits for the community owned shop and pub.
- Generate a surplus which can be put back into the business and/or the community as per the rules of PHCB.
- Supply high quality, craft products to Toppesfield Green Man and other nearby pubs at competitive prices. In Toppesfield this will directly benefit the viability of the community owned pub.
- Provide employment opportunities.

These initial objectives have been met, except that our modest surpluses have so far only been reinvested in the business. We expect to be able to provide the community with income from surpluses following our 2019/2020 financial year.

As a result, we are now ready to embark on the expansion plan.

With the proposed expansion project PHCB is planning to achieve the following objectives.

- i. Increase production;
- ii. Become a more efficient producer of beers enabling even more competitive pricing and increased profitability;
- iii. Create more employment opportunities;
- iv. Make the village, and therefore the community shop and pub, a more attractive destination.

6. FINANCIAL PERFORMANCE, PROJECTIONS, AND PROPOSED FUNDING

During the first full year of trading (year ending 31 October 2016) PHCB made a cash loss of £3,400 on sales of £18,600. This reflected a lower level of production than was anticipated due to our contracted brewer not being available as much as had been planned, some additional costs incurred and incorrect cost projections.

For the financial year that ended on 31 October 2017, we saw an improved performance. Improved cost management and an increase in sales to local pubs and clubs together with more sales of profitable bottled beers resulted in a gross profit of £5,027 on turnover of £18,472. Net profit was £161 before depreciation. The equivalent for the previous year were £567 gross profit and a net loss of £3,357 before depreciation. Production until June 2017 was lower, as the previous brewer became less available to brew for us for personal reasons. For comparison sake, production in the first 8 months of the financial year (up to the end of June 2017) totalled 202 firkins equivalent (25.5 firkins per month) compared with 151 firkins equivalent for the final 4 months of the accounting year (i.e. 35 firkins per month). Production since the beginning of the financial year on 1 November 2017 has

continued at this level and we expect to produce 455 firkins for the full year. At this level we have been able to sell all production and believe that there is scope for increased sales in the area around Toppesfield. We are currently constrained in our production by the need for more equipment, improved storage facilities and the need to employ more staff. This funding exercise is intended to address directly these challenges.

Our headline base case projections for the years 2018/19 – 2022/23 are shown below.

5 year headline projections					
	2018/19	2019/20	2020/21	2021/22	2022/23
Total Income	43,110	75,864	92,677	94,549	121,091
Total costs	36,793	65,266	75,875	82,204	95,630
Surplus (pre-tax) after depreciation and interest	1,572	4,723	10,927	6,471	19,586
Gross margin	14.7%	14%	18.1%	13.1%	21%

More details of the financial projections are set out in our Business Plan which is available to view on request (pumphousecommunitybrewery@gmail.com)

7. HOW IS PHCB MANAGED?

PHCB is run, in line with its Rules, by its Management Committee which may consist of not less than 4 nor more than 7 Members. The current Management Committee is made up of 6 people, as follows:

Alan Collard – Chair

Mike James – Vice-chair

Richard Evers

John Fitch - Treasurer

Chris Neale

Dave Dyson

Brief biographical details can be found on our website (www.toppbrew.co.uk) . The Committee members are all volunteers and receive no remuneration from PHCB.

The Company Secretary is **Kaaren Berry**

Any shareholder is eligible to become a member of the Management Committee, which is elected by the membership. Elections to the Management Committee are held at the Annual General Meeting and all members will be invited to put their names forward for election.

The brewing is undertaken by the Head Brewer, Aaron Osborne, who joined PHCB in June 2017. Aaron is an experienced brewer having learned his trade at a number of Essex

breweries, including the Maldon Brewing Company, Wibblers and Red Fox. Aaron is an employee of PHCB and currently works three days a week for us. As the planned expansion project is completed Aaron will increase the number of days he works for PHCB so that, in our base case projections, he will work 4 days per week after two years with the objective that this will increase to 5 days as soon as possible thereafter. Aaron will over time take full day-to-day responsibility for running the brewery, the management committee retaining responsibility for oversight and strategy and for organizing volunteer support, for example for bottling and labelling activities.

In addition to the Head Brewer, PHCB will employ a part time administration manager and a part time under-brewer. Initially they would work for one half a day per week but this is planned to increase to a minimum of two days each over the following three years or sooner if necessary.

Thus far the brewery has benefited from substantial volunteer support on an 'as required' basis. We envisage that volunteer support will continue to be available and to be a key part of PHCB's offering to its members and the community. The roles undertaken by volunteers will continue to include bottling, labelling, racking of beers, general maintenance, deliveries etc.

8. FREQUENTLY ASKED QUESTIONS

Questions you may have regarding buying shares in Pumphouse Community Brewery Limited

Why should I buy community shares?

Becoming a Member of PCB through purchasing one or more shares will enable you to participate in the growth and development of the Brewery and support the continuing viability of the community.

Who will benefit from this project?

