

THE PLOUGH INN LONGPARISH



BUSINESS PLAN

APRIL 2022

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ABBREVIATIONS

<i>AMM</i>	<i>Annual Members' Meeting</i>
<i>CAMRA</i>	<i>Campaign for Real Ale</i>
<i>CBS</i>	<i>Community Benefit Society</i>
<i>EBITDA</i>	<i>Earnings Before Interest, Taxes, Depreciation & Amortisation</i>
<i>FCA</i>	<i>Financial Conduct Authority</i>
<i>HMRC</i>	<i>HM Revenue & Customs</i>
<i>LCPL</i>	<i>Longparish Community Pub Ltd</i>
<i>MTAP</i>	<i>More Than a Pub (Plunkett Foundation programme)</i>
<i>PWLB</i>	<i>Public Works Loans Board</i>
<i>SITR</i>	<i>Social Investment Tax Relief</i>
<i>TVBC</i>	<i>Test Valley Borough Council</i>

DISCLAIMER

This document contains forward-looking statements, including forecasts relating to the financial position of Longparish Community Pub Limited (LCPL). The Management Committee believes that the forecasts reflected in these statements are reasonable but will involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of LCPL, to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Appendix 6 (Risks) set out in this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this document are made on the date of this document, and LCPL and the Management Committee is not under any obligation to update those forward-looking statements in this document to reflect actual future events or developments.

1 SUMMARY

1.1 Introduction

Longparish Community Pub Limited (LCPL) is a Community Benefit Society and was registered in December 2018 to acquire and operate The Plough Inn (The Plough) as a community owned pub. After successfully opposing plans by the former owner to develop the property for residential use, LCPL worked closely with Longparish Parish Council (the Parish Council) to secure funding and negotiate the purchase of the freehold of The Plough by the Parish Council. In February 2021 LCPL signed a 99-year lease with the Parish Council to operate The Plough as a community owned pub and community hub. After extensive refurbishment The Plough was reopened for trading on 15th September 2021. *Further information on LCPL and our Management Committee can be found in Appendices 1 & 2.*

This business plan sets out our vision for the next phase of development of the property, business, and community facilities. This opening summary is intended to provide the reader with a brief history on:

- how we have reached the current position;
- how the business has performed since it re-opened in September;
- projections for the business looking forward;
- improvements and funding required to attain those projections; and
- an overview on how we plan to raise the additional funding required.

Readers looking for further information are encouraged to read the other sections of this document, and refer to the business plan that supported the first share offer which may be found online at www.lcpl.org.uk

1.2 Vision

LCPL's aim is to secure the long-term future of The Plough as a thriving destination and community pub. Underpinning this aim is our desire for The Plough to be much more than a pub – a social hub for everyone in our community, offering facilities and services to bring our rural village together. The Plough will be a warm and welcoming venue for Longparish and its surrounding communities. *More details on our vision can be read in Appendix 3 – Objectives.*

1.3 Funding to date

Our funding for the project was secured through a combined loan and grant of £100,000 from the Plunkett Foundation's More Than a Pub (MTAP) programme, plus £352,000 raised through a community shares offer, several donations and some smaller grants.

The Parish Council bought the freehold for The Plough for £500,000. LCPL paid the Parish Council £200,000 to secure a 99-year lease and the Parish Council funded the remaining £300,000 by taking a loan from the Public Works Loans Board.

LCPL also paid all the stamp duty, legal and professional fees for both parties. The remaining funds were used to refurbish The Plough to a high standard, and enable the business to reopen.

1.4 Community Ownership

It is important to note that while the freehold for The Plough is owned by the Parish Council, LCPL's lease provides for exclusive use of the property. Our rent payments are sufficient to cover the Parish Council's loan repayments and we have also agreed to cover any additional

costs arising from the Parish Council's ownership of The Plough. We are responsible for the ongoing costs of insurance, maintenance and upkeep of the property, as well as the day-to-day operation of the pub business, while the Parish Council's involvement is solely as the owner / landlord of the property.

The Plough is run as a community owned pub for the benefit of our local community. The day-to-day running of the pub is undertaken by an experienced and salaried management team and other paid staff. There are also plenty of opportunities for volunteers to assist with the running of The Plough.

1.5 The Plough as a Community Hub

The direction, shape and oversight of the community pub business is the responsibility of LCPL's Management Committee. The committee's direction comes from LCPL's members – the majority of whom live locally.

As well as being a village pub, The Plough provides a range of facilities for residents, the wider community, and visitors of all ages. The Plough helps to reduce social isolation; provide new employment and volunteering opportunities, and significant benefits for the local economy. The Plough already provides an ad-hoc meeting venue for local groups, plus there is further potential to enhance the existing outbuildings and outdoor space for community and social purposes.

To support our aim of creating a social hub for the community, first and foremost we need to succeed commercially as a pub business. The financial projections in this plan show that the business will return a profit in the first year of operation, and thereafter expect to return a sustainable profit allowing for reinvestment into the business and in the longer term also for the local community.

1.6 The Plough – Benefiting our local economy

LCPL is registered with the FCA as a Community Benefit Society (*FCA registration number 7951*). This requires LCPL's assets to be used for the benefit of the local community, and even before the business has started to generate profits it is already providing significant local benefits. During the refurbishment stage we spent over £50,000 on labour with local contractors, plus many of the materials we used were also supplied by local companies. We now employ over 20 local people, many of whom are village youngsters, who are learning useful new skills. This number will no doubt increase as we expect to get much busier going forward. The Plough also proudly supports local suppliers by selling their products, including River Test Distillery, Middleton Estate, and Bere Mill.

1.7 Refurbishment

After paying for the acquisition and associated costs the budget available for refurbishment works was £148,000. The refurbishment works included significant updates and repairs to electrics and plumbing. We replaced the bar to provide much more space around the bar area; improved accessibility - including a major change in layout for the washrooms; created a community & function room upstairs; provided new manager's accommodation; and high standard decoration throughout the public areas. This was all achieved with an enthusiastic team of volunteers, who worked alongside a range of professional trades. Our focus was to create a fantastic new Front of House area, and to concentrate on works deemed as essential for the reopening of the business for the Autumn and Winter period. The total spent on refurbishment to date is £183,670, meaning we have overspent on the initial budget by £33,670.

1.8 Pre-Trading

During the time between acquisition in February 2021 and reopening we needed to pay overheads including rent, loan repayments, utilities and insurance. Based on our assumption we could reopen in early July, we had allocated £21,000 from the original budget for our pre-trading costs. However, as the refurbishment required in some areas was considerably more extensive than initially expected, we were unable to open until September. This meant our pre-trading expenses increased to £25,050, costing an additional £4,050.

1.9 Trading

Our original budget forecast, based on opening at the start of a busy summer trading period, allocated £25,000 for working capital and cash flow. But the delays in negotiating the purchase of The Plough, plus the longer than expected refurbishment, meant we were unable to open the business until the end of summer, which resulted in additional cashflow pressure as we missed the benefit of building some cash surplus before heading into the quieter winter months.

Our forecasts in the original business plan were intentionally conservative for both turnover and associated costs. With six months trading results, plus input from our manager and industry experts, we have revised the forecasts in this business plan. Our updated cash-flow forecasts show that £50,000 working capital will be required to support a sustainable cash-flow.

We commenced trading reopening on 15th September 2021, initially for drinks only, with food service starting in the following month. Trading to date has been in line with our initial expectations, although we have yet to reach the level we could regard as self-sustaining (i.e. profitable!). However, we are encouraged that trading losses incurred during the first six months were lower than we had initially forecast, and key metrics like gross margins on food and drink, and staff costs measured as a proportion of sales revenues are on target.

1.10 Cash Advances

A few generous members have loaned a total of £60,000, interest free, to help support our current need for working capital and cash flow. We also received a £4,000 Covid grant, made available to hospitality businesses like ours which were impacted by the Omicron variant.

1.11 Next phase

To allow us to reach our full trading potential and to attain our projections for the summer trading period, there are some significant works that will need to be completed. While our trading to date has been very encouraging, we believe future growth will be limited by the current capacity of the kitchen, space in the car park and a need for more dining space. Consequently, we have identified three key areas where works are needed:

- **Kitchen improvements:** For both cost and environmental reasons we have decided to run an 'all-electric' kitchen, dispensing with the LPG¹ used previously. New internal electrics needed for this have already been installed, however, we will also need to significantly increase the capacity of our electricity supply from the network provider (SSEN). We have recently instructed SSEN to install a second 3-phase supply, alongside the existing supply, and this work is scheduled to be completed by the end of May this year. Once we have the additional capacity, we can buy additional cooking equipment needed for the trade kitchen.

¹ LPG is still used for central heating and hot water.

- **Car parking:** Much of the area immediately adjacent to the building was previously used for car parking. However, to improve customer service and experience we wanted to bring some outdoor seating much closer to the pub. We have received planning permission to relocate part of the car parking area. The existing tarmac and gravel areas also need repairing, and a new extended parking area at the rear of the grounds will require the installation of a suitable surface to allow year-round parking.
- **Outdoors:** The outdoor gardens can provide a lot more space and capacity for customers to sit. The hard-standing area immediately outside the pub is already equipped with tables for outdoor use. The garden has been levelled and seeded with grass so the picnic tables we have bought can soon be made available for customers. Some fencing was erected prior to our reopening, although both the boundary fence and picket fence need to be extended. Hampshire County Council has agreed that the Test Way footpath, which runs through the grounds, can be diverted away from the car park and through the garden, which will improve safety for users. The new pathway through the garden will require surfacing for year-round use.

We also have plans to restore two of the quite dilapidated outdoor buildings. We hope to use the room next to the beer store as a kitchen store, which would then allow the larger outside room (which is currently used for kitchen storage) to be used as a community space. Finance permitting, we also plan to install charging points for electric vehicles and cycle racks, and to repave the area to the side and front of the pub, along with further enhancements to the internal décor and additional equipment for the community spaces. Although not yet urgent, it would be prudent to be able to undertake some repairs to the chimneys and both tiled and flat roofs.

1.12 Additional Funding

Funding for capital works outlined above could come from several potential sources. One possibility is to fund the works from our trading surplus, but as set out above we need to address current constraints before we can build any such surplus.

Grant funding

The Loddon and Test LEADER scheme supports rural micro-businesses with EU funds (EU supported funds for rural development). We are delighted to have recently been awarded a grant of 40% towards the costs of some of the works. The grant from LEADER is conditional on our raising new funding for the remaining 60% and completing the works before the end of 2022. This means we will need to secure the match funding needed very quickly.

We have also been awarded a further grant from Test Valley Borough Council (TVBC) to pay for up to 50% of the cost to restore both outbuildings needing significant repairs. Again, we will need to match this funding with new funding before we can go ahead.

In both cases the works covered by the grants will need to be undertaken by professional contractors. We have already obtained quotes for the works and are ready to award contracts as soon as the funding is available.

In total for the three main areas outlined above where we have secured grant funding, we will need to raise £76,200 in new funds to match the grant offers. LEADER would contribute up to £50,800 for the works they will support.

We have also received other grants and donations totaling £8,200 towards our planned expenditure.

Works outside grant funding

The cost for works falling outside of those with grant funding is £58,600. We are applying for other grants to hopefully assist with some of these additional works, but at this stage there is no guarantee of success. We are also seeking donations and gifts, alongside a new, second Community Shares Offer (Share Offer).

Reserve ('sink') fund

Our intention is to build and maintain a cash reserve fund of £50,000. This would be available to fund any emergency repairs and to support the business if it ever needed to close for an extended period.

1.13 Community Shares Offer

We expect that most of the funding needed will come from a second Community Shares Offer. LCPL plan to launch a new Share Offer, for which this business plan forms a key element, which will run from early in May 2022, and close on 12th June, 2022.

The new Share Offer is intended to raise at least £145,000, which together with the above grant funding will allow all the main areas of works outlined in this plan to go ahead.

The Share Offer is expected to meet the requirements of HMRC's Social Investment Tax Relief scheme (SITR) and Advance Assurance has been sought from HMRC. More details on the Share Offer will be available in the Share Offer prospectus.





The Plough circa 1910. The sign advertises good accommodation for cyclists and motorists with teas provided.

ACKNOWLEDGEMENTS

This business plan is authorised by the Longparish Community Pub Ltd (LCPL) Management Committee, which is grateful for the help, advice and funding, as well as ongoing support, it has received from The Plunkett Foundation, Locality, Power to Change, LEADER, The Key Fund, Longparish Parish Council, Test Valley Borough Council and Hampshire County Council.



THE PLAN

We are very proud to have successfully bought, refurbished and opened The Plough in September 2021 despite the pandemic and other challenges. We hope you have visited and enjoyed the warm welcome and delicious food. Now, we want to complete the project, and with your help we can do it!

2 FINANCIAL OVERVIEW

2.1 INTRODUCTION

This section outlines the funding raised to date and spending already undertaken to bring The Plough under community ownership, the refurbishment works and early trading results. It also outlines updated financial forecasts and the additional funding required to further develop the business and community facilities.

Summary of Initial Funding and Capital Spend

FUNDING SUMMARY	INCOME	OUTGOING
Plunkett Grant	£50,000	
Key Fund Loan	£50,000	
Donations	£18,870	
Grants	£2,500	
Community Shares Capital	£330,400	
Acquisition Costs		£257,600
Refurbishment Costs		£183,670
Other Pre-trading Costs		£25,050
Totals	£451,770	£466,320

The summary table above shows a shortfall of £14,550. We also needed to purchase opening stocks and have sufficient working capital to run the business. Both our original and updated P&L forecasts projected that early trading during the winter months (Oct to Feb) we would operate at a loss. This meant we need to provide increased funding for the business until the business starts to generate profits in Summer 2022. It should be noted that the trading losses incurred by opening the pub during the Winter months are less than the overheads costs would have been had we remained closed.



2.2 CAPITAL SPEND – PRE-TRADING

Acquisition Costs

The costs to acquire the lease from the Parish Council were £257,620 (excl. VAT). This cost includes a contingency fund held by the Parish Council as a rent deposit to protect the Council from any short-term inability by LCPL to continue to pay the rent. Most costs were in line with our original expectations, although the need for us to pay stamp duty on both the purchase and the lease, plus significantly higher legal and professional fees than expected, meant more was spent on acquiring the pub than we had initially budgeted.

ACQUISITION COSTS	£
Lease Premium	£200,000
Searches & Fees	£3,230
Stamp Duty Land Tax	£22,300
LCPL Legal Expenses	£3,070
Parish Council Expenses ²	£15,000
Rent deposit (Parish Council)	£14,000
Total	£257,600

Rent Deposit (Parish Council Contingency fund)

The lease agreement with the Parish Council ensures that in the event a situation arises where we can no longer continue to pay rent, the Parish Council will be able to take back full control of the property unencumbered by the lease. The rent deposit is equivalent to 18 months' rent, which will allow time for the Parish Council to make alternative plans for the property should this happen. Assuming LCPL continue to pay rent, the rent deposit will be returned to LCPL, without interest, after 50 years. For more information on the outline terms that form part of the agreement between the Parish Council and LCPL please see *Appendix 4 – Parish Council Agreement*.



Blessing of The Plough Inn in September 2021

² Legal and other fees related to the property purchase, loan arrangement fee and professional advice

Refurbishment Costs

SUMMARY OF COSTS FOR REFURBISHMENT	
Item	Cost
Building Materials	£11,420
Building Labour	£22,270
Decorating Materials	£3,540
Decorating Labour	£17,220
Electrical materials	£10,230
Electricians	£11,340
Fencing materials	£2,450
Plumbing and Heating	£11,200
Fire Safety (alarm system, fire doors)	£11,500
Commercial Kitchen	£27,530
Manager's Flat (Fittings)	£4,970
Flooring	£6,410
Bar	£6,190
Public Toilets (Fixtures)	£4,450
Front of House (Fixtures)	£13,460
Community Room (Fixtures)	£1,900
Exterior (Fixtures – furniture etc)	£7,580
Tree works	£1,140
Waste (Skip hire)	£1,100
Professional Fees & Surveys	£3,350
Security & IT (CCTV, Alarm, WiFi, EPOS)	£1,770
Tools & Tool hire (incl. Scaffolding)	£1,460
Miscellaneous & Sundry	£1,190
Total Phase 1 Refurbishment Costs	£183,670

After we had paid all the costs related to the purchase of The Plough, we had £194,000 remaining to refurbish and reopen the pub. We expected to spend £21,000 on overheads before we opened and had set aside a further £25,000 for working capital, leaving £148,000 available for the refurbishment. By the time we opened, we had spent £183,670 on the refurbishment, an additional £35,670. This additional expenditure arose mainly due to our decisions to significantly improve accessibility³ and fire safety protection, plus carry out substantial rewiring and plumbing works.

³ Accessibility improvements included redesigning the layout for the washrooms, widening interior doors, removing an internal wall and installing a new bar.

Other Pre-Trading Costs

Pre-trading costs were largely in line with the costs we had anticipated in the original business plan. The main exception was insurance, which was much higher - insurers apparently do not like unoccupied pubs, especially if they are undergoing renovation works! Going forward, our annual insurance bill is expected to be much lower.

PRE-TRADING COSTS	
Gas / Electricity	£2,900
Rates	£150
Insurance	£8,400
Rent	£7,590
Loan repayments	£4,670
Marketing	£570
Licences/Subscriptions	£630
EPOS / Accounting	£140
Totals	£25,050



2.3 CURRENT TRADING

Summary of trading results from mid Sept to end February.

SEPT '21 – FEB '22		PROFIT AND LOSS (£)					
INCOME	Sept	Oct	Nov	Dec	Jan ⁴	Feb	Mar
Wet Sales	6,982	11,669	10,706	13,156	8,172	10,303	11,911
Food(Dry)Sales	nil	3,309	12,836	14,456	11,889	15,821	17,279
Cost of Goods Sold	2,625	5,959	10,123	10,089	7,258	9,797	10,946
Gross Contribution	4,357	9,019	13,419	17,523	12,803	16,328	18,244
Salaries (excl. tips)	8,079	6,405	8,640	12,009	10,493	13,460	11,696
Operating Costs - Fixed	596	3,006	1,256	1,990	1,817	3,916	2,781
Operating Costs - Variable	384	743	154	2,913	2,302	1,495	1,457
Rent	788	788	788	788	788	788	788
Loan repayment (capital and interest)	778	778	778	778	778	778	778
Total Costs	9,847	11,720	11,616	18,478	16,178	20,437	17,500
Surplus/Deficit	(5,490)	(2,701)	1,803	(955)	(3,375)	(4,110)	744

2.4 P&L FORECAST

PROJECTED Trading P&L (62.5% GM)				
COST ITEMS	Year 1	Year 2	Year 3	Year 4
Revenue from business	£353,369	£520,000	£535,600	£551,668
Associated costs (incl.staff)	£271,480	£363,800	£374,714	£382,285
Gross Contribution	£81,889	£156,200	£160,886	£169,383
Running Costs (incl. rental)	£69,988	£109,606	£112,610	£114,500
Net surplus (Before finance costs)	£11,901	£46,594	£48,278	£54,883

2.5 FUNDING REQUIREMENTS

Over-spend (Refurbishment and pre-trading)

During the refurbishment and pre-trading period, LCPL spent more than the planned budget available for the refurbishment works and pre-trading costs by a total of £40,000. (£36k on the refurbishment plus another £4k on overheads prior to opening)

Working Capital

LCPL needs to have sufficient working capital to fund the purchase of stock and to support any trading losses, as are expected during the first few months of trading. Our initial cash flow projections suggested we would need a £50,000 cash flow buffer. This would ensure the business has sufficient funds, with a margin for safety, until trading reaches a level that starts to generate profits. This buffer is £25,000 higher than the figure we had anticipated in our original business plan.

⁴ The business was closed for one week in January, for staff vacation and maintenance works.

Cash Support

The over-spend on refurbishment and need for increased working capital, in total £65,000, was covered for the most part by interest free cash advances from several Society members totaling £60,000, plus a £4,000 Covid grant. These cash advances will eventually need to be repaid to the members concerned, which will be funded from our trading surplus.

Future projects and spending

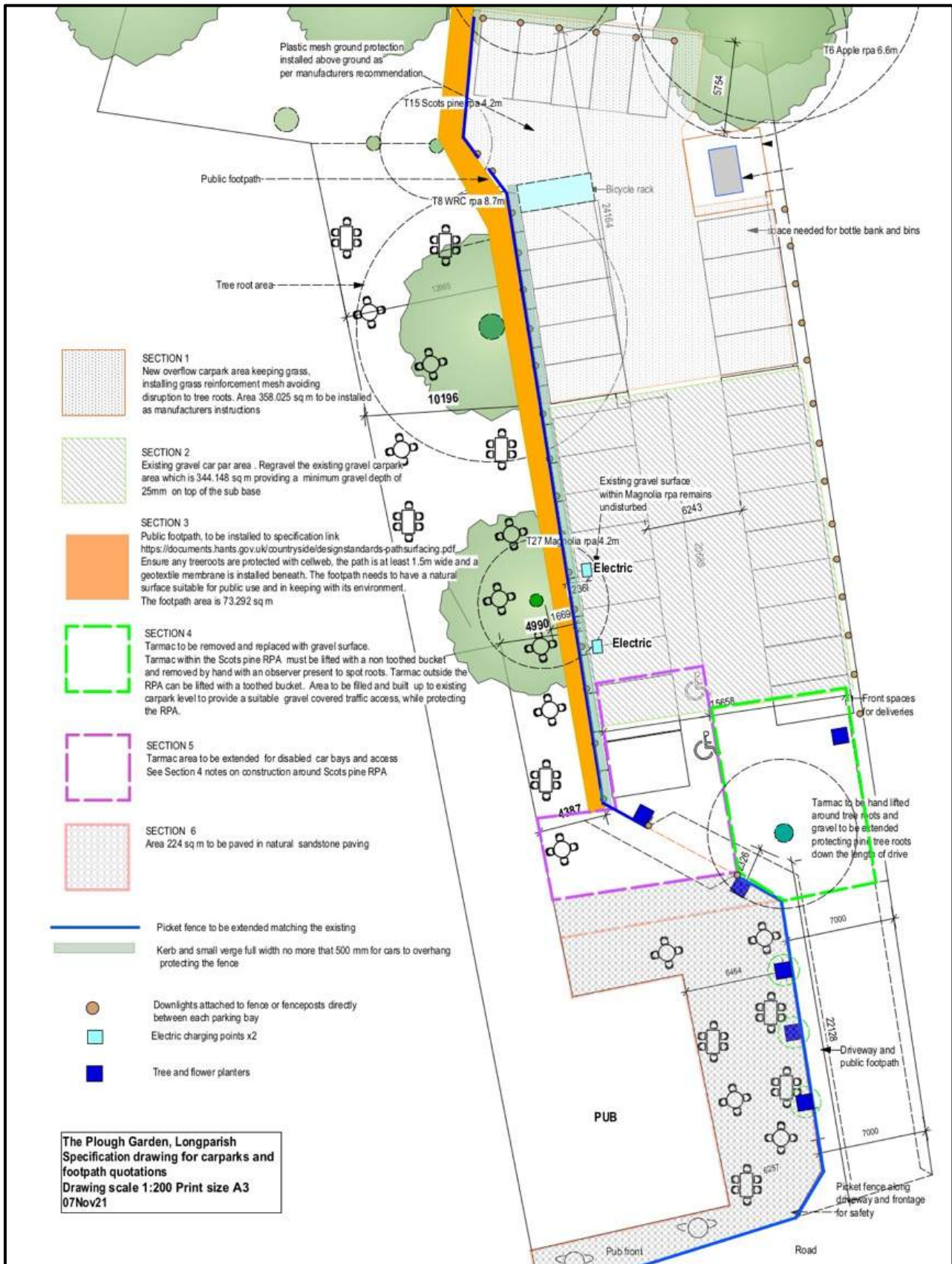
The projected P&L figures detailed in this business plan are dependent upon LCPL's ability to continue to grow revenue⁵. The Management Committee has identified three significant potential constraints for growth that will need to be addressed.

Kitchen capacity: Quite late on during the refurbishment, we were advised that the extraction system in the trade kitchen did not comply with current standards for new commercial gas installations. The cost to replace the extraction system was estimated to be upwards of £40,000, and would also add considerable delay to reopening the kitchen. To overcome this, we decided to run the kitchen as an all-electric operation and install modern induction hobs which are increasingly preferred over gas by top chefs. Converting to all-electric will also be better for the environment as it will make more efficient use of power, and reduce waste heat output into the kitchen, improving the working environment. However, we will need a second 3-phase electricity supply to support all the additional electric equipment. Currently, our chefs need to juggle which equipment they use, which both limits the range of dishes offered and the number of customers that can be served. While it is possible to support dining indoors at full capacity, as we open up the outdoor areas, dining customer numbers will need to be limited until the kitchen capacity can be increased.

Car parking capacity: The outdoor space has already been improved to allow for outdoor dining closer to the bar and kitchens. Some of that space was used for car parking during the winter season, but has now the weather has improved it is being used for outside seating, reducing the available parking area. Installation works for a new LPG tank, and wear and tear have left the entrance driveway and gravel car park in poor condition and in need of repair. We have been granted planning permission to extend the parking area using a 'green ground-reinforcing mesh' for the area beyond the current gravel parking (*see garden plans drawing*). Attracting more customers from outside the village will require sufficient and high-quality car parking. Our plans for the outside also include providing two accessible parking spaces, up to four rapid charging points for electric vehicles, as well as an area for cycle racks.

Garden seating capacity: The planned garden space will provide additional seating capacity (50+) for both drinkers and diners. However, we need the outdoor areas to be inviting, attractive and welcoming. New fencing, footpath surfacing, lighting, and landscaping are planned.

⁵ Please see 'Appendix 5 – SWOT Analysis', and 'Appendix 6 – Risk Analysis' for more information.



We have also identified some other areas that would benefit from works being carried out as soon as possible:

Community Space: The larger out-building is in a good state of repair and is planned to be opened as a community space. However, we currently need to use it as a store-room for the kitchen. The plan is to use the room next to the beer cellar as the kitchen store, but it is currently in a poor state of repair and not suitable for food storage. Repairing that room would then free the adjacent larger outbuilding for community use and enhance the community hub facilities. The end room the other side of the larger 'community room' is also in a poor state of repair and would if repaired make an ideal space for community use. Quotes to repair both rooms are around £35,000. We are delighted to report that we have recently been awarded a grant by TVBC which will contribute 50% towards the cost.

Building repairs: There are several other areas that will need attention. They were not included in the initial refurbishment as they were not essential for reopening the pub and deferring the work for a while would not negatively impact the business. However, they will require attention at some point and our feeling is that if we can raise enough funds to cover the costs of carrying those works, we should press ahead as soon as possible. These works include refurbishing the walk-in chiller in the trade kitchen, repairing the flat roof area (ideally before it starts to leak!); repointing the chimneys; replacing tiles in some areas of the tiled roof. We should perhaps note that multiple surveys have all advised that the roofs are currently sound, and while they will need some attention in future years, nothing has been highlighted as urgent.

Outside enhancements: In addition to the repairing the two outbuildings already mentioned above, the new seating area to the side and front of the building is currently on the original tarmac, and temporary gravel at the front. The longer-term plan is for that area, inside the picket fence, to be repaved with more attractive stone paving.



Capital projects

WORKS	TOTAL	GRANTS & DONATIONS	LCPL
Upgrade electricity supply	£18,500	£7,400	£11,100
Community room chairs	£2,700	£1,300	£1,400
Garden works	£2,000		£2,000
Kitchen equipment	£8,000		£8,000
Car park (phase 1)	£35,000	£14,000	£21,000
Store room	£17,500	£8,750	£8,750
Car park extension (phase 2)	£32,000	£12,800	£19,200
Footpath	£6,500	£2,600	£3,900
Fencing	£10,000	£4,000	£6,000
Flat roof repairs	£5,000		£5,000
Walk-in fridge repairs	£4,000		£4,000
Patio	£25,000	£10,000	£15,000
End building	£17,500	£8,750	£8,750
Chimneys repairs	£1,900	£1,900	£0
Main roof repairs	£15,000		£15,000
Other misc. works	£20,000	£5,000	£15,000
Totals	£220,600	£76,500	£144,100

Fortunately, we do not need to wait until we have raised all the funding before the works can be started. Many of the items are standalone projects that can go ahead as soon as enough funds are available. The list above outlines the approximate order in which we plan to undertake the works. Based on pledges already received for new funding, we have been able to give the go-ahead for the first three items.

Reserve fund

The Management Committee plan to build up LCPL's reserves to £50,000 to cushion any downturns or unexpected costs, allowing time to make any business operation adjustments should they become necessary. We plan to fund this reserve from our anticipated trading surplus, although it would be advantageous to raise some, or even all, of this reserve through community funding.

3 FUNDRAISING

To ensure long term security for The Plough it is essential that any financial borrowing costs can be covered by the potential net income. For the amounts involved, the cost of borrowing money on the open market would place additional pressure and risk on the business plan. A combination of grant funding and new Community Shares capital is the most effective way to support the works identified in the previous section.

3.1 Grant Funding

As a Community Benefit Society we are eligible to apply for some grants. Not as many as we would like because some are restricted to registered charities, but we are very grateful to have been awarded grants as follows towards the work in this business plan.

'LEADER' is a method of providing EU Rural Development Programme grant funding. Although we have left the EU there is still some funding left. One of the LEADER priorities is support for micro-businesses and we are delighted that our application for support has been accepted. LEADER will fund up to 40% of the cost of:

- Upgrading our electricity supply;
- Car park work including the new extension, disabled parking, fencing, lighting, EV charging points;
- Upgrading the patio surface;
- Re-locating the Test Way.

The total grant offered is up to £50,800. The funding is dependent on us providing the remaining 60%, plus we also need to fund the VAT. The VAT is reclaimable but there will be a temporary adverse effect on our cash flow. LEADER will not contribute to any costs incurred after December 2022.

The TVBC Community Asset Fund has offered us 50% of the cost (total cost £35,000) of the work to outbuildings. The grant must be spent within two years. We have also applied to HCC for a grant towards this expense but have yet to hear the outcome.

The Parish Council has kindly offered to cover the cost of repairing the chimneys (£1,900). We have also received grants from the 2021 Longparish Fete and Vitacress, totaling £1,300, to help towards the cost of the chairs in the upstairs community room (River Room).



3.2 Donations

Donations towards the costs of the new works will be very welcome. If you would like to make a donation, perhaps rather than buying shares, please contact Jeremy Barber, our treasurer. We are grateful to an anonymous donor who kindly made a £5,000 donation recently.

3.3 Community Shares Offer

We hope that most of the funding required to support this next phase of works will be generated through the sale of further shares in LCPL. This second Share Offer will again offer membership shares with a value of £10, with a minimum holding requirement of five shares. All shareholder members will have an equal vote in LCPL irrespective of their shareholding - 'one Member, one Vote'. The target for this new Share Offer is £145,000, which will allow all the main areas of works outlined in the plan to go ahead.

An application has been submitted to HMRC for advance assurance that the Community Shares Offer meets the conditions for Social Investment Tax Relief (SITR). If advance assurance is provided by HMRC, and so long as you are a UK taxpayer, you should be eligible for tax relief on your investment, provided you leave your shares in LCPL for at least three years.

For full details please read the Share Offer Prospectus.

For more information on Community Shares see <http://communityshares.org.uk/>

3.4 Existing Shareholder Tax Relief

Individuals who invested in our first Share Offer, and are a UK taxpayer, qualify for tax relief under HMRC's SEIS or SITR schemes. We have recently distributed the forms needed to reclaim tax. If everyone who receives tax relief under the first share offer were to reinvest, or donate, their tax relief then we would raise enough funds to complete almost all of the works outlined in the previous section.

3.5 Other Sources

Additional funds are also being sought with further grant applications. However, we have not included for these in the business plan as there is no guarantee we would be successful, or that the timing will be right.



4 FINANCIAL PROJECTIONS

4.1 Profit & Loss Forecast

FOUR YEAR - TRADING PROFIT AND LOSS FORECAST (£)				
<i>Assumes 3% annual growth for income & costs from year 2</i>				
INCOME	First Year	Second Year	Third Year	Fourth Year
Wet Sales	154,851	208,000	214,240	220,667
Food (Dry) Sales	198,518	312,000	321,360	331,001
Cost of goods Sold	133,627	195,000	200,850	206,876
Gross Contribution	219,742	325,000	334,750	344,793
Salaries	137,853	168,800	173,864	175,409
Operating Costs** - Fixed	34,192	43,412	44,714	44,850
Operating Costs** - Variable	26,346	⁶ 46,744	48,146	49,591
Equipment repairs & renewal	0	10,000	10,300	10,609
Rent	9,450	9,450	9,450	9,450
Total Costs	207,841	278,406	286,475	289,909
EBITDA	11,901	46,594	48,275	54,883
Loan repayment	7,143	7,143	7,143	7,143
Loan Interest	2,017	2,200	2,200	2,200
Interest on Community Shares ⁷	0	0	0	9,900
Surplus (Deficit) before Tax	3,336	37,251	38,932	35,641

** Please see 'Appendix 7 – Operating Costs' for a breakdown of operating costs

⁶ Includes significant allowance for anticipated energy price increases

⁷ 3% discretionary interest paid on community shares after 3 years from issue.

4.2 Cash Flow Forecast

Longparish Community Pub Ltd

Year 1

Trading Cash flow Forecast													www.thekeyfund.co.uk
INCOME	Sept-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Total
Wet Sales Net of VAT	£ 6,982	£ 11,669	£ 10,706	£ 13,156	£ 8,172	£ 10,303	£ 11,911	£ 12,168	£ 13,104	£ 16,640	£ 19,448	£ 20,592	£ 154,851
Food Sales Net of VAT	£ -	£ 3,309	£ 12,836	£ 14,456	£ 11,889	£ 15,821	£ 17,279	£ 18,252	£ 19,656	£ 24,960	£ 29,172	£ 30,888	£ 198,518
VAT on Sales (VAT output)	£ 1,257	£ 2,696	£ 4,238	£ 4,970	£ 3,611	£ 4,702	£ 5,254	£ 6,084	£ 6,552	£ 8,320	£ 9,724	£ 10,296	£ 67,704
Total Receipts	£ 8,239	£ 17,674	£ 27,780	£ 32,582	£ 23,672	£ 30,826	£ 34,444	£ 36,504	£ 39,312	£ 49,920	£ 58,344	£ 61,776	£ 421,073
EXPENDITURE													
COGS	£ 2,625	£ 5,959	£ 10,123	£ 10,089	£ 7,258	£ 9,797	£ 10,946	£ 11,408	£ 12,285	£ 15,600	£ 18,233	£ 19,305	£ 133,627
Additions to Stock	£ 5,981	£ 3,856	£ (731)	£ (1,823)	£ 3,376	£ 1,588	£ 1,879						£ 14,126
Total stock (Saleables) net VAT	£ 8,606	£ 9,815	£ 9,392	£ 8,266	£ 10,635	£ 11,384	£ 12,825	£ 11,408	£ 12,285	£ 15,600	£ 18,233	£ 19,305	£ 147,753
Salaries (incl. NI & Pension)	£ 8,013	£ 6,317	£ 8,634	£ 11,475	£ 10,055	£ 13,686	£ 11,328	£ 12,138	£ 12,348	£ 13,900	£ 14,575	£ 14,850	£ 137,320
Operating costs fixed	£ 596	£ 3,006	£ 1,256	£ 1,990	£ 1,817	£ 3,916	£ 2,781	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 31,617
Operating costs variable	£ 384	£ 743	£ 154	£ 2,913	£ 2,302	£ 1,495	£ 1,457	£ 2,003	£ 2,157	£ 3,740	£ 4,371	£ 4,628	£ 26,346
Sundry	£ -	£ -	£ -	£ 500	£ 240	£ -	£ -	£ 367	£ 367	£ 367	£ 367	£ 367	£ 2,575
Rent	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 11,148
Loan repayment / interest		£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 8,569
VAT on expenses (VAT input)	£ 1,242	£ 1,917	£ 1,407	£ 1,993	£ 2,121	£ 2,451	£ 2,316	£ 2,451	£ 2,569	£ 3,217	£ 3,607	£ 3,765	£ 29,013
VAT payment (refund)				£ 793			£ 7,298			£ 8,867			£ 16,958
Equipment repairs and renewals	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Total Payments	£ 19,770	£ 23,506	£ 22,551	£ 29,638	£ 28,878	£ 34,596	£ 39,713	£ 33,325	£ 34,686	£ 50,650	£ 46,111	£ 47,874	£ 411,299
Net cashflow	£ (11,532)	£ (5,832)	£ 5,228	£ 2,944	£ (5,206)	£ (3,769)	£ (5,268)	£ 3,179	£ 4,626	£ (730)	£ 12,233	£ 13,902	£ 9,774
Opening Bank Balance	£ 50,000	£ 38,468	£ 32,636	£ 37,865	£ 40,808	£ 35,603	£ 31,833	£ 26,565	£ 29,743	£ 34,369	£ 33,639	£ 45,872	£ 50,000
Closing Bank Balance	£ 38,468	£ 32,636	£ 37,865	£ 40,808	£ 35,603	£ 31,833	£ 26,565	£ 29,743	£ 34,369	£ 33,639	£ 45,872	£ 59,774	£ 59,774

Longparish Community Pub Ltd

Year 2

Trading Cash flow Forecast													www.thekeyfund.co.uk
INCOME	Sept-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Total
Wet Sales Net of VAT	£ 20,800	£ 12,480	£ 12,480	£ 20,800	£ 10,400	£ 10,400	£ 16,640	£ 18,720	£ 18,720	£ 20,800	£ 22,880	£ 22,880	£ 208,000
Food Sales Net of VAT	£ 31,200	£ 18,720	£ 18,720	£ 31,200	£ 15,600	£ 15,600	£ 24,960	£ 28,080	£ 28,080	£ 31,200	£ 34,320	£ 34,320	£ 312,000
VAT on Sales (VAT output)	£ 10,400	£ 6,240	£ 6,240	£ 10,400	£ 5,200	£ 5,200	£ 8,320	£ 9,360	£ 9,360	£ 10,400	£ 11,440	£ 11,440	£ 104,000
Total Receipts	£ 62,400	£ 37,440	£ 37,440	£ 62,400	£ 31,200	£ 31,200	£ 49,920	£ 56,160	£ 56,160	£ 62,400	£ 68,640	£ 68,640	£ 624,000
EXPENDITURE													
COGS	£ 19,500	£ 11,700	£ 11,700	£ 19,500	£ 9,750	£ 9,750	£ 15,600	£ 17,550	£ 17,550	£ 19,500	£ 21,450	£ 21,450	£ 195,000
Additions to Stock													
Total stock (Saleables) net VAT	£ 19,500	£ 11,700	£ 11,700	£ 19,500	£ 9,750	£ 9,750	£ 15,600	£ 17,550	£ 17,550	£ 19,500	£ 21,450	£ 21,450	£ 195,000
Salaries (incl. NI & Pension)	£ 14,900	£ 12,900	£ 12,900	£ 14,900	£ 12,400	£ 12,400	£ 13,900	£ 14,400	£ 14,400	£ 14,900	£ 15,400	£ 15,400	£ 168,800
Operating costs fixed	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 3,251	£ 39,012
Operating costs variable	£ 4,674	£ 2,805	£ 2,805	£ 4,674	£ 2,337	£ 2,337	£ 3,740	£ 4,207	£ 4,207	£ 4,674	£ 5,142	£ 5,142	£ 46,744
Sundry	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 367	£ 4,400
Rent	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 11,148
Loan repayment / interest	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 9,348
VAT on expenses (VAT input)	£ 3,794	£ 2,640	£ 2,640	£ 3,794	£ 2,352	£ 2,352	£ 3,217	£ 3,506	£ 3,506	£ 3,794	£ 4,083	£ 4,083	£ 39,761
VAT payment (refund)	£ 15,203			£ 16,736			£ 13,054						£ 58,798
Equipment repairs and renewals	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 833	£ 10,000
Total Payments	£ 64,230	£ 36,204	£ 36,204	£ 65,764	£ 32,998	£ 32,998	£ 55,670	£ 45,822	£ 45,822	£ 62,833	£ 52,234	£ 52,234	£ 583,010
Net cashflow	£ (1,830)	£ 1,236	£ 1,236	£ (3,364)	£ (1,798)	£ (1,798)	£ (5,750)	£ 10,338	£ 10,338	£ (433)	£ 16,406	£ 16,406	£ 40,990
Opening Bank Balance	£ 59,774	£ 57,944	£ 59,180	£ 60,416	£ 57,052	£ 55,254	£ 53,456	£ 47,707	£ 58,045	£ 68,383	£ 67,951	£ 84,357	£ 59,774
Closing Bank Balance	£ 57,944	£ 59,180	£ 60,416	£ 57,052	£ 55,254	£ 53,456	£ 47,707	£ 58,045	£ 68,383	£ 67,951	£ 84,357	£ 100,764	£ 100,764

Longparish Community Pub Ltd

Year 3

Trading Cash flow Forecast													www.thekeyfund.co.uk
INCOME	Sept-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Total
Wet Sales Net of VAT	£ 21,424	£ 12,854	£ 12,854	£ 21,424	£ 10,712	£ 10,712	£ 17,139	£ 19,282	£ 19,282	£ 21,424	£ 23,566	£ 23,566	£ 214,240
Food Sales Net of VAT	£ 32,136	£ 19,282	£ 19,282	£ 32,136	£ 16,068	£ 16,068	£ 25,709	£ 28,922	£ 28,922	£ 32,136	£ 35,350	£ 35,350	£ 321,360
VAT on Sales (VAT output)	£ 10,712	£ 6,427	£ 6,427	£ 10,712	£ 5,356	£ 5,356	£ 8,570	£ 9,641	£ 9,641	£ 10,712	£ 11,783	£ 11,783	£ 107,120
Total Receipts	£ 64,272	£ 38,563	£ 38,563	£ 64,272	£ 32,136	£ 32,136	£ 51,418	£ 57,845	£ 57,845	£ 64,272	£ 70,699	£ 70,699	£ 642,720
EXPENDITURE													
COGS	£ 20,085	£ 12,051	£ 12,051	£ 20,085	£ 10,043	£ 10,043	£ 16,068	£ 18,077	£ 18,077	£ 20,085	£ 22,094	£ 22,094	£ 200,850
Additions to Stock													
Total stock (Saleables) net VAT	£ 20,085	£ 12,051	£ 12,051	£ 20,085	£ 10,043	£ 10,043	£ 16,068	£ 18,077	£ 18,077	£ 20,085	£ 22,094	£ 22,094	£ 200,850
Salaries (incl. NI & Pension)	£ 15,347	£ 13,287	£ 13,287	£ 15,347	£ 12,772	£ 12,772	£ 14,317	£ 14,832	£ 14,832	£ 15,347	£ 15,862	£ 15,862	£ 173,864
Operating costs fixed	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 3,349	£ 40,182
Operating costs variable	£ 4,815	£ 2,889	£ 2,889	£ 4,815	£ 2,407	£ 2,407	£ 3,852	£ 4,333	£ 4,333	£ 4,815	£ 5,296	£ 5,296	£ 48,146
Sundry	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 378	£ 4,532
Rent	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 929	£ 11,148
Loan repayment / interest	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 779	£ 9,348
VAT on expenses (VAT input) ⚠	£ 3,902	£ 2,714	£ 2,714	£ 3,902	£ 2,417	£ 2,417	£ 3,308	£ 3,605	£ 3,605	£ 3,902	£ 4,200	£ 4,200	£ 40,887
VAT payment (refund)	£ 19,817			£ 17,880			£ 13,462			£ 14,236			£ 65,396
Equipment repairs and renewals	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 858	£ 10,300
Total Payments	£ 70,259	£ 37,233	£ 37,233	£ 68,322	£ 33,931	£ 33,931	£ 57,300	£ 47,140	£ 47,140	£ 64,678	£ 53,744	£ 53,744	£ 604,653
Net cashflow													
	£ (5,987)	£ 1,330	£ 1,330	£ (4,050)	£ (1,795)	£ (1,795)	£ (5,882)	£ 10,705	£ 10,705	£ (406)	£ 16,955	£ 16,955	£ 38,067
Opening Bank Balance	£ 100,764	£ 94,777	£ 96,107	£ 97,437	£ 93,387	£ 91,592	£ 89,797	£ 83,915	£ 94,620	£ 105,325	£ 104,919	£ 121,875	£ 100,764
Closing Bank Balance	£ 94,777	£ 96,107	£ 97,437	£ 93,387	£ 91,592	£ 89,797	£ 83,915	£ 94,620	£ 105,325	£ 104,919	£ 121,875	£ 138,830	£ 138,830

CASH FLOW FORECAST - ASSUMPTIONS			
INCOME	Year 1	Year 2	Year 3
Wet Sales	Seasonal adjustment (see table below). 60/40 split for Food/Wet. Average annual turnover after VAT based on comparison with national averages published by British Beer and Pub Association and as known to have been achieved in similar sized establishments locally	Benchmark figures - weighted with seasonal variation.	Assumes 3% year on year growth. No adjustment made for inflation as both costs and income will increase and cash flow will be largely neutral.
Food Sales			
VAT Return			
Our VAT returns are made quarterly. The VAT is paid to HMRC 5 weeks after the end of each return period			
EXPENDITURE			
Stock (Saleables) COGS	Recorded historic margins used where advised following professional stock takes, all other data assumes average 62.5% Gross Margin on both Wet and Dry sales.	Assumes average 62.5% Gross Margin on both Wet and Dry sales.	
Additions to Stock	Stock purchases in surplus, (or consumed) relative to stock sold (COGS)	Although this will vary from month to month as stocks are built or run down, this is set as zero as no significant growth in stock levels (£15k) anticipated.	
Salaries (incl. NI & Pension)	Salaries based on actual (up to and including March '22). Assumes second full time chef from June.	One x Full time manager, one x part time manager, 1 x head chef, 1 x second chef plus 20% on costs for NI/pension etc (casual (hourly) staff cost varies with turnover)	
Fixed Costs	Spread evenly across year - although these will vary month to month, the effect will balance out across most months.		Spread evenly across year - although these will vary month to month, the effect will balance out across most months. Assumes 3% year on year increase.
Variable costs	Weighted against monthly turnover		
KeyFund Loan Payments	Calculated at 8% repayable over 7 years.		
Parish Council Rent	Fixed rent at £9,450 per annum payable monthly		
Corporation Tax	Assumes no corporation tax due until Jan 2025 as profits for years 1 & 2 would be offset against refurb expenditures, and capital allowances.		Tax for year 3 trading (May 23-April 24) falls due end Jan 25
Opening Balance	£50,000 to fund working capital (stock purchases and trading deficits). Funded from cash advances, loaned by Society members.		

4.3 4 Year Forecast – Balance Sheet

BALANCE SHEET	Financial Year end 19/20	Financial Year end 20/21	Commence Trading (mid Sept 21)	End of 1st Trading year	End of 2nd Trading Year	End of 3rd Trading year
CURRENT ASSETS						
Debtors and payments in advance	£150	£99,288	£13,750	£67,540	£3,000	£3,000
Stock			£7,710	£14,126	£14,550	£14,986
Rent deposit			£14,000	£14,000	£14,000	£14,000
Cash at bank and in hand	£1,812	£96,460	£77,914	£81,224	£149,462	£188,064
Sub total	£1,962	£195,748	£113,374	£176,890	£181,012	£220,050
FIXED ASSETS						
Tangible assets:						
Lease and leasehold improvements at cost		£227,390	£227,390	£360,390	£385,390	£385,390
Less accumulated depreciation		£2,297	£3,062	£6,703	£10,596	£14,488
Total.		£225,093	£224,328	£353,687	£374,794	£370,902
Equipment at cost		£230	£41,990	£73,810	£73,810	£73,810
Less accumulated depreciation		£46	£2,445	£16,718	£28,137	£37,271
Total		£184	£39,545	£57,092	£45,673	£36,539
TOTAL ASSETS	£1,962	£421,025	£377,246	£587,669	£601,479	£627,490
SHORT TERM LIABILITIES						
Creditors: amounts falling due within one year		£60,713	£43,715	£17,143	£37,518	£38,129
LONGTERM LIABILITIES						
Creditors: amounts falling due after one year or more		£41,667	£79,286	£92,143	£85,000	£77,857
TOTAL LIABILITIES	£0	£102,380	£123,001	£109,286	£122,518	£115,986
NET ASSETS	£1,962	£318,645	£254,245	£478,383	£478,961	£511,504
CAPITAL AND RESERVES						
Called up share capital	£250	£330,400	£330,400	£530,400	£530,400	£530,400
Retained earnings brought forward	£0	£1,712	£-11,754	£-76,155	£-52,017	£-51,439
Current period surplus/deficit	£1,712	£-13,466	£-64,401	£24,138	£578	£32,544
Retained earnings carried forward	£1,712	£-11,754	£-76,155	£-52,017	£-51,439	£-18,896
MEMBERS' FUNDS	£1,962	£318,646	£254,245	£478,383	£478,961	£511,504

Notes

- Assumes share offer raises £200,000
- Our Plunkett grant of £50,000 is repayable if we go bust. For accountancy reasons it was included in short term creditors in our 20/21 accounts but, after discussion the matter with our accountant, we intend to recognise its contribution to members's funds in subsequent accounts so no creditor is included after 30 April 2021. The accounts will include an explanatory note.
- Keyfund advanced us £50,000 to assist with purchase of the lease. This loan is repayable over seven years. One year's repayments are included in short term creditors. Long term creditors includes the remaining balance plus advances from members of £40,000 in the period to commencement of trading and a further £20,000 in the first year of trading.
- The figures for the financial years ending 19/20 and 20/21 are from our approved and published accounts for the years to 30 April 20 and 30 April 21.
- The detailed profit and loss figures on page 20 of this Business Plan are for trading only but the current period surplus/deficit figures also include interest, depreciation and refurbishment expenditure and grant income.

6. Refurbishment expenditure	
Year to 30 April 21	£5,563
Period to start of trading	£104,505
First year of trading	£25,627
Second year of trading	£38,000
7. Grant income	
First year of trading	
LEADER	£40,800
TVBC	£17,500
Second year of trading	
LEADER	£10,000
8 Leasehold property additions	
First year of trading	
Stores	£35,000
Carpark, footpath and fencing	£79,500
Electricity supply	£18,500
Second year of trading	
Patio	£25,000

4.4 Shareholder interest payments and buy-back

If profits allow, interest may be paid to shareholders, although this would depend on the Management Committee deciding that the business had sufficient funds to allow for such payments to be made without harming the business. Eventually LCPL also anticipate being able to allow shareholders to withdraw some, or all, of their shares, again depending on sufficient funds or other new members willing to buy new shares.

The above financial forecasts demonstrate sufficient profits and retained earnings allow for such payments to be made 3 years after the share issue date. However, should sales fail to meet expectations, or profits fall below expectations then the Management Committee could decide that such payments were not sustainable and resolve not to pay any interest, nor allow any shares to be withdrawn in any particular year.

4.5 General Financial Assumptions

The general assumptions underpinning the financial projections are set out below:

1. Gross margins assumed at 62.5% for both drinks sales (wet) and food sales (dry). This is in line with figures already being achieved and would be expected to improve.
2. Revenue split between wet and dry sales is 40:60.
3. Year 2 per week average total turnover net of VAT = £10,000
4. Fixed staff costs of £118,800 (managers x 2, head chef and second chef). Figures include 20% on-costs for NI / pensions etc.
5. Variable staff costs of 12.5% of turnover less £15K (contribution transferred to fixed staff costs)
6. P&L assumes annual 3% increase in turnover and costs from year three onwards
7. 3% interest on share capital from 3 years following the commencement of trading.
8. Share buyback of 3% of share capital from 4 years following the date of relevant share issue.
9. Waste, spillage and ullage are included within the GM figures (1 above)
10. Sales and costs in the profit statement are shown excluding VAT.
11. No income is assumed from activities beyond the day-to-day operation of the pub. E.g. from letting community rooms.
12. Typical pub sales are not flat throughout the trading year, so a seasonal phasing factor has been applied to try to get a more realistic profile of monthly incomes.



APPENDIX 1 - LONGPARISH COMMUNITY PUB LIMITED

Longparish Community Pub Limited

LCPL is a Community Benefit Society, registered in December 2018 with the Financial Conduct Authority (FCA), registration number 7951. Owned by its community of shareholders, LCPL is a legal incorporated entity with 'limited liability' that operates the community pub business and protects the individuals running the business. The liability of its members is limited to the value of their shareholding. The value of a member's community shares will never go up, but the value may go down and there is a risk that members may lose some, or all, of the money they have invested. On the other hand, LCPL may in future pay some interest on the value of shares held, although investors should approach the project with the main expectation of receiving a social dividend rather than a financial return.

Legal Structure

- ◆ LCPL Society rules are available here <https://www.ploughahead.co.uk/documents>
- ◆ An FCA published note regarding Registered Societies and the responsibilities of their governing bodies is here <https://www.handbook.fca.org.uk/handbook>

LCPL has adopted the model rules recommended by the Plunkett Foundation which enables and ensures genuine community ownership with equal democratic control; open and voluntary membership; one member one vote; business interests under community control; and no one member has greater control than another. A copy of these rules is available to read online.

LCPL's rules make clear that it will not directly benefit individual members and has an overall community purpose that reaches beyond its membership. Also important is a statutory asset lock written into LCPL's rules. This is designed to prevent LCPL from distributing assets amongst its members on solvent dissolution over the value of their shares. Instead, any surplus assets can only be transferred to another organisation that supports LCPL's objectives. The adoption of this structure helps significantly with applications for grant funding.

Role of Members

Membership of LCPL is open to anyone aged 18 or over who purchases the minimum number of shares (5), supports LCPL's purpose and whose application is accepted by the Management Committee. Shares will be paid for in full on application and are not transferrable except on death or bankruptcy. Shares may be withdrawn by members who have held them for at least three years at the discretion of the Management Committee, subject to available funds and in accordance with LCPL's rules.

Each member has one vote to exercise at the Annual Members' Meeting (AMM), or any special meetings, regardless of how many shares they hold. Members own and control LCPL, and at the AMM they exercise their ownership rights by electing members onto the Management Committee. Any member can stand for election to the Management Committee.

All members will be provided with an annual report, which will set out details of the operation of LCPL and how it has developed its activities over the previous year. The report will include a record of the accounts and activities during the previous financial year, including the social impact of The Plough on the community and the continuing benefits of keeping the pub in the village. The rules also provide for other ways in which the membership may hold the Management Committee accountable for the running of LCPL, including calling a Special Members' Meeting if required.

Corporate bodies and associations which support LCPL's objectives can also become shareholders and members of LCPL, and such bodies and associations must nominate a

named individual to represent them at members' meetings (i.e. they will have one vote, the same as a private individual).

Management Committee

The current Management Committee, as listed in the next section, was elected at the 2nd Annual Members' Meeting (AMM) held on 24th November 2021 by the members, to run LCPL on behalf of its members. A third of the current Management Committee is due to stand down at the next AMM, and another third will stand down at the following AMM. Thereafter all elected members of the Management Committee will be elected to serve for up to three years.

The Management Committee is responsible for managing the affairs of LCPL in the same way as a board of directors is responsible for managing the affairs of a limited company. The Management Committee will:

- ◆ Monitor and manage LCPL's financial affairs on behalf of the community.
- ◆ Define and manage the strategy and operation for the business.
- ◆ Ensure LCPL complies with all applicable regulations, including the General Data Protection Regulations (GDPR). LCPL's Privacy Statement is available to read on its website.
- ◆ Encourage community activities within the pub.
- ◆ Ensure agreed rental and other payments are paid to the Parish Council.
- ◆ Determine the best operational model through business planning.
- ◆ Manage the relationship between LCPL and the pub manager.
- ◆ Organise and supervise refurbishment works and ongoing property maintenance.

The members of the Management Committee are equally responsible in law for the committee's actions and decisions. They are collectively responsible and accountable for ensuring the business is performing well, is solvent and complies with all its obligations. LCPL carries 'Director and Officer' liability insurance for the Management Committee and secretary (this is also called 'management protection' insurance).

APPENDIX 2 – MANAGEMENT COMMITTEE

The Management Committee are all volunteers and receive no payment for their services to LCPL. Committee members serve for up to three years, with one third of the committee standing down at each Annual Members Meeting⁸. Our committee members come from a variety of backgrounds and bring a broad range of relevant experience, skills, and reasons for volunteering. Brief summaries of these are provided below:

ANDY JOLLIFFE Chairman. *(Stands down at AMM 2024)*

My Day Job: Retired sales director with a major IT Communications technology company

My reason for getting involved

Now that The Plough is a community owned venture there is huge potential for it to become so much more than a pub. Having seen other community pubs in operation, I passionately believe this is important for Longparish, both now and for future generations.

GRAEME FRANCIS Secretary. *(Stands down at AMM 2022⁹)*

My Day Job: Corporate Lawyer for over 40 years, Director of family manufacturing business

My reason for getting involved

We have achieved an enormous amount over the last three years, and we now need to complete the vision. I firmly believe that as a pub and community hub, The Plough is, and will continue to be, of great benefit to the village and the surrounding area.

DAVID WRIGHT Vice Chair and Operations. *(Stands down at AMM 2023)*

My Day Job: Retired GP

My reason for getting involved

The Plough has been a fixture in the village for most of the 32 years I have lived here. I am delighted to be involved in the project that is restoring it to its rightful place as a thriving, welcoming pub and community asset. It is wonderful to have it back.

JEREMY BARBER Treasurer. *(Stands down at AMM 2023)*

My Day Job: Retired tax specialist

My reason for getting involved

It has been great to be part of the team who have brought The Plough back to life. What we have achieved is wonderful. Now we need working capital to help the business to fly. Grants already pledged will be a huge help, but we cannot do any of the work until we raise our share of the cost.

ALISON COOPER Founder Member. *(Stands down at AMM 2024)*

My Day Job: Writer

My reason for getting involved

We have all felt a deep sense of satisfaction and pleasure from seeing our lovely pub transformed and re-opened. It is now a thriving community pub at the heart of village life. I want to help ensure it continues to thrive and flourish.

⁸ Committee members standing down are permitted to stand for election in the same or following years.

⁹ Graeme Francis will stand down as a Committee Member at the 2022 AMM. However, the position of Secretary is appointed by the Management Committee, so it is possible Graeme may be willing to continue in that role even if not standing, or re-elected to the Management Committee.

MARK REYNOLDS Committee Member. *(Stands down at AMM 2024)*

My Day Job: Co-Founder and operations director of Three Cheers Pub Company

My reason for getting involved:

Pubs are the “beating heart” of Britain and provide the community with a place to socialise, drink, eat and come together. The Plough has been reinstated at the heart of our village and it would be fantastic if we were able to raise a little more money to finish what we started.

AILSA WIGGANS Founder Member. *(Stands down at AMM 2023)*

My Day Job: HR Consultant

My reason for getting involved

I have lived in Longparish for just over 5 years and want to see this village asset flourish for the benefit of the whole community.

CHRISTOPHER DUXBURY Committee Member. *(Stands down at AMM 2022)*

My Day Job: Retired Soldier, Corporate Business Manager

My reason for getting involved

I have been involved since the outset, convinced it could be successful as a community owned pub. I have played a part in the refurbishment and the first year of operation - and continue to support the LCPL’s aim for The Plough’s long-term future.

MARTIN HULME Committee Member. *(Stands down at AMM 2022)*

My Day Job: Sheet metal fabrication and manufacturing,

My reason for getting involved

I want to assist as best as I can in helping with some of the decision making that would best suit the Plough, and the community side of the pub, in the future.

There is also a permanent representative for Longparish Parish Council on the Management Committee

Mark Reynolds has declared there is no potential conflict of interest arising from his personal business interests with regard to his holding a position on the Management Committee.

APPENDIX 3 – OBJECTIVES

LCPL's aim is to secure the long-term future of The Plough as a thriving destination and community pub that:

- ◆ has an excellent reputation for the value and quality of its service, food, drink and other service offerings to support the local community;
- ◆ is recognised as a destination venue of choice, attracting customers from outside the village; and
- ◆ generates profits that will benefit local community groups and projects.

The primary focus is to operate a rural community business that will flourish and in due course return its profits back to the community. Its success will be based on the provision of food and drink that is reasonably priced, supported by a friendly environment and welcoming staff. The food offering is good quality traditional pub grub using locally sourced ingredients to attract both local residents and people from further afield. The drinks on offer include popular real ales, including from local breweries.

The support we received for the project from the Parish Council was on the basis that The Plough would not just be a pub, but also a community hub. The inclusion of other services and offerings will therefore be explored, driven by the consensus of the local community. These could include such things such as a cafe, delicatessen outlet for local produce, EV charging points, Bed & Breakfast accommodation, micro-brewery, parcel-drop and other services which would extend its appeal to a wider group.

For the first three or four years of operation, LCPL will continue to operate with a manager. Only when the direction, style and sustainability of the business are well established would LCPL potentially consider changing to a tenant operated business. Current salaried roles include management couple, head chef and sous-chef. The head chef, bar, waiting and cleaning staff report to the general manager.

It is important that the cost of financing the project is managed at a level that can be supported from expected profits. Thus, it is important to ensure borrowing and rental costs do not exceed the potential income from a future tenant, should the option of a tenancy be explored in the future.



APPENDIX 4 – PARISH COUNCIL AGREEMENT

Outline of the agreement between Longparish Parish Council and LCPL

Background

In 2020 LCPL approached Longparish Parish Council requesting that the Parish Council borrow £300K from the Public Works Loans Board to help buy and save the Plough as a community pub and hub.

The Parish Council needs to protect parish funds, and so required security in the property as a fundamental condition for any agreement*. Borrowing from the Public Works Loans Board (PWLB) allowed the Parish Council to access very low-cost borrowing at a fixed interest rate over the term of the loan (in our case just under 2% per annum for 50 years).

The Parish Council acquired the freehold, and granted a 99-year lease to LCPL for the exclusive use of the property. In return LCPL agreed to pay a £200k Lease Premium to the Parish Council and agreed a fixed annual rent sufficient to cover the Parish Council's repayment costs on the loan.

The following is an outline of the terms agreed between the Parish Council and LCPL.

1. The Parish Council owns the freehold. *(Following legal advice, this was agreed between LCPL and the Parish Council as the simplest and most practical approach)*
2. The Parish Council granted LCPL a lease with a 99-year term on the basis that:
 - a) LCPL paid a premium for the grant of the lease (to enable the Parish Council to fund the balance of the purchase price for The Plough and associated professional costs and stamp duty); and
 - b) LCPL agreed to be responsible for the refurbishment and all running costs of the Plough.
3. Parish Council loan repayments and all costs associated with its ownership of the Plough are covered by rental payments (approximately £9,500 per annum) from LCPL.
4. LCPL provided the Parish Council with a rent deposit equivalent to 18 months rent.
5. LCPL to operate the business, which will involve appointing a manager or sub-letting the premises to a tenant.
6. The Parish Council have been allocated a permanent seat on the Management Committee.
7. Sustained failure by LCPL to make payments under the lease agreement will give the Parish Council the right to terminate the lease.
8. If the property were then sold the net proceeds from the sale will belong to the Parish Council who would no doubt repay the balance of their PWLB loan and their outstanding fees and disbursements.
9. Subject to it being legally possible, the intention would be for the Parish Council to transfer sufficient of any surplus sale proceeds to LCPL for the benefit of its creditors and shareholders.** Under LCPL's rules, shareholders may not receive back more than the amount they invested. Any remaining surplus sales proceeds will be retained by the Parish Council for the benefit of the community.

* It should be noted that a Parish Council is not permitted to allow a charge over any asset it owns.

** Any distribution in favour of LCPL's creditors and shareholders would be entirely voluntary on the part of the Parish Council

APPENDIX 5 – SWOT ANALYSIS

Strengths

- ◆ Excellent location in the Test Valley central to the village.
- ◆ The village is on a main cycling route and is often visited by walkers using the Test Way.
- ◆ Proximity to the A303 trunk route, with potential to attract passing motorists.
- ◆ Proximity to Andover and Winchester with access to a large potential customer base including residents and tourists. Two new estates at Picket Twenty and PicketPiece have been built in Andover since the Plough closed.
- ◆ There are many holiday homes, B&Bs and glamping sites in the locality.
- ◆ An attractive spacious building with a good-sized bar, restaurant and beer garden area.
- ◆ Significant grounds and out-buildings for future development.
- ◆ Experienced managers appointed and in post.
- ◆ An extremely wide and good reputation in the past for good quality food, hospitality and atmosphere.
- ◆ Historical goodwill; a wide base of regular local customers who we anticipate will quickly return to a well-run and welcoming pub.
- ◆ Already getting good reviews.
- ◆ The commitment of the wide membership base to use the business and encourage friends and family to do so too.
- ◆ The business will not be tied to any particular brewery or supplier.
- ◆ Low financial overheads.

Weaknesses

- ◆ Trading potential impaired until electrical upgrading and car park refurbishment completed.

Opportunities

- ◆ To continue to enhance the Plough's reputation.
- ◆ To continue to develop a new customer base, including tourists, walkers, cyclists, fishermen and people in search of locally produced beers and locally sourced, good quality food.
- ◆ To provide additional community facilities and make full use of the function room (River Room) out-buildings and grounds to support community groups and other initiatives.

Threats

- ◆ Inability to raise share funding and or secure enough other finance to complete the refurbishment.
- ◆ Unexpected repair costs.
- ◆ Interest rate increases (although all borrowing planned currently is based on fixed-interest rates).
- ◆ Wider economic environment resulting in reductions in disposable income from the customer base.

MEETING THE WEAKNESSES AND THREATS

Attracting lost business

Now the pub is owned by the community (80% of LCPL's 247 members are local), the commitment to use the pub and to encourage family and friends to use it is considerable.

Once the refurbishment is complete and the pub trading to its full capacity, LCPL will conduct a marketing and PR campaign to promote the business to residents of surrounding villages and the new Picket Twenty and Picket Piece estates in Andover.

Consistent provision of competitively priced good local and guest beers, wine and freshly prepared food using local ingredients, together with reliable opening hours will provide a good basis for re-establishing the reputation of the pub. This should then attract a steady flow of referrals by word of mouth, good TripAdvisor reviews, local newspaper restaurant reviews, etc. This is already happening

Looking ahead, LCPL hope to introduce regular specials evenings and quiz nights, encourage local clubs to use our facilities, provide community facilities, open for coffee and pastries and eventually perhaps even set up retail units such a as a café or shop.

Unexpected Repair Costs

Our business plan provides for LCPL to build a reserve (or sink) fund of £50,000 to provide cover future major repairs and renewals to the fabric of the building and infrastructure of the business.

Shareholder withdrawal

LCPL plans to be flexible within the terms of its constitution and allow requested share withdrawals wherever possible. However, there is a safety lock written into the articles that allows for shares to be withdrawn only if LCPL's funds allow.

To enable withdrawal of shares cash reserves will be built up where possible, or may be funded by further share offers which would enable newcomers to invest and existing shareholders to increase their portfolio. If the withdrawn shares cannot be replaced by new investments, then the cash reserves would be used.

Interest rate increases

LCPL's only borrowing carrying interest is at a fixed rate over 7 years as part of the Plunkett Foundation More Than a Pub Grant & Loan scheme.

If the business is unviable

LCPL has been trading now for five full months and the results are in line with our business model, which forecasts break even or small profit in year 1 and anticipates an EBITDA of over £40,000 in subsequent years. This real-life experience is encouraging and leads us to believe strongly that we have a profitable and sustainable long-term business.

However, in the unlikely event that, despite all efforts, this proves not to be the case, we would seek to convert the business to a tenanted option where the tenant would pay a competitive (probably very competitive) market rate rental for use of the pub, which would be sufficient to cover the rental payments to the Parish Council and other costs such as insurance and other financial costs. If even this proves not viable, or the CBS is either forced to wind up, or elects to do so with the agreement of the members, there would be several options for the future of the Plough as community asset. These options will of course be subject to the intentions contained in the memorandum of understanding agreed between the Parish Council and LCPL, and designed to protect the interests of both parties.

This is clearly not an outcome that LCPL seeks, nor one that is likely, but this possible course of action could result in the investors losing some, or all of their investment.

APPENDIX 6 – RISK ANALYSIS

LCPL believe the key operational risks, together with proposed mitigations are as follows:

Risk Analysis – Operating the Business	
<p><u>Risk</u></p> <p>LCPL unable to appoint or retain appropriate high-quality staff.</p> <p><u>Impact</u></p> <p>Committed and quality staff are critical to the success of any venture. If LCPL is unable to appoint or retain such personnel, the venture may not succeed.</p>	<p><u>Proposed mitigation</u></p> <p>LCPL will pay competitive wages and salaries and provide a friendly and supporting working environment.</p> <p>LCPL will use a professional HR consultant for recruitment. A member of the Management Committee presently provides this support.</p>
<p><u>Risk:</u></p> <p>Management Committee support or keyskills are not forthcoming in due course, despite research and succession planning.</p>	<p><u>Proposed mitigation</u></p> <p>Move to tenancy option</p>
<p><u>Risk:</u></p> <p>Pub fails to operate at forecast level of turnover.</p>	<p><u>Proposed mitigation</u></p> <p>LCPL has a realistic business model in place that allows for the business to be profitable. Currently, we are tracking that model. The performance of the business is monitored on a weekly and monthly basis, and any deviation from the projected forecasts will be analysed and if necessary mitigated with urgent intervention to increase turnover and/or margins, and/or reduce costs as required.</p>
<p><u>Risk</u></p> <p>Higher than anticipated outgoings.</p>	<p><u>Proposed mitigation</u></p> <p>As above.</p> <p>We are mindful of forthcoming cost of living increases, particularly energy costs (gas and electricity). Our existing supply is currently on fixed contracts (electricity fixed until mid 2024¹⁰; LPG fixed to Jan 2023)</p>

¹⁰ A new supply contract will be required for the second electricity supply, which is expected to be at current tariffs. We anticipate the impact of this could almost double our electricity costs, which has been factored into the P&L and Cash Flow projections.

<p><u>Risk</u></p> <p>The pub cannot sustainably trade profitably.</p> <p><u>Impact</u></p> <p>The pub may be forced to close.</p>	<p><u>Proposed mitigation</u></p> <p>We have in place a realistic business model that allows for the business to be profitable. Currently, we are tracking that model.</p> <p>LCPL has a realistic business model in place that allows for the business to be profitable. Currently, we are tracking that model. The performance of the business is monitored on a weekly and monthly basis, and any deviation from the projected forecasts will be analysed and if necessary mitigated with urgent intervention to increase turnover and/or margins, and/or reduce costs as required.</p>
<p><u>Risk</u></p> <p>The pub is prevented from opening for an extended period by circumstances outside the Management Committee's control</p> <p><u>Impact</u></p> <p>Significant reduction or cessation of revenues.</p>	<p><u>Proposed mitigation</u></p> <p>Other than staff costs, the main overheads are the rental payments due to the Parish Council, other loan repayments, business rates and insurance. Protecting the business would be dependent on reducing all overheads including staff costs, and successfully negotiating a loan repayment holiday.</p> <p>However, the relatively low overheads and potential to generate revenues from other community activities, together with holding a cash reserve, should allow the business to remain solvent through a sustained period of closure.</p>

APPENDIX 7 – OPERATING COSTS

The base level operating costs have been estimated using a combination of quoted and known costs combined with available information from such sources as 'Pub is the Hub', British Beer & Pub Association, CAMRA, professional pub trade advisors and other local supporters that have experience within the licensed trade.

OPERATING COSTS	
Business Rates	4,366
Insurance	4,000
General maintenance	6,000
LPG ¹¹	4,500
Logs	1,750
Electricity ¹²	24,000
Water	3,000
Bank Charges	2,000
W/Fi / Phone	650
Council Tax	1,448
Licences	1,000
Professional fees	4,000
Subscriptions	500
Waste Collection	4,000
Advertising	3,000
Cleaning	5,000
Uniforms	200
Equipment Hire	500
Gardener	600
Garden materials	500
Merchant charges	6,240
Miscellaneous	4,500
Consumables	4,000
Sundry costs	4,400
TOTAL COSTS	90,154

¹¹ Includes significant allowance for anticipated energy price increases

¹² Includes significant allowance for anticipated energy price increases