

THE COMMUNITY
BOOT INN
ORLETON



A Community Benefit Society



BUSINESS PLAN & PROSPECTUS

OCTOBER 2018

THE COMMUNITY
BOOT INN
ORLETON



We have finally won the chance to save
The Boot Inn from disappearing into the
hands of developers by purchasing it at a
realistic price. This could allow us to recreate
the pub as a social amenity in the heart of our
village that can serve the village as a whole and
provide a true focal point for our community.

*This is a one-off opportunity and we really
should not let it pass us by.*

With grateful support from



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1 | Introduction

1.1 Current Situation

The Boot Inn has been a thriving pub in the past, attracting custom from Orleton and surrounding villages and indeed from further afield with a deserved reputation for well-priced good food. However, it has latterly been considerably run down by its former owner before being closed in June 2017 and placed into voluntary liquidation, possibly with a view to its potential as a development site. The Parish council has listed the pub as an ‘asset of community value’ which gave the community the right to bid for its purchase.

The Community Boot Inn Orleton Ltd (CBIL) was set up in 2018 with a series of public meetings, community engagement through leafleting and online activity with a view to exploring the viability of a community purchase.

We have seen locally the impact on communities that pub closures can have. Pub closure not only threatens the social cohesion of a community, but also exacerbates the impact of rural isolation. Furthermore, the closure of a local pub can reduce the value of domestic properties, both in the village and surrounding villages, typically by 5-10%.

The Boot itself is a Grade II listed building and so is the small “black and white” situated between the pub and the car park. As listed buildings they are recognised as being an important part of our built heritage and deserving of considerably more care and attention than they have had in recent years.

Over the last months we’ve had numerous conversations and approaches from a wide variety of people both within and beyond Orleton offering practical assistance and financial commitment showing that there is a strong level of support to save the Boot and protect its future.

It was therefore determined that we should seek to buy the Boot Inn, its grounds and car park, from the liquidator and appoint a professional tenant with the

experience and skills to run the pub as a profitable and successful business for the benefit of the community and other users.

Our objective is to have a friendly and welcoming village pub that serves local beers and sensibly priced, freshly prepared food. As support for a community pub has grown, we can see that the Boot Inn could be more than a pub, and we propose to introduce a range of community amenities including a café, coffee and lunch clubs for older and less mobile people and potentially more.

We will set a fair rent and agree a lease with the tenant who will run the pub as a free house selling food and drink. The rent will be set at a level that gives the tenant the opportunity and incentive to run a profitable pub and café business, and which will provide the revenue for us to maintain the building, to repay any loans we take out, and when cash reserves permit, to pay a modest interest to share-holders and to fund the withdrawal of shares from time to time.

We firmly believe that the business will be profitable, but in the unlikely event it is not CBIL will own a valuable asset – the building and land associated with it – which if necessary could be sold in order to return funds to investors. Our investment is in the building and land – the bricks and mortar – not the licensed business.

1.2 The Community Boot Inn (Orleton) Limited a Community Benefit Society

CBIL is a Community Benefit Society that has been formed to purchase the Boot Inn and secure its future for the benefit of the community. As of 26th February 2018 it is fully registered with the Financial Conduct Authority with Registration number 7727.

Purchase of the minimum number of shares will confer membership of the Society, giving members control over the business through the annual election of a Management Committee and voting rights on significant issues at regular meetings. Community Benefit Societies are by law intended to be democratic organisations, and all members will have an equal vote, regardless of the size of their shareholding, and will have the protection of limited liability.

The Society's rules contain a statutory asset lock. This is a constitutional device that prevents the distribution of residual assets to members. The purpose of the asset lock is to ensure that the community benefit of any retained surplus or residual value cannot be appropriated for the private benefit of members after all members' share capital has been refunded according to the rules of the Society.

This means that the value of the CBS assets always remain in the CBS for the benefit of the community. In other words, the value of membership shares will not rise or fall with the value of the CBS assets. They will remain fixed in price.

You can find a copy of the CBIL rules on the website: www.thecommunitybootinn.co.uk there are also a number of other documents here if you are interested.

1.3 Financial Outline

The capital cost of the plan is projected to be £450,000 which we aim to raise through a community share offer of £300,000 along with £100,000 coming through the Plunkett organization (of which more later) as a package of grant and loans which has already provisionally approved and a commercial mortgage of £50,000.

Allocation of Funds

Purchase Price	£280,000
Stamp Duty	£4,000
Refurbishment	£130,000
Surveys, Legal etc.	£5,000
Pre-trading Costs	£6,000
Cash contingency	£25,000
	450,000

A grant of £2,500 was provided by the Plunkett Organisation earlier this year to cover the society's set up costs, printing, provisional survey etc.

Once the pub is open the society will receive rental income from the tenant to cover interest payments, property maintenance, sundry administration costs and additionally building a reserve for future development.



2 | Vision and Community Benefits

2.1 Our Aim

Our aim is to secure the future of the Boot Inn for the benefit of Orleton and the wider community as a flourishing, friendly and welcoming village pub with cafe facilities. The pub will be a free house that serves local beers and sensibly priced, freshly cooked, good food prepared using locally sourced ingredients where possible. Together with a cafe, it will be the heart of the village as a place for social gathering, cultural activities, somewhere to meet people and exchange information and it will promote a cohesive and friendly community in the area. It is our intention that the pub will work closely with and in support of the other community facilities and clubs in the area.

The key factors that will contribute to our success are:

- » Purchasing the freehold of the Boot Inn from the liquidator
- » Setting an affordable rent and operating the pub as a free house
- » Re-establishing a successful food offering
- » Agreeing a lease with a professional and experienced tenant who knows how to run a successful pub business, and who is supportive of our ambitions to offer other amenities for the community
- » Community involvement in the society to manage, maintain and improve the property, and to ensure community support for, and input into, the future success of the pub & cafe
- » Investing any surplus profits in improving the pub and additional facilities for the benefit of the community, and paying a modest level of interest to all shareholders.

2.2 Benefiting the Community

Our belief is that the pub is an important amenity for Orleton and nearby villages and that the best interests of the wider community will be served by acquiring the pub through a limited liability Community Benefit Society. This legal structure is explained in detail later in this document.

A community purchase will enable the village to secure and safeguard the pub in perpetuity. This represents a fantastic opportunity for Orleton and nearby villages to strengthen the vibrancy and sustainability of our community.

Community purchase would have many benefits, including:

- » Maintaining a place to meet friends and neighbours and improving the sense of community
- » Providing a central point for information on community events and local issues
- » Improvements to the fabric of the building
- » Creating opportunities for local employment
- » Injecting money into the local economy
- » Providing a hospitality venue for local groups, tourists and hosting weddings and funerals
- » Helping to sustain local property prices
- » Potentially providing additional community services.

The community-owned Boot Inn will again offer employment to local people (e.g. kitchen and waiting staff), including valuable learning opportunities for young people who take on short-term employment in school and college holidays. We expect the number of

paid posts and learning opportunities to increase as additional amenities are added and as the new tenant grows the core pub and cafe business, and there will be scope for volunteer contributions from residents of Orleton and the surrounding area. In time we intend to create openings for people with disabilities, especially those who cannot realistically travel far for employment or voluntary positions.

2.3 More than a Pub

A community purchase will enable the Boot Inn to be 'More than a Pub' for Orleton and the surrounding area. There has been significant interest from local people in the proposal, which is in line with government and district council policy, to extend the range of amenities offered by the community pub. By investing in a range of potential developments, services could be provided to the community, which will enable fuller use to be made of the community-owned pub building and garden.

These might include:

- » The renovation of the small black and white listed building at the back of the Pub premises as a small museum, meeting room and exhibition space, to be available during open hours or by arrangement.

- » The provision of 2 or 3 letting rooms in the main part of the pub with the renovation of the red brick building at the back of the premises being undertaken as the tenants living accommodation.

We recognise however that these potential developments require further consultation and investment would need to be staged over time. The first and essential step is to secure the Boot Inn as a community pub with café facility.

There has long been interest from local residents and passers-by (especially walkers, cyclists, and visitors) in a more extensive café facility at the pub. A specific idea for parents of pupils at Orleton Primary School is for a café after school, especially on Fridays, and possibly after dropping off their children in the morning. A morning coffee club and / or afternoon tea club could provide an inclusive amenity for people who live locally and are restricted by lack of transport or reduced mobility. Initially the pub could make coffee, tea and cakes available at suitable times and offer an internet facility. At a later stage with further investment a separated café could be established. Although this extended facility would require a part-time manager, there would be attractive work for local volunteers and valuable training experience for young people and others interested in a retail or leisure industry career.



3 | Buying the Boot



3.1 Market Considerations

Freehold pub values increased ten-fold from 1975 to a peak in 2007 (source: Christie & Co). During much of this period large pub estates were built up by pub owning companies (PubCos) using cheap debt. However, in 2007 the market ground to a halt and in recent years there has been a dramatic reversal with values falling. Much of the fall was due to the impact of the financial crisis on the PubCos who consequently have been selling assets to pay down their debt. The decline has been accentuated by competitive pressures on drink sales and changing patterns of leisure time usage which together have put a significant strain on the traditional tied pub tenancy model. This model has become increasingly uneconomic, particularly in rural locations.

As a result of these pressures the nature of pub ownership is changing. There were 51,000 pubs in the UK (in 2010) but the large estates are now being broken up and numerous properties are either being closed or are passing into the hands of individuals or small groups. It has also become clear that the traditional tied pub owning model has become inflexible and increasingly uncompetitive.

This is confirmed by a recent Campaign for Real Ale (CAMRA) report (August 2016) that pubs are being forced out of business by cheap supermarket prices, high beer taxes, and the high rents and wholesale beer prices charged by pub owning property companies. Hearteningly, however, the rate of closure has started to come down, in part due to the use of ACV listings, and now stands at an average of 21 pub closures per week compared with 28 per week in 2013.

