

Westbury Sub Mendip Community Shop Limited

Five Year Bond Third Issue – Offer Information

Purpose

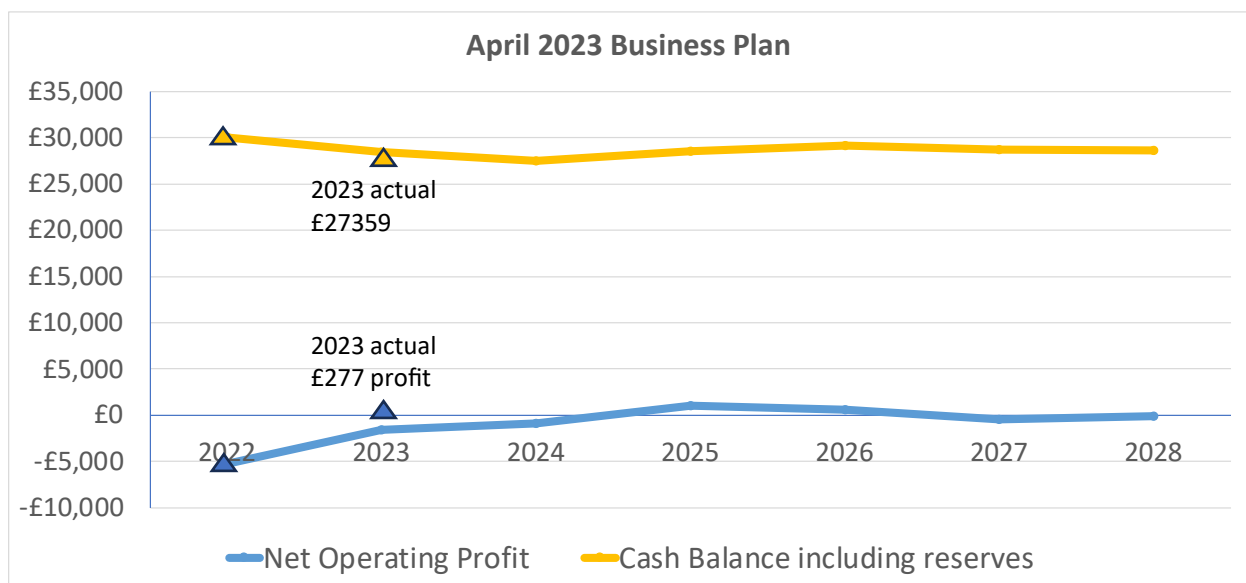
This document describes an intended third issue of bonds by the Westbury sub Mendip Community Shop Ltd Society (WsMCSLS), which will provide funding for continued operation of the Westbury sub Mendip Community Shop Ltd (The Shop) between 2024 and 2029.

Background

The Shop has been operating successfully since 2014 as a community owned and operated business, owned by around 300 shareholders (the Members). We previously raised funding to support the purchase of the freehold and equipment required to operate the shop and post office through the issue of Bonds, initially in 2014, and a second issue in 2019. These bonds come to the end of their five year term in October 2024, and the third issue will aim to replace these funds for the period to October 2029.

The Shop Management Committee produced a five year business plan in April 2023, which we have used to determine our financing requirements for the next five year period. The figure below illustrates the expected operating profit and cash balance for the business over the five years from 2023 to 2028, and actuals for 2022 and 2023. Operating conditions have been challenging over the last couple of years, during which time the business made a small operating loss, due mainly to a decline in post office and newspaper revenues and increases in operating costs. However, by focussing on the more profitable lines and generating additional revenues through, for example, holding garden events, we have made a small operating profit in 2023 as shown. We project to continue this trend over the five year period, expecting to break even or make small operating profits in the later years.

The implication is that we will continue to require a similar level of bond funding throughout this period, of around £137,000. This will enable us to maintain the capital reserves of around £28,000 which we have established to protect the business from any adverse events.



Note: Cash Balance reflects the total of all cash and deposit accounts, plus debtors, less liabilities

Bond Values and Term

In the Third Issue, bonds will be available in increments of £1000 as for the previous issues, with a maximum available to any individual of £20,000. Preference will be given to existing investors who may wish to renew their bonds for a further five years. Anticipating however that not all will wish to renew, there is expected to be an opportunity for additional Members to participate in the Third Issue, or for existing lenders to increase their holding.

Bonds will be issued on the 31/10/ 2024, and upon payment to the business of the capital sum, and will have a fixed term of five years. Bonds will be issued to private individuals who will be named on the certificates, and will be transferable by private means.

Bond Interest Rates

Bonds will be issued with a declared interest rate of between 0 and 4% per annum. Interest will be payable annually on the anniversary date of the bond issue.

At the time that the Bonds are issued in October 2024, it is anticipated that the maximum commercial rates for five year deposits available in the market will be around 4% per annum. Although higher rates are available currently, with the Bank of England Base Rate sitting at 5.25%, market expectations are for this rate to be reduced several times during 2024 and to fall steadily over coming years. The average rate over the next five years, as indicated by market "Swap Rates", is expected to be around 3.3%.

It is envisaged that the Shop will continue to operate in a challenging inflationary environment. It has been sustained in recent years in part through the generosity of a number of our lenders being willing to accept lower than commercial rates of interest. The interest rates payable on individual bonds will therefore be determined by the level which individuals are prepared to accept, between zero and four percent.

Security and reimbursement

Third Issue Bonds will be secured upon the Shop property as set out in a Legal Charge.

In the previous issues, some smaller value bonds have been issued unsecured at lower interest rates. For simplicity and transparency, these will no longer be available in the Third Issue.

Governing law and investor protection

WsmCSLS is not an authorised institution under the Banking Act 1987 and does not accept deposits. This means there is no share deposit protection scheme for investors. WsmCSLS is an exempt person from the regulated activity of deposit taking by its issue of shares pursuant to Paragraph 24 of the Schedule to the Financial Services and Markets Act 2000 ('FSMA') Exemption (Order 2001). WsmCSLS has taken all reasonable care to ensure that every statement of fact or opinion included in this information document is true and not misleading.

How to Invest

All individuals who are interested in investing in the Third Issue will have until 31/5/2024 to express their interest, although it will help to smooth the process if people can provide an earlier indication. This should be done by contacting Paul Wiseman, Vice Chair of the Shop Management Committee, who is managing the re-bonding process, either by email at: forwisemans@msn.com, or in person on 07419 847126.

Following your expression of interest, we will contact you to discuss the desired level of your bond holding and the anticipated rate of interest. We will also provide a copy of the detailed terms and conditions for the Third Issue. A final commitment will be sought by 31/8/2024, although again, earlier will be helpful.

For those existing bond holders who indicate their willingness to continue with their investment for the Third Issue, a transfer certificate will then be issued, enabling a new certificate to be provided to you, at the individually agreed interest rate, without the need for cash to change hands.

For individuals investing in bonds afresh, a bond certificate will be issued to you upon transfer of your funds to the Shop Treasurer in due course, during October 2024. All bond certificates will be supported by a Legal Charge on the Shop assets.

Information issued by the Management Committee of Westbury sub Mendip Community Shop Ltd.