

50% TAX RELIEF
exeterobserver.org/invest



INVEST IN LOCAL NEWS THAT MATTERS

HELP US GROW SO WE CAN DELIVER ALL THE
INDEPENDENT JOURNALISM EXETER NEEDS

Exeter Observer Spring 2024 community share offer

Share offer opens: 26 April 2024

Share offer closes: 30 June 2024

Accrual date: 5 July 2024

Investment target: £75,000

Minimum individual investment: £500

Maximum individual investment: £50,000



Exeter Observer Limited, Community Benefit Society No. 8345



About

A new kind of independent news organisation	2
Production & distribution	3

Rationale

Democracy doesn't work when people don't know	4
Legacy local news	5
Exeter media in perspective	6
Local news that matters	7

Strategy

Expediting our growth	8
All the local news that matters	9
Extended coverage & events	10

Delivery

Trainee reporters	11
Community shares	11
Tax relief	12
Membership subscriptions	13
Targets & projections	14
Risks & mitigations	16

Share offer

Overview	18
Key information	18
Key offer terms	18
Important information	20
Investment application	20

This document is available on the Exeter Observer website at exeterobserver.org/invest.
References to resources used in its preparation are available at exeterobserver.org/about/references.
The quotes that appear throughout the text are unsolicited readers' feedback from the past twelve months.



The independent journalism Exeter needs

Exeter Observer is a new kind of independent local news organisation that holds power and influence to account while helping our cultural and community life to thrive.

It is published by Exeter Observer Limited, a not-for-profit community benefit society, and produced by a tiny newsroom with two staff.

Over the past five years it has published more than 550 stories. It often sets the local news agenda, offering insight about what's going in Exeter that you won't find anywhere else.

Its website serves more than a million page views each year and its readership and subscriber base have doubled in the past twelve months.

We're expanding our team to deliver all the local news that matters so we're running a community share offer to raise the investment we need to finance our growth.

Our share offer is eligible for 50% tax relief under HMRC's Seed Enterprise Investment Scheme, with scope to claim capital gains tax and loss relief too, minimising investment risk.

Our investors can claim back half their stake and keep all their shares.

*"An incredibly important story
for the people of Exeter"*

Please apply to invest in Exeter Observer Limited via our website at exeterobserver.org/invest.

The local democracy we need depends on people being sufficiently well-informed about what is taking place to actively engage.

It doesn't work without ready access to relevant, accurate, timely reporting on who is deciding what on whose behalf and what the costs and consequences of those decisions will be.

Legacy local media's publishing model cannot keep people informed about important issues that affect them and the communities in which they live and work.

Only publishers with the operational capacity and editorial independence to make informed judgements in the public interest can deliver the journalism that local democracy needs.

Reach plc dominates Devon news coverage but only 10% of Devon Live's readers are located in the south west and Exeter Express & Echo's circulation has fallen by 72% in the past six years.

Exeter Observer is different. Our rigorous independent journalism has real-world impact while proving that reader-funded media can deliver the public interest news our city needs.

*"This should be essential reading
for Exeter residents"*

Find out more about our community share offer by emailing us at invest@exeterobserver.org or come along to an informal event for prospective investors at exeterobserver.org/events.

A new kind of independent news organisation

Exeter Observer is a new kind of independent local news organisation that holds power and influence to account while helping our cultural and community life to thrive.

It publishes news, features and investigative journalism which keeps people who live or work in Exeter informed about who is deciding what on whose behalf and what the consequences and costs of those decisions will be.

Community-owned and upholding high editorial standards, Exeter Observer is proving that reader-funded media can deliver the accountable public interest journalism our democracy needs with a publishing model that protects and enhances the public sphere.

"Excellent journalism"

Exeter Observer is published by Exeter Observer Limited, Community Benefit Society No. 8435 registered by the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014.

Its members hold shares in the society and have democratic rights on a one-member-one-vote basis regardless of the number of shares they hold.

Membership is open to anyone who supports Exeter Observer's community benefit purpose. It is a true not-for-profit organisation protected by a statutory asset lock: any surplus or assets can only be used for community benefit.

Exeter Observer's members elect an accountable board of directors at annual general meetings to oversee its affairs. The procedures by which decisions are made are laid out in the FCA-registered *Rules of Exeter Observer Limited*, a legally-binding constitutional document which governs how it is run.

They prohibit Exeter Observer's affiliation to any formal religious or political group which includes, but is not limited to, political parties, and they prohibit the appointment of a member of any political party to hold office as a director, chief executive or secretary.

Exeter Observer's aims and objects codify its public interest purpose, its constitution prevents the corruption of that purpose and its membership structure facilitates a publishing model that reflects the diversity of opinions and interests that constitutes Exeter's public sphere.

Its community benefit purpose provides a public interest foundation on which to serve the city and its growing community of supporters, members and investors each contribute to its running costs to enable it to do so.

This addresses many of the problems created by traditional media ownership models, in which either wealthy individuals or remote, profit-motivated shareholders exert counterproductive influence on editorial and operational matters.

As an ICNN and BBC Local News Partnerships member Exeter Observer also upholds the Editors' Code of Practice and provides a robust complaints procedure.

Production & distribution

Exeter Observer is produced by a tiny newsroom with two staff. It has also published work by sixteen volunteer contributors since its launch in April 2019.



Martin Redfern is Exeter Observer's editor and a director of its publisher Exeter Observer Limited. He writes many of its news stories and features, leads on

investigations and maintains the website.

Martin is an accredited UK press card holder, a member of the Chartered Institute of Journalists and the Society of Editors and holds a masters degree in Journalism with distinction at Birkbeck, University of London.

Our insurance underwriters rely on these credentials to provide comprehensive indemnity cover which protects our public interest publishing.



Leigh Curtis is Exeter Observer's deputy editor and membership co-ordinator and a director of its publisher Exeter Observer Limited.

She writes most of our community and culture stories, some news and features and manages our growing membership.

She holds a degree in Fine Art at Goldsmiths, University of London, and leads on design and marketing as well as dealing with Exeter Observer's financial and administrative management including member meetings.

Leigh is also an accredited UK press card holder and a member of the National Union of Journalists.

Exeter Observer's website is its primary publishing platform. It is designed in-house to convey high editorial standards and confer high search engine rankings while avoiding the clutter that crowds out content on other local channels.

It is delivered using a high-resilience network to provide fast page load times and is evolving continuously as new formats and tools arrive.

Exeter Observer publishes *The Exeter Digest*, a free email newsletter, which contains a round-up of recent stories and a curated selection of community and culture events every few weeks.

It also employs selected social media channels as well as printed materials to promote individual stories and reach new readers and communities of interest across the city.

Over the past five years Exeter Observer has published more than 550 news stories, features, investigations, community and culture previews, galleries, newsletters and special reports.

It often sets the local news agenda, offering insight about what's going in Exeter that you won't find anywhere else and breaking major stories only for legacy media to get the facts wrong and fail to scratch the surface.

Its website serves over a million page views each year and its readership and subscriber base have doubled in the past twelve months.

Democracy doesn't work when people don't know

We need better democracy. Standards in public life have declined, populists have won influence and power and inequality has risen. A democratic deficit has grown while trust in our institutions and civic engagement has reached an historic low.

Our political system is proving unfit for purpose just as a new class of intractable problems that demand urgent resolution are being addressed by people whose decisions are often their cause.

Exeter faces a cluster of such challenges but if reality is to match rhetoric profound change must take place. However, local responses are determined and delivered by multiple authorities with overlapping jurisdictions and often conflicting political perspectives and strategic interests. Other actors and organisations also significantly influence decision-making which affects us all.

Two years ago Exeter City Council became what the Electoral Reform Society calls a "one party council", after being dominated by the same political party for a decade. Devon County Council has been in this state, under the same leader, since 2009. Research shows this greatly increases the likelihood of corruption, cronyism and spending decisions which offer poor value for public money.

The city council has outsourced governance to unelected boards and policy-making to unaccountable organisations, undermined decision-making scrutiny and defied transparency legislation. It has spent millions of pounds of public money on loss-making

subsidiary companies and vanity projects, cutting budgets to cover soaring debt interest and loan repayments.

The county council has come close to bankruptcy after many years of mismanagement, sown division and discord by bungling public consultations and pilot projects and is imposing savage spending cuts alongside a devolution deal that will create an unaccountable new tier of local government despite majority opposition.

Both councils churn out public relations spin, as do Exeter's other public authorities, that presents counterproductive choices as positive change or blames externalities instead of admitting responsibility for their mistakes. This material reappears as news in most local media channels, misdirecting attention and distracting from the truth.

The local democracy we need instead depends on people being sufficiently well-informed about what is taking place to actively engage in the interests of their family, friends and communities.

It doesn't work without ready access to relevant, accurate, timely reporting on who is deciding what on whose behalf and what the costs and consequences of those decisions will be.

*"If it wasn't for Exeter Observer
we would be none the wiser"*

Legacy local news

Traditional local news publishers with profit-driven corporate ownership structures failed to create new business models as Silicon Valley rose and their advertising revenues fell. They pursued consolidation and staff cuts instead of reinvestment and reinvention to counter the threat from the tech giants. Along the way they abandoned responsibility for local public interest news publishing.

Just four publishers now control 88% of the UK's local and regional titles and 96% of local authority districts have a single dominant local news publisher. Thousands of jobs have gone. Yet the publishers remain ensnared in platform algorithms and diminishing online returns.

"An excellent article on the debacle that is Exeter City Council's handling of Exeter Living. I certainly will be a subscriber."

Targets are imposed on journalists, who are often described as "battery hens" because they often produce half a dozen stories a day, to generate as many page views as possible. This approach discounts editorial responsibility in favour of clickbait headlines and ephemeral content that rarely reflects the public interest or even constitutes journalism at all.

The resulting churnalism and cheerleading merely amplifies content marketing and public relations spin. Local authority press releases are often more promotional message than public information. More than 90% of local public interest news articles now come from managed media sources instead of reporters attending council meetings.

"There's been no other journalism in Exeter/Devon for years."

This publishing model cannot keep people informed about important issues that affect them and the communities in which they live and work. Research shows a clear link between the decline in local public interest news and falling engagement with local democracy, as well as negative impacts on the accountability of local institutions and public finance management. Other studies show that trust in news has declined alongside trust in other civic institutions.

Only publishers with the operational capacity and editorial independence to make informed judgements in the public interest can deliver the journalism that local democracy needs.

"There are lots of reasons to support Exeter Observer and this report is no exception"

Exeter media in perspective

Reach plc (formerly Trinity Mirror) dominates Devon news coverage. It has been the UK's largest regional news publisher since October 2015. Since then it has consolidated hundreds of local titles into generic regional publishing platforms across the country. It has been the least agile among its peers in response to the rise of Silicon Valley.

The company is in trouble. Losses/writedowns were £108 million in 2018 and £200 million in 2019. It sacked 12% of its workforce in 2020 but the company's shareholders received a £14 million dividend and its CEO and CFO both received 700% pay increases. Their combined 2020-21 remuneration was £7.4 million.

In 2022 its shares lost a quarter of their value after costs soared and operating profits fell. By the end of the year it was employing 2,500 fewer journalists than fifteen years before, a 63% reduction.

Its shares lost another fifth of their value last year following another profit warning. It announced another 450 job cuts as its reliance on large language model software to rewrite multiple versions of press releases and agency copy for reuse across multiple titles increased.

Last month it announced plans to redeploy 300 journalists to a centralised team that produces traffic-driving national trending topic content for use across its regional websites to Hoover up search engine referrals.

Devon Live combines seven local titles, including Exeter Express & Echo and Western Morning

News. Only 10% of its readers reside in the south west, let alone Exeter, the population of which constitutes just 6% of the region.

ABC figures show Exeter Express & Echo's circulation has fallen by 72% in the past six years, from 11,700 copies in 2017 to 3,300 in 2023 - including its East Devon edition. Its weekly cover price has reached £2.60 so it now costs £11.27 per month to read in print.

Both demonstrate increasing levels of editorial irresponsibility, with consequent impact on trust.

The pre-pandemic closure of the company's Exeter office means it has since covered the city from Plymouth, following content policies determined by the priorities of a remote conglomerate. The decision to axe Exeter Express & Echo, when it comes, won't be taken locally either.

Reach plc's CEO and CFO remain among the ten best-paid executives in UK print and online news.

"Fantastic analysis of this year's local elections in Exeter. Exeter Observer offering a vital democratic service in total absence of coverage by mainstream outlets like Devon Live."

Local news that matters

Exeter Observer is different. For the past five years our rigorous independent journalism has held power and influence in our city to account. We've had real-world impact while avoiding the failings of legacy local news business models to prove that reader-funded media can deliver the accountable public interest journalism our democracy needs.

We have scrutinised policy and decision-making, investigated the use of public money and resources, examined key issues and organisations, championed open democracy and published information and insight that would otherwise remain obscured.

We have leveraged transparency legislation and information access rights to hold public bodies to account, and kept external authorities informed so compliance failures are addressed and information and governance standards improved.

In the past twelve months alone we have published investigative features on:

- Planning committee conflicts of interest
- University of Exeter student numbers
- Student accommodation policy omissions, confusions and misrepresentations
- £1 million leisure services overspends
- Stagecoach South West's struggle to keep buses on the road
- County Hall's determination to axe homelessness prevention funding
- £1.3 million Co-Cars liquidation losses
- £4.5 million Exeter City Living losses
- University of Exeter fossil fuel financing
- Low Exeter economic activity levels

- The new Exeter Local Plan
- Exeter's 3,100 vacant and empty second homes
- University of Exeter self-promotion following poor social mobility index rankings
- King Billy planning permission irregularities
- The sale of Clifton Hill sports centre and Mary Arches car park for co-living redevelopment
- An allotment fees hike aimed at clawing back cash from 1,500 city gardeners and growers
- High Court criticism of city and county councils in a judicial review judgement
- The Gorge standing 70% empty nearly six months after opening
- The Secretary of State overturning a council Environmental Impact Assessment decision
- £1+ million Wonford community hub project development costs
- Devon and Torbay devolution deal
- £50 million SEND deficit deal cuts
- The city auditor's inquiry into Exeter City Futures and its ex-CEO secondment
- An Australian multinational profiting from the council community lottery.

We have engaged and enraged decision-makers and others in leadership roles as well as those behind the scenes with influence over issues which affect us all.

At the same time we have empowered civil society and public sphere participants by equipping them with information for action in the forums to which they have access.

Exeter Observer's growing reputation as a public interest champion has also been reflected in an increasing number of readers seeking support with issues they have been unable to address via other avenues.

Expediting our growth

Exeter Observer's business model is simple. It depends on the financial support of a tiny fraction of Exeter residents contributing to the cost of producing our independent journalism by each paying a small monthly subscription.

"I am becoming an avid follower of your paper and would like to congratulate you on its successes. It's an important job you are carrying out and I wish you every support and success in the future."

For the past five years we have made the most of limited resources to establish Exeter Observer, clocking up thousands of hours of volunteer time and maintaining rigorous financial discipline.

Our £36,500 annual budget equates with 300 subscribers paying an average of £10 per month each. That's less than 0.25% of Exeter's population paying £1.25 less than it costs to read Exeter Express & Echo each month.

Last year we raised £56,850 in community shares investment which put us on a sufficiently firm financial footing to sustain the shortfall entailed by our current position for long enough to break even. This will take around two and half years at our current paying subscriber growth rates.

However a staff team of two is not enough to publish all the independent journalism that Exeter needs.

The answer is to expand the team, which also means increasing paying subscribers to cover the increased staffing costs. 420 paying subscribers would bring in £50,000 each year, 540 paying subscribers £65,000 and so on.

Were just 0.5% of Exeter's population to support Exeter Observer this way we would receive annual revenue of £79,200 from 660 paying subscribers. That's 2% of our current readership.

We are already successfully reaching new readers by leveraging a range of digital, print and interpersonal communications channels then retaining them by providing ways for them to maintain their interest once it has been engaged.

Expediting our growth by increasing the rate at which readers become paying subscribers now depends on us expanding our editorial and operational capacity to achieve several aims.

"Just writing to say that your article about the lottery is truly excellent. I can't remember local journalism of this standard. Brilliant. Keep going!"

All the local news that matters

We established Exeter Observer by concentrating on investigative features which cover key issues in depth, accompanied by shorter news reports on selected issues.

"Great reporting"

This approach has played to the team's strengths and matched its capacity. Longer features also have lower bounce rates, higher engagement levels and greater impact than shorter news reports while conveying a key value proposition that none of our competitors can offer because of their business models. We frame this as *insight about what's going on in Exeter that you won't find anywhere else*.

Our primary aim is to develop this proposition by extending our coverage to deliver all the independent public interest journalism Exeter needs. We frame this as *all the local news that matters*. Doing so will involve publishing more stories, typically in the form of news reports, while continuing to publish the features and special reports which set Exeter Observer apart.

Delivering comprehensive coverage is key for several reasons. It would enable our readers to rely on Exeter Observer for all the news they need, so they would never need to go elsewhere. Juxtaposed with Exeter Observer's editorial and presentational standards, which also set it apart from its competitors, it would make our unique value proposition clear. We frame this as *local broadsheet* form. And the more stories we publish, the greater our readers' understanding of the challenges Exeter faces will be.

When readers consider contributing to our publishing costs by becoming paying subscribers, they are likely to compare the value Exeter Observer provides with the alternatives. However, simply delivering higher quality coverage than the competition may not be enough to convince them to act. Research shows that readers often decide to become paying subscribers when they want to become part of the wider cause that news organisations represent.

Were Exeter Observer to more effectively communicate both the reasons our competitors are in decline and why our business model and organisational values are the only viable response to that decline, then more of our readers would recognise that our public interest journalism is not only part of the solution to the crisis in local journalism but also to many of the challenges facing the local public sphere.

"I just wanted to get in touch to commend your excellent work. I have received your newsletters for a while and have just become a subscriber. I am consistently impressed by the level of detail in your reports."

Extended coverage & events

There are several ways in which we could extend our offer beyond comprehensive local public interest news coverage which would enable us to reach a wider range of readers and provide them with even greater value.

First among these is the option to significantly expand our existing community and culture coverage, to provide residents (rather than visitors) with a curated events guide alongside a community notice board. One would help underfunded local arts and culture creators to reach new audiences, and could include reviews and interviews as well as previews. The other would help the city's civil society to thrive while establishing new relationships between Exeter Observer and extended communities of interest.

We could also seek to make complex issues more accessible to a wider range of readers by telling more stories that explore the impact of decision-making on local people, and we could extend our geographic scope to report on Exeter's sprawling borders, then further afield too.

Publishing briefings on key statistics and guides to local democracy and governance would enable people to better understand how things work. Providing resources such as a library of local policy documents and a fact-checking service would also add substantial value.

Hosting events is another key option. These would principally be aimed at deepening engagement among paying subscribers and enabling them to actively support Exeter Observer by sharing their skills, expertise or knowledge, or acting as its advocates by sharing our work and encouraging others to become paying subscribers in turn.

Events could take the form of feedback forums, to enable the communities Exeter Observer serves to inform the way it fulfils its mission, as well as workshops on topics such as local democracy and governance, freedom of information legislation and media literacy.

"Exeter Observer is peerless in its coverage and knowledge of the city's governance... and they have a plan for expanding. Worth considering their community share offer to support the growth of independent, public interest journalism."

Trainee reporters

Delivering *all the local news that matters* in local broadsheet form and more effectively communicating our business model and the value of our publishing requires at least one additional team member. Extending our coverage beyond this and running regular events requires another.

The most cost-effective way to grow our team is to take on trainees who have completed a relevant course at Exeter College or who have graduated and are returning home to Exeter.

We can offer them an industry standard NCTJ journalism diploma which would be delivered by a third-party training provider with 95% of the cost covered by the apprenticeship levy scheme.

We can also offer them a unique opportunity to learn the wide range of skills and knowledge that are required to produce the high quality local public interest journalism that Exeter Observer publishes.

We are confident that within three months each trainee would be capable of making a significant contribution to achieving our delivery aims. We would like to take on two, with the prospect of a staff position at the end of the training period, then repeat the process.

The scope to do so is limited by our available working capital, which is not sufficient to take on trainees without first rapidly growing our paying subscriber base, which we cannot achieve without extra staff. So we are seeking investment in the form of community shares to take on staff to expedite our growth.

Community shares

As a community benefit society Exeter Observer can offer share capital without the requirements which apply to public limited companies. Shares in Exeter Observer are not transferable and are treated as equity, not debt, on its balance sheet.

Unlike transferable shares, investors don't have to find a buyer or negotiate a price for their shares as the community benefit society can return the share capital on withdrawal, subject to the consent of its directors and provided it has positive retained earnings or has raised new investment sufficient to meet its capital needs.

Community benefit societies usually establish reserves from trading, or attract new share capital from existing or new members, to provide for share capital withdrawals. Most suspend withdrawals for periods of three or more years to allow time for the business to grow and to focus all available working capital on achieving growth.

Investment in a community benefit society is investment in an enterprise that serves a social purpose and a business model which encourages all stakeholders to work together, rather than maximising shareholder profit at the expense of customers, suppliers, employees and other investors.

The focus of the investment is the social benefits that investor capital make possible. It has been described as "potentially repayable philanthropy" which can be repaid provided the business is secure and sustainable.

Tax relief

The HM Revenue & Customs (HMRC) Seed Enterprise Investment Scheme (SEIS) offers tax relief to investors on the value of share purchases under eligible community benefit society share offers.

Investors must keep their shares for a minimum of three years, but can claim tax relief as soon as HMRC gives its approval for the community benefit society to issue tax relief claim certificates following accrual date.

HMRC has given Exeter Observer advance assurance that investment under this community share offer is eligible for SEIS tax relief. We will apply for HMRC approval to issue SEIS tax relief claim certificates immediately following the share offer accrual date, 5 July 2023.

Once approval is granted we will send SEIS certificates to investors who wish to claim tax relief against their purchase of Exeter Observer shares.

Income tax

Once each investor receives their certificate they can claim a tax refund of 50% of the value of their investment, provided they pay at least this amount in UK income tax.

There are three ways to claim. HMRC guidance helpsheet HS393 provides a summary of the options and additional HMRC guidance is available in Venture Capital Schemes Manual VCM35130. We will provide more details when we issue SEIS claim certificates to investors.

Investors can elect to carry back some or all of their investment to the tax year immediately preceding the investment if they choose.

Capital gains tax & loss relief

SEIS investors may also claim relief against personal capital gains tax liability for community share purchases, and loss relief in the event of the community benefit society being dissolved or their investment value being lowered by the society on the advice of auditors.

Capital gains tax reinvestment relief provides that up to 50% of the taxable gain on the disposal of another asset can be matched to qualifying SEIS investments and exempted from capital gains tax.

SEIS investors are entitled to exemption from capital gains tax on disposal of the purchased shares, provided income tax relief was claimed on them and the investor held them for at least three years.

If the SEIS shares are disposed of at a loss the loss can be set against the taxpayer's income in the tax year of the disposal or the previous tax year, or against capital gains, provided the SEIS scheme continued to meet the qualifying conditions until the date of disposal.

Inheritance tax

Shares in SEIS companies held for at least two years will normally qualify for 100% business property relief for inheritance tax purposes.

Membership subscriptions

As a community benefit society Exeter Observer can also charge its members periodic subscription fees to provide reliable recurring income. This is the basis of its business model: a tiny fraction of Exeter residents make its independent public interest journalism available for all by each paying a small subscription.

This approach enables a reciprocal relationship between publisher and readers. This is formally constituted in Exeter Observer's legal structure, which makes it accountable to all its members, and is informally expressed in members providing ideas, information and skills as well as the expertise that comes with being its principal stakeholders.

Exeter Observer thus benefits from community-derived editorial and operational input, its masthead becoming more connected with the communities it serves. The broadcaster/audience model is replaced with participatory common ownership which roots the enterprise in the community, engaging a wide range of people and increasing the legitimacy with which it can hold power and influence to account and help civil society to thrive.

Exeter Observer's members become stakeholders with a shared interest in addressing Exeter's need for better local democracy and a revitalised public sphere.

"Thanks for the great investigative work you're doing"

Some Exeter Observer investors are already members when they purchase their shares: their existing membership subscriptions continue as before. Other investors are not already members, and Exeter Observer also has many members who are not investors.

All its members, whether or not they invest, contribute a membership subscription. This is so that those who cannot afford to invest are not disadvantaged next to those who can by the latter being accorded the same benefits as the former, including voting rights, alongside the prospect of their investment being repaid in full while also being able to claim tax relief.

Exeter Observer offers investors the option to pay their membership subscription in shares, as some prefer to do so. The number of shares that corresponds with their annual subscription rate is deducted from their shareholding each year.

As SEIS tax relief can only be claimed on shares that are held for at least three years, this has the effect of reducing their total tax relief eligibility by three years' worth of annual subscriptions.

The amount of tax relief each investor who pays Exeter Observer's standard subscription rate in shares can claim is thus reduced by £360. Investors who instead choose to pay their membership subscription by direct debit maximise the amount of tax relief they can claim.

The effect of paying membership subscriptions in shares is proportionally smaller for investors with larger stakes.

Targets & projections

Exeter Observer's Spring 2024 community share offer is designed to accommodate a wide range of outcomes.

Fundraising targets

Raising £25,000 in community share investment would enable us to take on a series of trainees, each being replaced by the next.

Raising £50,000 in community share investment would enable us to take on two trainees simultaneously and offer a single full-time staff position at the end of the training period.

Raising £75,000 in community share investment would enable us to take on two trainees and offer a full-time staff position at the end of the training period, then repeat the process to end year four with two additional full-time staff.

Each of these scenarios is modelled, with subscriber growth rate projections that correspond with increased editorial and operating capacity resulting from additional staff, in the summary cashflow projections that follow. Each scenario yields break-even during year four.

Raising more than £75,000 in community share investment would enable us to commission additional freelance work and explore the possibility of taking on an already experienced local journalist as a member of staff.

"It really is important for us to have proper journalism in the city"

"We've heard a lot of positive things about the up-and-coming local community news project Exeter Observer.

Do support them if you're able. This kind of work is crucial in a world of centralised and defunded local news."

Share capital withdrawals

Share capital withdrawals are permitted provided Exeter Observer has a surplus of capital for its needs as a business either by trading profitably on its own terms or by introducing new capital. We aim to begin generating a surplus in around four years, as per our cashflow projections, after which we would be in a position to consider whether and how much capital could be made available to be returned to investors.

We also expect to need further capital investment over the medium to long term, so may seek share capital in the future in the form of an open investment offer aimed at new members. This is expected to be eligible for tax relief at a lower rate of 30%, some of the proceeds of which we could use to enable the return of capital to existing investors.

Summary cashflow projections

		Y1	Y2	Y3	Y4	Y5
Brought forward from 2024 Q2	36,950					
Community shares investment	25,000					
INCOME						
Paying subscribers		186	274	362	450	538
Total income		18,360	28,920	39,480	50,040	60,600
EXPENDITURE						
Staff		34,800	34,800	34,800	34,800	34,800
Trainees sequence		12,000	12,000	12,000	12,000	12,000
Overheads		1,600	1,600	1,600	1,600	1,600
Total expenditure		48,400	48,400	48,400	48,400	48,400
Net income		(30,040)	(19,480)	(8,920)	1,640	12,200
Net cash position		31,910	12,430	3,510	5,150	17,350

Brought forward from 2024 Q2	36,950					
Community shares investment	50,000					
INCOME						
Paying subscribers		219	331	443	555	667
Total income		21,240	34,680	48,120	61,560	75,000
EXPENDITURE						
Staff		34,800	34,800	34,800	34,800	34,800
Two trainees then staff position		24,000	24,000	24,000	24,000	24,000
Overheads		1,600	1,600	1,600	1,600	1,600
Total expenditure		60,400	60,400	60,400	60,400	60,400
Net income		(39,160)	(25,720)	(12,280)	1,160	14,600
Net cash position		47,790	22,070	9,790	10,950	25,550

Brought forward from 2024 Q2	36,950					
Community shares investment	75,000					
INCOME						
Paying subscribers		264	416	568	720	872
Total income		24,840	43,080	61,320	79,560	97,800
EXPENDITURE						
Staff		34,800	34,800	34,800	34,800	34,800
Two trainees then staff position, repeated		24,000	42,000	48,000	48,000	48,000
Overheads		1,600	1,600	1,600	1,600	1,600
Total expenditure		60,400	78,400	84,400	84,400	84,400
Net income		(35,560)	(35,320)	(23,080)	(4,840)	13,400
Net cash position		76,390	41,070	17,990	13,150	26,550

Risks & mitigations

We review the risks faced by Exeter Observer and our approaches to their mitigation regularly. We have identified the following risks to our development strategy and have determined appropriate approaches to mitigation in each case.

"Just read the latest from Exeter Observer. It's really impressive work."

Financial

The growth strategy we have adopted itself mitigates the risk of this share offer not raising the maximum amount of investment sought. It has been designed to facilitate growth across a range of outcomes with commensurate editorial and operational expansion.

Our revenue projections are based on conservative assumptions about paying subscriber growth that provide long operational runways without relying on significant income increases and which reach sustainable revenue levels at very low uptake rates as a proportion of Exeter's residents. We also seek regular input from stakeholders and sector-specific sources to ensure our strategic approach is as well-informed as possible.

The risk of not meeting these targets nevertheless remains, and is monitored in regular performance reviews. Should paying subscriber revenue not grow as expected we would respond

with an increased focus on income diversification aimed principally at receiving grant support which would be facilitated by increased capitalisation, paying subscriber growth and increased publishing output, all of which evidence enhanced capability and resilience.

We would support this with an external communications strategy aimed at raising Exeter Observer's profile across the UK independent media sector while simultaneously redoubling our local marketing efforts in order to reach new audiences in and around Exeter.

We would also maintain tight financial management controls, keep overhead costs as low as possible and ensure that the highest possible proportion of expenditure is productive. As a last resort compensatory cashflow sources such as crowdfunding would be considered.

"Have just confirmed my annual membership of Exeter Observer, which provides an invaluable service to the city and its citizens."

Operational

The risk of loss of key personnel is significantly mitigated by the personal commitment of existing staff to Exeter Observer's continuing success, as well as insurance cover against key personnel being unable to act in their capacity for various reasons.

Our co-operative working practices mean most editorial and operational functions can be performed by more than one member of staff, with each additional team member increasing the scope for staff substitution and enhancing our resilience.

These working practices also offer enhanced opportunities for recruitment. Risks associated with limited potential employee pools are additionally mitigated by our progressive employment terms which include flexible working hours (including a period policy) and the exceptional opportunity for employment in truly independent, investigative public interest journalism that Exeter Observer offers.

Similar opportunities at peer publications have generated widespread interest from the ablest early career journalists. Experienced writers who would like to leave legacy media employment could also be considered in the absence of satisfactory alternative options.

Apprentice training will be enabled by the content and structure provided by third-party journalism diploma training provision. Experience gained in-house during previous community volunteer training processes will also be invaluable in structuring trainee skills development.

Exeter Observer's digital production and distribution tools have been selected in part for their risk-minimising resilience. We employ secure backup systems to facilitate rapid disaster recovery in any case.

"We need Exeter Observer's excellent investigative, objective and thorough journalism more than ever so please invest whatever you can"

Editorial

Should the resources required to meet increased production levels exceed expectations we would refine editorial workflows, facilitate more efficient internal communications and automate more external transactional communications.

The value added by extended coverage and events hosting would also be balanced against the importance of achieving our primary value propositions with editorial and operational resources accordingly deployed to optimise progress against core development aims.

Any risk of reputational damage to the masthead as a result of poor quality editorial decisions is first mitigated by upholding the standards required by the Editor's Code of Practice, with the option to implement effective crisis communications to counteract and recover any such impact should one occur.

At the same time Exeter Observer's specialist indemnity insurance significantly reduces any risks associated with hostile litigation in such circumstances, should they ever arise. This insurance also indemnifies us against a wide range of publishing-related and other risks.



Share offer

The terms and conditions of a Spring 2024 community share offer approved by Exeter Observer Limited directors at a board meeting on 26 April 2024 are as follows:

Overview

Exeter Observer is published by Exeter Observer Limited, Community Benefit Society No. 8435 registered by the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act 2014.

Its registered address is St Sidwell's Community Centre, Sidwell Street, Exeter EX4 6NN. Its legal structure and the rules governing share capital investment and membership are as set out in the *Rules of Exeter Observer Limited*, as registered with the FCA.

Its business development strategy and financial projections are as set out above. These contain forward-looking statements that reflect Exeter Observer Limited's current views, plans and expectations based on information available at the time of preparation.

These statements are not guarantees of future performance and involve known and unknown risks, uncertainties, future decisions and other internal and external factors that may cause Exeter Observer Limited's actual performance, achievements or financial position to be materially different from any future results expressed or implied by these statements.

Exeter Observer Limited's business development strategy and financial projections are reviewed regularly and are subject to change.

This community share offer document and the *Rules of Exeter Observer Limited* are available on Exeter Observer's website, where applications for subscription to this share offer may also be made.

Key information

Investment type: Community shares

Investment target: £75,000

Minimum individual investment: £500

Maximum individual investment: £50,000

Share offer opens: 26 April 2024

Share offer closes: 30 June 2024

Accrual date: 5 July 2024

Key offer terms

Offer for subscription: An offer of up to 150,000 non-transferable, withdrawable shares in Exeter Observer Limited each with a nominal value of £1, with a minimum individual investment of £500 and a maximum individual investment of £50,000.

Offer period: The offer period is from 12pm on Friday 26 April 2024 to 6pm on Sunday 30 June 2024, following extension of its closing date from Friday 28 June 2024, subject to any variation agreed by the board of directors.

Fundraising targets: The minimum investment target to be raised in this share offer is £25,000 and the maximum investment target to be raised is £150,000.



Should this share offer raise less than the minimum investment target and the directors of Exeter Observer Limited consider that the amount raised would provide a viable basis on which to proceed they would communicate with prospective investors to secure their consent to do so, with the proviso that all those who are not content to do so would be permitted to withdraw.

Interest: Exeter Observer Limited cannot pay its members any dividend, bonus or other share in any surplus or profits, which must be used to promote its objects. It can pay interest at a maximum rate set at the lowest amount needed to attract and retain capital, as determined by the board of directors. The directors do not project any interest payments at present, although this may be reviewed in future subject to the financial circumstances of Exeter Observer Limited at that time.

Withdrawal: Shares in Exeter Observer Limited are not transferable and are only withdrawable subject to its Rules and any conditions set out in a share offer document. Withdrawal rights to any shares purchased under the terms of this offer are suspended for a minimum of three years, and are subsequently subject to the consent of the directors of Exeter Observer Limited.

Withdrawal of share capital is permitted provided Exeter Observer Limited has a surplus of capital for its needs as a business either by trading profitably on its own terms or by having new capital that has been introduced. The aim is for Exeter Observer Limited to begin generating a surplus in around four years, as per the above cashflow projections, after which its directors would be in a position to consider whether and how much capital could be made available to be returned to investors.

Its directors also expect Exeter Observer Limited to need further capital investment over the medium to long term, so may seek share capital in the future - following the successful conclusion of this share offer - in the form of an open investment offer aimed at new members which may also be eligible for tax relief, some of the proceeds of which they could use to enable the return of capital to existing investors.

Shareholders: This offer is open to individuals over the age of 16, trust funds, nominee services and corporate entities, groups and associations. All incorporated bodies must nominate a person to act as the corporate investors' nominee whilst all unincorporated investors must nominate a trustee or a member of the group to be the named investor.

Payment: Payment for shares is due within three working days of application.

Accrual: The accrual date for this share offer is 5 July 2023.

Voting: Membership of Exeter Observer Limited is afforded to holders of shares in the society on a one-member-one-vote basis regardless of the size or value of the member's shareholding.

Obligations: By acquiring one or more shares in Exeter Observer Limited, members are agreeing to be bound by the obligations on them as set out in to the governing documents of the society (its Rules) and, when acting as members, to act in the interests of the society and for the benefit of the community as guardians of the objects of the society.

Liability: The liability of Exeter Observer Limited's members is limited to the amount they invest (and the amount of any share capital they have not yet paid for). Members are not liable for any debts, contracts and other liabilities the society has taken on.

Risk: Share capital is fully at risk, is not protected by the Financial Services Compensation Scheme and shareholders do not have recourse to the Financial Ombudsman Service. You should buy shares only with money you can afford to have tied up, without interest or capital appreciation, for several years or longer. Should Exeter Observer Limited get into financial difficulty it may have to write down the value of your shares.

Nomination: In the event of the death of a shareholder, the repaid value of the shares will normally be added to the estate for probate purposes. For investments up to £5,000 a recipient for the value of the shares may be nominated by the member and transferred by the society after the member's death. Investments over £5,000 can only be transferred on the request of executors.

Important information

Exeter Observer Limited accepts responsibility for the information contained in this document. To the best of the knowledge of its directors, the information contained in this document is in accordance with the facts and contains no omission likely to affect its substance.

Prospective investors should read the whole text of this document and any accompanying documents.

This invitation to subscribe for shares in Exeter Observer Limited is not regulated by the Financial Services and Markets Act 2000 or subsidiary regulations, to the extent that it is taking deposits by issuing withdrawable shares. The money you pay for your shares is therefore not safeguarded by any depositor protection scheme or dispute resolution scheme. However it is still subject to contract law and the Misrepresentation Act 1967.

Shares in Exeter Observer Limited are not "controlled investments" for the purposes of the Financial Services and Markets Act 2000. You do not therefore have the level of protection that you might otherwise be offered by the Act. In particular, this document does not need approval (and has not been approved) by an "approved person" under the Financial Services and Markets Act 2000.

Investment application

Please apply to invest in Exeter Observer Limited via our website at exeterobserver.org/invest.

Find out more about our community share offer by emailing us at invest@exeterobserver.org or come along to an informal event for prospective investors at exeterobserver.org/events.

*"Local independent press has never been more important.
Please support this dedicated team if you possibly can."*

Published by Exeter Observer, trading name of Exeter Observer Limited, Community Benefit Society No. 8435 registered by the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 at St Sidwell's Community Centre, Sidwell Street, Exeter EX4 6NN.



Exeter Observer Limited, Community Benefit Society No. 8345