The traditional model separates the pub owner from the pub operator. The pub owner has charged high rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an unaffordable rent and insufficient capital to invest in the asset. This is a vicious circle, which leads to a loss of incentive and subsequent poor management of the pub, resulting in poor performance and declining sales.

Smaller, newer and better-managed independent groups are now emerging to acquire and invest in pubs using a more integrated model. Similarly, communities are increasingly mobilising and buying these under-performing assets, operating them through tenancies for the benefit of the local community.

3.2 Community Pubs

The first co-operative pub opened in 1988 (Tafarn y Fic in Llithfaen, Gwynedd). By 2010 there were still only five community pubs in the UK. Legislation in 2011 (The Localism Act) introduced the designation of an Asset of Community Value (under which community groups have a six-month moratorium period in which to bid), and The Plunkett Foundation, working with others in the industry, developed the co-operative pub model. Since then the number of community pubs has grown steadily.

By the end of 2014 there were 33 community-owned pubs. There are now over 130 up and running, and more in the pipeline across the UK.

Although still a relatively young sector, to date there have been no co-operative pub closures in the UK, therefore maintaining a survival rate of 100%. This compares extremely positively with estimations for UK businesses which have an estimated 5 year survival rate of 41% (Office for National Statistics) and is one of the best business survival rates anywhere in the world.

3.3 Plunkett Foundation

CBIL has been in grateful receipt of help, guidance and a bursary from the Plunkett Foundation, which helps communities take control of their challenges and overcome them through cooperation. Plunkett support people, predominantly in rural areas, to set up and run life-changing community co-operatives; enterprises that are owned and run democratically by large numbers of people in their community. They help people to tackle a range of issues such as isolation, loneliness and poverty, and come in many forms including shops, cafés, pubs and land-based initiatives, and anything in between.

Today, Plunkett actively represent a network of over 500 rural community co-operatives that are trading across all parts of the UK. Their mission statement is: “to inspire a movement of people who solve their challenges by running community owned co-operatives in rural communities and beyond.”

The organisation has been supporting communities for almost 100 years, having been founded by the great Irish co-operative pioneer, Sir Horace Plunkett, in 1919. Today their work is primarily concerned with community co-operation in the UK, supporting communities such as CBIL at every stage of setting up and trading.



3.4 The Cost

We have bid for, and negotiated a price for, The Boot and all the grounds and car park so there will be no breaking up of the site. Our offer of £280,000 is based upon a market appraisal valuation from MJD Hughes Limited (recommended to us by the Plunkett organization) and our estimates of the refurbishment cost. These costs have been identified by separate inspections by a local builder familiar with the property, an architect and a quantity surveyor, along with a structural survey commissioned within the last month.

Refurbishment costs:

Drainage	At the rear of the property servicing both the toilets and the kitchen.	£12,000
Roof	Comprised of clay tiles with small area of stone slates. Tiles are mainly sound but with one area of clearly underlying structural problems which will require replacement of timbers and the stripping and replacement of tiles. A considerable number of tiles will need to be replaced, particularly at verges and intersections. A full scaffold will be required.	£28,000
Windows	Repair and replace as necessary.	£15,000
Electrics	Complete renewal	£15,000
Plumbing	To be renewed to acceptable condition along with sanitary wear.	£13,000
Flooring	Renew Vinyl flooring and clean/replace carpeting.	£7,000
Kitchen	It is understood that Herefordshire Food Safety Inspector has recommended work including food-safe wall lining to one wall. Existing surfaces and equipment will need deep cleaning and inspection and maintenance of existing cooking and preparation equipment.	£18,000
Decoration	Both internal and external.	£10,000
General	The building and surrounding grounds have suffered deterioration from over 12 months of neglect.	£12,000
		£130,000

We have allowed in full for this amount within the plan but would hope that in practice members of the community would be willing to undertake work on a voluntary basis for decorating, gardening and minor works.

3.5 Funding

Our intention is to fund the above through a community share offer targeted at £300,000 and a mixture of loans and grants. We have a conditional offer through the Plunkett Organisation and the More Than a Pub Scheme of £100,000 and plan to take on a commercial mortgage of £50,000.

Importantly, a high community share subscription will reduce our dependence on loan funding and allow greater scope for improving the facility to the benefit of the community as a whole.

We regard the £300,000 target as a minimum to raise from membership subscriptions and ideally aspire to raise a higher figure to avoid the need to take out the commercial mortgage.

The concept of community shares has been explored in depth and will be promoted through community research, meetings, and regular newsletters (both online and in print). Marketing for the share offer will exploit all of these methods in addition to posters, local leaflet drops, direct mail and focused communication with local businesses and organisations.

There will be one class of share: interest-bearing withdrawable shares. These shares offer shareholders interest on their investment in due course, according to the performance of the business, and to retain the option of withdrawing their investment at some future time.

All shareholders will be members of the Society and entitled to vote on matters affecting the Society. The price for each share will be £50, and the minimum permitted investment will be £250 (i.e. five shares) although we hope that most investors will invest considerably more than the minimum. The maximum permitted individual investment will be £100,000 (the legal maximum for an individual investment in a community benefit society).

Shares are not transferable or tradable and must be redeemed with the society. If we are unsuccessful in our bid to purchase the Boot Inn, then all investment monies will be returned.



4 | Operating The Boot

4.1 The Tenant Model

We have ruled out operating models such as the community directly running the pub on either a volunteer rota basis or by employing a manager. We believe that these models are impracticable and unlikely to be sustainable in the longer term due to the high level of day-to-day operational involvement they would require from the community. Based on our research, and advice received from other community pubs, we have taken the view that a tenant model is the operating model that is most likely to be successful and which will expose the community to the least risk.

If we are successful in purchasing the Boot Inn we will therefore appoint a tenant with the necessary experience and business ability to make a success of running the pub.

As part of the selection process we will closely examine each prospective tenant's Business Plan, their view of what the pub and café will offer its customers, and their plans for its marketing. In particular, we will want to ensure for ourselves that their plans take into account and reflect our vision for the Boot Inn as set out in this plan. Whoever we appoint will need to have the energy and enthusiasm to buy into our vision, and to contribute to its ongoing development.

Selecting the right tenant will be absolutely critical in ensuring the success and long-term future of the pub. We have received much useful advice and offers of assistance with the recruitment process from existing community pubs and other professionals in the area and will use a thorough and objective process to recruit the best tenant we can.

From the positive experience of community pubs with whom we have spoken, we strongly believe that we will be able to appoint an experienced tenant who can market and build the business, resulting in a thriving and sustainable community pub.

4.2 Affordable Rent

Other than any one-off grants and donations that we may receive, the Society's sole source of income will be the rent paid by the tenant. For the pub to succeed and be sustainable the tenant needs to make a living and have a real incentive to grow the business. To this end, we don't want to impose too high a rent. On the other hand, we have to pay the outgoings explained elsewhere.

We have carefully modelled what we think are reasonable assumptions of the pub's likely turnover based on its trading history over the last few years, and on the expectation that the right tenant will be able to grow the business significantly over time. In doing so, we have consulted with a number of experienced and successful pub operators as well as the report from MDJ Hughes Ltd who have confirmed that our turnover forecasts are conservative and with the right tenant should be readily achieved. It should be noted that the net annual turnover quoted by the selling agent, Sydney Phillips, of £425,000 with a sales mix of 55% wet sales and 45% food sales was deemed a realistic example of trade levels before the business was run down and closed. Gross margin was confirmed at between 64% and 70% and whilst the general view from advice received was that the turnover could be improved our modelling has been based on lower levels of turnover than this and with a margin of 60%.

We will offer a long-term tenancy set an affordable but realistic rent that gives the tenant the opportunity and incentive to run a profitable pub business. This will be set such that it equates to 10% of turnover which is a level we have seen used successfully by a number of community pubs – and which has been shown to be at the right level to attract serious applications from experienced tenants (rented levels typically vary from 10% to 14% of turnover in this sector).

We will however agree a fixed rent initially to give the new tenant a level of certainty while they establish and grow the business. Once we move to the 10% rental level we will also set a minimum rent that will be payable, so that the Society can meet its obligations (in particular any loan payments). We have made what we believe is a realistic forecast of future turnover in our financial plans, but to some extent this will be a matter for discussion with potential tenants.

4.3 Community Management

The pub will be owned and let by the CBIL. This means that we, the community, will have control over how the property is managed and improved. It will also enable us to have constructive communications with the tenant about the community's wishes, and one of the criteria for selection of a tenant will be their willingness to provide for community needs.

However, our intention is not to micro-manage the tenants. They will be appointed to market and run the pub, which is their job not ours – although we will of course provide whatever support and assistance we can.

The society will not be directly involved in the day-to-day management and operation of the pub – that responsibility and the associated business risk belongs to the tenant.

We of course hope that many members of the community, whether members of the Society or not, will support the pub by offering voluntary help, joining

or assisting the management committee, and most importantly by coming to eat, drink and be merry at the Boot!

The widest possible community ownership will be encouraged. To that end the minimum investment has been set at a level that our community research has shown to be realistic for local people when they were asked to indicate their willingness to invest and likely level of contribution.

A community approach will make a significant difference to the future potential of the Boot:

- » People care enormously about their local pubs and are willing to invest their money, time, skills and energy to save them.
- » A wide membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.
- » In the Plunkett Foundation's experience, the community model is resilient. To date no community owned pubs have failed, as their strong local identity sets them apart from traditional competition.
- » Our membership of the Plunkett Foundation opens up access and preferential rates for the pub business to a range of benefits including energy supplies, insurance, accountancy, telephony, food, newspaper, fixtures and fittings, and other supplies.



5 | Financial Details and Assumptions

5.1 Capital

The total capital required is £450,000 to cover the costs of purchase, associated expenses and refurbishment as well as meeting cash flow requirements. This will be financed by the community share offer of £300,000, £100,000 provisionally agreed with the Plunkett Foundation (comprising a grant of £50,000 and a loan of £50,000 repayable over 5 years at 4.4% interest) and commercial mortgage of £50,000.

If insufficient share capital is generated in the required timescale we will (a) negotiate with the liquidator for an extension timescale for completion (b) extend the share offer period, and (c) consider taking a

higher proportion of debt financing. We have modelled various funding scenarios and have established the maximum amount of debt that is commercially viable. Under no circumstances will we take on debt in excess of this limit, even if that means we cannot proceed with the purchase.

Only limited grant funding has been included in the financial plan, therefore any further success in this regard will be beneficial to our business case. At present we are exploring such funding more with an eye to future development of the pub than the immediate plan.

Initial Capital Requirements

OVERVIEW	
Purchase Price	£280,000
Stamp Duty	£4,000
Surveys	£2,000
Legal Fees	£3,000
Refurbishment (A)	£130,000
Pre-trading Costs (B)	£6,000
Cash contingency	£25,000
	£450,000

FINANCED BY	
Share offer	£300,000
Grants	£50,000
Loans	£50,000
Mortgage	£50,000
	£450,000

A REFURBISHMENT COSTS	
Roof	£28,000
Windows	£15,000
Electrics	£15,000
Plumbing/Toilets	£13,000
Kitchen	£18,000
Flooring	£7,000
Decoration	£10,000
General / Exterior	£12,000
Drainage	£12,000
	£130,000

B PRE-TRADING COSTS	
Loan interest	£1,750
Professional fees	£1,000
Insurance	£1,250
Mortgage payments	£1,000
Sundry / Contingency	£1,000
	£6,000

5.2 Income

The following section shows how we have modelled the income for the CBIL. The trading years shown start when CBIL first starts to receive income from the tenant. To be clear this is likely to be approximately 9 months after we secure the ownership of the property. We will need about 6 months to repair and upgrade the building before formal opening when the tenant will start running the pub and we will allow a 3 month rent free period to help the tenant to build the business up. Then the first quarterly rent will be due and the first trading year starts.

The core economics of our business are as the property owner, revolving around the primary source of income (rent payments) vs. outgoings (building maintenance, mortgage payments, shareholder interest, and other overheads). In addition, we need to build a reserve over time in case members need to withdraw their shares, and to provide for property improvements to support business growth.

The business plan and cash flow figures assume that we will receive no rent in the initial months to allow for the purchase process, refurbishments, potential delays

in appointing the tenant and the rent-free period.

We have assumed the pub will achieve a reasonable year-on-year increase in turnover until Year 5 at which point the pub will then be at a sustainable 'steady-state' level of trade once the tenant has rebuilt its reputation and developed its customer base. Subsequent increases in turnover have been modelled using the Office of Budget Responsibility's forecast rate of inflation.

Rental levels typically vary from 10% to 14% of turnover in the pub sector. We aim to set our rent at the lower end of this range to promote a sustainable business for the tenant and the community.

For the first full years trading we will set a fixed rent of, £25,000, to provide the tenant with a degree of certainty on their outgoings as they establish themselves and develop the business. After the first trading year rent will be set at 10% of turnover, with a £25,000 minimum, that will ensure the society can meet its financial obligations. Rent will be payable quarterly in advance, with an annual 'true-up' payment to reflect actual turnover achieved (based on audited accounts).

Turnover Forecasts

Year	Forecast Turnover	Rent	Rent as % of Turnover
1	£325,000	£25,000	Fixed
2	£350,000	£35,000	10%
3	£375,000	£37,500	10%
4	£400,000	£40,000	10%
5	£425,000	£42,500	10%

5.3 Shareholders Interest and share withdrawal

We expect to be in a position to pay a modest interest to members from the end of the second year of trading onwards and we have developed our financial modelling conservatively on an initial basis of 2% pa payable six monthly.

In practice any interest payments will depend on sufficient surplus being generated to sustain and effectively manage the business.

Interest payments will be considered each year as part of the annual review process, and any interest payment proposals from the Management Committee will be put to the Annual Members Meeting. Levels of interest payments will be set in accordance with the Society's rules which specify the maximum interest that we are allowed to pay (i.e. not more than Bank of England Base Rate plus 2%, and in any event not more than 5%).

Share withdrawals are subject to surplus funds being available. We have allowed for an element of share withdrawal by members from Year 3 onwards (other than in certain exceptional circumstances such as death and bankruptcy).

As set out in the Society's rules (available on request), it should be noted that withdrawals will only be permitted if sufficient surplus funds exist, and then only at the Management Committee's discretion. This is consistent with the expectation that investing in the Boot Inn is a long-term investment in the community rather than for personal gain.

5.4 Outgoings

Other than interest and loan repayments the society will have a number of recurring costs, which will include professional fees (e.g accountancy costs, FCA fees, Plunkett Foundation membership), building and indemnity insurance etc.

Also as owners of the Boot Inn, we will need to maintain the assets (land and buildings) to uphold their value and ensure that the pub can operate. Although the tenant will have clearly defined obligations for the upkeep of the pub (these will be specified in the tenancy agreement) it is reasonable to assume that the Society will incur costs for some level of ongoing maintenance of the building. We have budgeted £4,000 pa for this. As a community initiative we hope and expect that members will want to help minimise maintenance costs by volunteering to undertake as much minor maintenance as is practicable.



Profit and Loss Assumptions

	Year 1	Year2	Year 3	Year 4
INCOME				
Rent	£25,000	£35,000	£37,500	£40,000
EXPENDITURE				
Loan interest	£2,200	£2,200	£2,200	£2,200
Share interest	–	–	£6,000	£6,000
Mortgage payments	£4,250	£4,250	£4,250	£4,250
Professional fees	£1,000	£1,000	£1,000	£1,000
Insurances	£1,250	£1,250	£1,250	£1,250
Maintenance	£4,000	£4,000	£4,000	£4,000
Sundry	£1,000	£1,000	£1,000	£1,000
PROFIT	£11,300	£21,300	£17,800	£20,300
Corporation Tax	£1,921	£3,621	£3,026	£3,451
NET SURPLUS	£9,379	£17,679	£14,774	£16,849

Cash Flow Projections

	Pre-trading	Year 1	Year2	Year 3	Year 4
INPUTS					
Shares	£300,000				
Grant	£50,000				
Loan	£50,000				
Mortgage	£50,000				
Rental income	–	£25,000	£35,000	£37,500	£40,000
	£450,000	£25,000	£35,000	£37,500	£40,000
OUTPUTS					
Property purchase	£280,000				
Stamp Duty	£4,000				
Surveys/legal	£5,000				
Refurbishment	£130,000				
Loan interest	£1,750	£2,200	£2,200	£2,200	£2,200
Share interest	–	–	–	£6,000	£6,000
Mortgage payments	£1,000	£4,250	£4,250	£4,250	£4,250
Overheads	£3,250	£7,250	£7,250	£7,250	£7,250
Corp Tax	–	–	£1,921	£3,621	£3,026
Loan repay	£7,500	£10,000	£10,000	£10,000	£10,000
Net share redemption	–	–	–	£5,000	£5,000
	£432,500	£23,700	£25,621	£38,321	£37,726
Net Cashflow	£17,500	£1,300	£9,379	(£-821)	£2,274
Acc Net Balance	£17,500	£18,800	£28,179	£27,358	£29,632

Note: Loan repayments and interest end early in YR 5

6 | Risk

Prospective investors should read the whole of this document and be aware that an investment in the Society involves a degree of risk and should make the decision to invest only after careful consideration and if appropriate consultation with an independent financial advisor.

What Could Go Wrong	Why it Shouldn't
<i>We fail to raise the capital funds required and would thus be forced to abandon the project.</i>	The level of pledges raised and further expressions of interest received, along with the conditional offer through Plunkett give us confidence in a successful outcome. However, were it to come about then all moneys received would be promptly reimbursed.
<i>We are unable to appoint and keep a suitable tenant.</i>	<ol style="list-style-type: none"> 1. We will adopt a thorough selection process with the advice of experienced operators in the pub business and the owners of a local brewery. 2. We will be offering a very attractive tenancy agreement and ensuring strong local support for the business.
<i>The pub fails to operate at the forecast level of turnover and profitability thus potentially compromising the rental income upon which the society depends.</i>	<ol style="list-style-type: none"> 1. Our forecasts are realistic and conservative based upon access to previous trading figures, expert advice and some inside knowledge from the previous manager. 2. Community pubs in general would expect a higher level of support than normal tenanted or managed businesses. 3. The community society committee will work closely with the tenant and regularly review progress, assisting with any difficulties that may arise.
<i>We experience higher levels of expenditure than envisaged.</i>	<ol style="list-style-type: none"> 1. The major part of our expenditure is the refurbishment and subsequent participation in the upkeep of the property. We have undertaken a thorough assessment of the buildings involving the Plunkett recommended advisor, an architect, a quantity surveyor, a structural surveyor and not least a local builder familiar with the building. 2. Other costs are the loan interest and repayment which will be fixed and sundry administrative professional overheads which are relatively low level.
<i>The pub cannot trade profitably on a sustainable basis.</i>	<p>Despite the great care that has been taken in constructing the plans expressed in this document and the wide ranging advice received we should be minded that an element of risk is present in any commercial venture and the pub may be forced to close. In this extreme event the society would sell the property, pay off its debts and refund the members.</p> <p><i>It should be remembered that the Society is only involved as the owner of the property and is not responsible for any trading losses or indebtedness incurred by the tenants business.</i></p>
<i>Repairing and maintaining two grade II listed buildings will require working closely with County Conservation to secure the necessary Listed Building Consents.</i> <i>This could delay repair work and future developments and increase costs.</i>	<p>We have been working closely with Conservation from the start of the community bid. They are very pleased with the plans we have and we expect to continue with this positive and constructive relationship.</p> <p>With regard to costs we have been very conservative at all points and do not expect costs linked to the listing to be an issue.</p>

The Community Benefit Society in More Detail

7

7.1 Introduction

The purpose of the Society is to enable the community of Orleton and nearby villages, and other supporters, to secure and safeguard the future of The Boot Inn public house and promote it as an amenity of prime importance to the community.

The Society is a limited liability community benefit society that is registered with the Financial Conduct Authority (FCA) using a set of pre-approved model rules developed by The Plunkett Foundation (a charity that has been helping communities to set up and run community owned enterprises since 1919).

Our rules include a statutory Asset Lock which ensures that should the Society achieve a surplus beyond that required to meet its liabilities, improve the facilities and ensure the future of the business, this surplus may be made available for distribution to other community or charitable projects. Specifically, any such surplus cannot be used to benefit the members as individuals (other than for modest payments of interest to investors).

A copy of the Rules of the Society are available on our website or can be requested from a member of the Management Committee.

The Society is a democratic organisation that operates on the principle of one member one vote regardless of the amount each member has invested. Every shareholder is a member.

7.2 Limited Liability

The Society is a limited liability entity. This means that the most a member can lose is the amount originally invested (though we believe that this is highly unlikely). Investors will not be liable for any activities of the tenant – for example, if they run up huge bills and then disappear.

7.3 Management Structure

The first members of the Society are those who signed the application for FCA registration, and these members will appoint the first Management Committee that will then serve until the first Annual Members Meeting, which will be held as soon as is practicable after the opening of the pub, probably mid 2019. Our start up provisions require that at all members of the first Management Committee will retire at the first Annual Members Meeting, although they are eligible to stand for re-election.

The newly elected Management Committee will take office immediately after the conclusion of that meeting, and the following provisions will apply to them:

- » One third of those so elected, who obtained the highest number of votes, shall serve until the conclusion of the fourth Annual Members Meeting.
- » One third who obtained the next highest number of votes shall serve until the conclusion of the third Annual Members Meeting.
- » The remainder of those elected shall serve until the conclusion of the second Annual Members Meeting.

Thereafter, elected members of the Management Committee hold office for a period of three years commencing immediately after the Annual Members Meeting at which their election is declared, and ending at the conclusion of the third Annual Members Meeting after that.

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

The Management Committee will:

- » Organise and supervise the purchase of the pub and any refurbishment works
- » Appoint the tenant.
- » Monitor and manage the Society's financial affairs for the benefit of the community
- » Oversee the lease and manage the relationship between the Society and the tenant
- » Appoint new tenants should that be necessary
- » Ensure that the Society complies with all applicable regulations
- » Recommend the level of any interest payment for members, for agreement at the AGM.

We will lease the pub business to a tenant who will run the pub and pay rent to the Society. The Management Committee will set the broad policy direction for the business and agree specific standards with the tenant, including certain aspects which community feedback has shown to be important. These will include, for example, an obligation to provide locally brewed beers, to maintain the character and ambience of The Boot Inn as a traditional village pub with café facilities, and to promote additional amenities that are beneficial to the community. Beyond that, however, the tenant will be left to manage and operate the business as they see fit. The Management Committee will not get involved in or interfere with the day to day running of the business, or attempt to micro-manage the pub.

The members of the Management Committee are equally responsible in law for committee actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations.

In order to protect the Society we will take out 'Director & Officer' liability insurance for the Management Committee and Secretary.

The Management Committee will provide all members with an annual report which will set out the key financial statements together with a report of the society's activities during the previous financial year, and any plans for the following year.

Other than their intention that CBIL purchase the Boot Inn the members of the management committee have no other vested interests.

The Management Committee

The initial Committee is as follows:

- » John Alderman (Chair) John is a retired research scientist. He undertakes consultancy work in micro and nano technologies, has lived in Orleton for 9 years and owns a holiday let also in Orleton. John has expertise in running multidisciplinary groups, international project management, grant applications and obtaining funding.
- » Bob Williams (Treasurer) Bob was formerly an officer in the Royal Navy. He subsequently worked as regional manager for a computer manufacturer before founding his own software company of 100+ employees, supplying bespoke accounting/admin systems to a variety of business sectors. He has since acted as Financial Director or Chairman of a number of successful business start-ups.
- » Jon Best (Secretary) Jon is a specialist in information technology with extensive experience across both Government and commercial business sectors. Jon has been involved in significant solution deliveries for major national and international organisations.

- » Bev Jenkins Bev was an environmental Health Officer for 20 years worked for Local Authority specialising in Microbiology, Health and Safety, Food Hygiene, legislation and training . Bev has experience in dealing with public houses, hotels, factories, retail outlets and other food-related establishments. Bev has lived in Orleton for over 20 years and now teaches at a local school.
- » David Flory David after a degree in Immunology and two years running a large restaurant in Mayfair spent 30 years in the Financial Services sector. He held a number of senior management positions covering Sales, Marketing, Strategic Planning and Business Development. Now semi-retired currently doing a little Consultancy work for a Professional Body.

7.3 Members

The community benefit society structure means that any person who buys the minimum number of shares becomes a member of the Society. Each member then has one vote to exercise at the Annual Members Meeting regardless of how many shares they hold.