The main beneficiary of the project will be the community. As a Community Benefit Society, surpluses, after reinvestment in the Brewery, will be distributed into the local community. In addition, shareholders may benefit from a modest return of a maximum of 2% above the Bank of England base rate, subject to profitability and there will be some employment opportunities for local people as the Brewery expands.

Is this a good business proposition?

A Business Plan and cash flow projections are available for viewing if requested. We have based these on both conservative assumptions and our experience of almost three years trading. Investors will need to satisfy themselves as to the viability of the business, but we feel that there is great potential for profitable growth.

Who will run the Brewery and make the day-to-day decisions about the business?

The day-to-day brewing operations will continue to be undertaken by the Head Brewer, Aaron Osborne, who is a paid employee. Practical support for him will initially come from a group of volunteers who will undertake activities such as racking of beers, bottling and labelling and general cleaning and maintenance of the premises and equipment. As we progress and increase production we anticipate initially taking on two part-time employees, one to assist with the brewing process and delivering and collecting of barrels and the other as administration manager to, inter alia, keep the books, raise and pay invoices and maintain customer contact. The Management Committee, who are all unpaid, will continue to determine strategy, represent the interests of the shareholders and be involved in sales, major purchases and funding, amongst other things.

Will my shares give me voting rights?

Yes. A Community Benefit Society is an open and democratic organization. One member receives one vote on issues determined by shareholders, irrespective of how many shares that member has purchased.

Can I get my money back?

You will be unable to withdraw your shares for first three years after purchase. Thereafter you will need to give at least three months' notice of your wish to withdraw shares. Shares can neither be sold nor transferred to someone else. Withdrawals must be funded from surpluses generated by the business or from new share capital raised from members. The Committee may decline requests for withdrawals depending on the long-term interests of the Society, its need to maintain adequate reserves, and the broader needs of our community.

What happens if PHCB fails?

Should the business fail, all assets would be sold and the proceeds of the sale (after paying any creditors) divided between the shareholders up to the value of their shares. You might receive the full value of your shares back or you might lose part or all of your investment.

What redress do I have if the business fails and I lose the value of my shares?

This share offer is first and foremost an investment in the community. The investment is unregulated and not covered by the Financial Services and Markets Act 2000. Furthermore, there is no right of access to the Financial Services Compensation Scheme nor to the Financial Ombudsman

Will I receive interest from my shares?

We will aim to pay a reasonable interest rate to our members. Our business plan assumes we will pay interest on shareholdings at a rate of 2% above the base rate of the Bank of England, subject to the business generating sufficient surpluses. Interest will be paid gross and it is each member's responsibility to declare such earnings to HMRC if appropriate.

Will my investment be eligible for tax relief?

This investment is eligible for tax relief under the Social Investment Tax Relief scheme ('SITR') administered by HMRC. This would mean that eligible income tax payers who purchase shares can apply for income tax relief equal to 30% of the amount invested provided the shares are held for a minimum of three years. PHCB has received Advance Assurance from HMRC for this share issue to benefit from the scheme.

How can I purchase shares in PHCB?

To buy shares in PHCB and take part in this exciting opportunity, please complete the attached Application Form and return it to the address shown.

If I want more information, whom should I contact?

You can write to us at:

Pumphouse Community Brewery Limited
c/o Toppesfield Community Stores
Church Lane
Toppesfield
Essex CO9 4DR

or

E-mail: pumphousecommunitybrewery@gmail.com

More information is also available on our website – www.toppbrew.co.uk

APPLICATION FOR MEMBERSHIP

If you wish to become a member of Pumphouse Community Brewery Limited ('PHCB') by investing in the Society, please complete the form below and return it to the following address:

Pumphouse Community Brewery Limited,
c/o Toppesfield Community Stores
Church Lane, Toppesfield
Essex CO9 4DR

Name(s):

Address:
.....

Email address:

Phone number(s):

Number of shares I/we wish to purchase (minimum 1, maximum 200):

Value of shares you wish to purchase (Shares cost £50.00 each): £.....

Payment should be made either:

- i. by cheque payable to Pumphouse Community Brewery Limited. **Please enclose your cheque with this Application;** or
- ii. by direct transfer to PHCB's bank account, as follows:
Sort Code: 20 83 50
Account number: 23700607
Reference: Shares / [name]

If paying by bank transfer, please send this Application to PHCB and tick the box to confirm payment has been made direct to our account

Receipts will be issued by email wherever possible.

By requesting that I become a member of Pumphouse Community Brewery Limited ('PHCB') I agree to my name, address, phone number(s), email address (where applicable) and the number of shares I wish to purchase being held on a computer database. I understand that this information will be used only for the purpose of maintaining a register of members and potential members as required by the rules of PHCB, for the posting of notices regarding the activities of PHCB and occasional Newsletters about the brewery's activities. This information will not be passed to any third parties nor used for any other purpose. A copy of our privacy policy can be found on our website.

Signed:

Date: