

## BUSINESS PLAN ADDENDUM

### 1. Executive Summary

#### Paragraph 9

Minimal refurbishment work is estimated at £5,000.

#### Paragraph 12

- Any loan interest which may be required and capital repayment in Year 1

### 4.3 Mission

#### Paragraph 5

The option to include a small caravan site is no longer being considered.

### 4.4 Raise Enough Capital To Purchase The Pub

#### Paragraph 1

Our plan is to finance the acquisition, initially through a community share offer. The intention is to maximise the capital raised through the community share offer. We set a target of **£250,000** based on the October 2016 valuation; however, on this basis, a maximum of **£280,000** would be needed to purchase the pub freehold, carry out initial repairs and improvement and appoint a tenant. At the end of the initial period of the share offer, the Management Committee has concluded that enough funds will not be raised via share capital and that loans will be required to supplement the total. The fundraising target has been revised to a minimum of £180,000, although we are still hopeful that a figure in excess of this can be raised. Additional funding in the form of a £100,000 short-term loan, to be repaid in Year 1, is now included in the business plan and this does not affect the level of interest payments to shareholders. The share offer will be extended for a period of 2 months, until 22 June 2017; to allow time to raise additional funds and make a credible offer.

#### Paragraph 7

It is proposed that this is funded as follows:-

- £80,000+ from community shares (importantly the larger the community take up of the shares the less the dependence on commercial loan funding and therefore reduced interest payments). The concept of community shares has been widely explored and promoted, thorough community meetings, posters, regular

newsletters and articles in the local press, the Minting and Gautby website, Facebook, Twitter and direct emails. The marketing activity for the share offer will continue using all of these vehicles in addition to local leaflet drops, direct mail and focussed communication with local businesses and groups etc.

- A short term loan of £100,000 is now included in the Business Plan.
- Grant funding and commercial loans will be sought only if required; the business plan has excluded these sources as the success and timing of such grant funding cannot be guaranteed.
- At the present time, we understand that The Sebastopol Inn sale will not have VAT applied to it at 20%.
- Subject to raising sufficient funds and an agreed sale, we would anticipate that contracts to purchase would be completed in late summer.

A number of contingency areas have been built into the business plan:

- As agreed by a members vote on 24 April 2017, the share offer has been extended until 22 June 2017.
- Zero grant funding is included, however, some grant funding is expected.
- The maximum share withdrawal of £10,000 has been planned for with potential pay outs commencing in year 4, however, this level of withdrawal is considered unlikely;
- A level of share interest is budgeted from year 1 but payment will be decided based upon the health of the business;

## Section 5

### What The Financials Look Like

#### Initial Assumptions

- Minimum credible offer - £160,000
- Up to £100,000 private loan secured against parcel of land to the east of the pub
- Sale of plot of land assumed to be completed in Year 1
- Reduced capital gains tax payable
- Estate agent and planning application fees included in revised cash flow forecast
- Reduced rent to attract the right tenant for a long-term lease
- Total cost of dividend payable reduced in line with reduced share capital (rate payable to shareholders remains unchanged)
- Building repair costs reduced. In year 1, costs reduced by £500 as no work required for caravan site. Years 2 and 3 are reduced significantly in line with opportunity for grant funding for improvement works once the community pub is operational

## Section 5.2

### Profit & Loss Forecast

Putting together these income and expenditure figures, we can begin to map out a profit and loss forecast for The Society's years 1 to 3: the business will show a profit before dividends in year 1. This includes reasonable continued investment in the property asset to maintain its long term value. Included in the budget is the cost to attract a tenant. This is key to the success of the business and it is expected to advertise over a considerable geographic area to attract the right person.

Turnover will not increase dramatically over the year as rents will need to be fixed however rent reviews will be included in the tenancy agreement.

Profit on a normalised year is £2434/ annum which will allow for dividend payments based on 2.25%.

## Section 5.3

### Balance Sheet

#### Paragraph 2

The liabilities are in the form of the share funds which are initially locked in for 3 years, and a £100,000 short-term loan, to be repaid in Year 1.

## Section 5.4

### Cash Flow Forecasts

Remain as before, with the exception of:

- Total initial capital required will be a minimum of £180,000 to cover the purchase price, associated expenses and to provide sufficient initial working capital
- We would no longer intend to provide a small caravan park, due to the alternative use of this land. The proposed revenue from the caravan park has been removed in the revised cash flow forecast.
- Reduced capital gains tax payable
- Estate agent and planning application fees included in revised cash flow forecast
- Reduced rent to attract the right tenant for a long-term lease

- Total cost of dividend payable reduced in line with reduced share capital (rate payable to shareholders remains unchanged)
- Building repair costs reduced. In year 1, costs reduced by £500 as no work required for caravan site. Years 2 and 3 are reduced significantly in line with opportunity for grant funding for improvement works once the community pub is operational

A revised cash flow forecast is available.

## Section 6.2

### Community Shares

#### Paragraph 6

As agreed by a members vote on 24 April 2017, the share offer has been extended until 22 June 2017 and on that date the Membership of the Society will be closed.

## Section 6.3

### Management Committee Members

The Management Committee has currently been reduced to 11 members. The Chairman reluctantly accepted Stuart Taylor's resignation, and thanked him for his work. It is intended to recruit a further member to the committee if the project proceeds.