Members can be elected onto the Management Committee. All members will be provided with an Annual Report, which will set out details of the operation of the Society and how it has developed its activities over the previous year and which will include a report of the accounts. The Rules also provide for a number of other ways in which the membership may hold the Management Committee accountable for the running of the Society, including calling a special general meeting if required. Corporate bodies can also be members.

7.4 Data Protection Act

The Society adheres to the principles of the Data Protection Act, even though it is exempt from registration with the Information Commissioner as a not-for-profit organisation, and will use and process personal data only for the purposes of the Society. We will keep personal information that we hold secure and up to date, and will:

- » only use it for the purposes for which it was gathered, and
- » not keep it longer than necessary

Personal data will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the Society, and for communicating with members. We will not share any members' personal information (names, addresses, phone numbers, etc.) with third parties. Members' financial information, such as amounts invested, share classes purchased, and interest paid will be treated as strictly confidential, and will not be shared even within the Management Committee except as necessary for managing the Society (e.g. when making decisions about whether withdrawal requests can be funded).



8 | Prospectus Summary

8.1 The Society

CBIL was set up in 2018 as a limited liability Community Benefit Society (formally known as an Industrial & Provident Society) using model rules developed by The Plunkett Foundation (a charitable trust established in 1919 to help rural communities through co-operatives and community ownership). As of 26th February 2018 it is fully registered with the Financial Conduct Authority with Registration number 7727.

8.2 Purpose

The purpose of the society is to raise sufficient funds to be able to acquire and refurbish The Boot Inn in Orleton. We aim to raise a total of £450,000 comprised of £300,000 through community shares and the balance from commercial loans and grants. We would then lease the business to a tenant, who will run The Boot Inn and pay rent to the Society. The Committee will set the broad policy direction for the business and agree key targets with the tenant, including certain aspects which community feedback has shown to be important. Beyond that, however, the tenant will be left to manage and operate the business as they see fit. Our vision is that the pub will become a true social hub, providing facilities and services that bring the community together.

8.3 The Community Share Offer

This share issue has been designed to give local people and organisations the opportunity to contribute financially, on a long term basis, to the business of the society. Our expectation is that shareholder members

will largely come from the local community but we would also welcome and encourage contributors from further afield.

Members are entitled to apply for shares at a cost of £50 per share with a minimum investment of £250 and a maximum investment of up to £100,000 per person or organisation. Everyone who is a shareholder holds one vote. This means that everyone has an equal voice, regardless of the size of their investment.

These shares are not transferable and cannot be sold. The only way to recover the value of the shares purchased is to give three months' notice of withdrawal to the Management Committee. Shares cannot be withdrawn until at least three years have elapsed from the date that those shares were issued and then only at the discretion of the Management Committee.

- » All withdrawals will be paid from trading surpluses or new share capital.
- » The Management Committee will have absolute authority to refuse a withdrawal request if it would endanger the business.

Cash reserves permitting, interest will be paid to shareholders from the end of year 2 onwards. The interest rate for each year will be proposed by the Management Committee and put to a vote at the Annual General Meeting. The proposal will be based on the performance of the Society and will be set in accordance with the Society's rules which specify the maximum interest we are allowed to pay (i.e. not more than Bank of England base rate plus 2% and in any event not more than 5%).

Interest will be paid gross by the Society to the investor and it is each member's responsibility to declare such earnings to HMRC if appropriate.

It is important to note that the value of the shares will not increase. The only financial benefit for members is the interest, paid biannually. It is our intention to maintain a competitive and attractive interest rate and we hope this will increase with the success of the business.

In the event that the building is ever sold, for whatever reason, the shareholders would be repaid their investment from the proceeds of such sale, after repayment of any debts. Any surplus would have to be paid to a charitable or community body in line with the Rules of the Society.

for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

It should however be noted that the society is a limited liability entity. It is considered very unlikely that investors could lose their money as the investment is in the land and buildings which could be used to the advantage of the community or sold if the enterprise failed. Investors will not be liable for the activities of the pub tenants should their business fail.

If this share issue raises less than the sum required to proceed with the project, then all those who have invested will be reimbursed in entirety and the share issue deemed to have failed.

8.4 Risk

We have identified a number of risk factors in section 6 of this document. Investors should be aware that the share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman. A community benefit society is registered with, but not authorized by, the Financial Conduct Authority and therefore the money you pay

8.5 Share Application

Individuals aged 16 and over and organisations can apply for membership by buying shares using the share application form supplied with this document or obtainable from our website or any committee member.

Monies will be held on deposit by CBIL until the share offer is fully subscribed, then share certificates will be issued to all members.

Share Application Dates

The opening date for the share issue is:

26th October, 2018

and the closing date is:

12th December, 2018





For regular updates, downloadable forms and more, please visit:

www.thecommunitybootinn.co.uk



The Community Boot Inn (Orleton) Limited is now officially registered with the Financial Conduct Authority as a Community Benefit Society under the Co-operative and Community Benefit Societies Act 2014.

Our FCA register number is 7727.

The Community Boot Inn (Orleton) Limited is a member of the Plunkett Foundation via the Plunkett Community Co-operative Network (PCCN): Reference number PCEN138.

