

1. Executive Summary

It is proposed to set up a "Charitable Community Benefit Society (CCBS)" to source funds and purchase the Freehold of The Kings Arms Polebrook.

- It is our objective for the Kings Arms, Polebrook to be an inclusive, commercially sustainable, socially responsible organisation for the benefit of the whole community.
- We have agreed a purchase price of £535,000 including stock and all fixtures and fitting with the existing landlord.
- It is the Save The Kings Arms (STKA) steering group's considered judgement that by purchasing at this price we "lock out" the existing owner from closing the pub permanently and developing it into residential properties or selling to another purchaser with the same intention.
- In this way, we will secure the long-term future as a pub as a community hub to avoid any future owners seeking to change the use of the property and develop for housing.
- We will target to raise £750,00 to purchase the freehold, provide a trading fund and some funds to improve existing facilities such as the garden, ability to service the coffee market and the upstairs accommodation which is at the moment incomplete alongside some appropriate contingency.
- We will appoint a professional manager and chef (two roles) to manage the business in line with the "objects" of the CCBS for the benefit of the community. The appointment of these two roles represents significant learning from recent history of the pub's operation. All key appointments will be overseen by the PCH management board in open processes.
- The business plan shows that in year 1 the pub will make a trading loss as it seeks to rebuild business from the recent restaurant closure and then in year 2 breaks even moving into profit in year 3. The business plans include detailed assumptions including the impact of National Insurance, Rates and Energy price rises which have so publicly harmed pub profitability.
- An independent viability study operated by CAMRA has confirmed that that the Kings Arms should be a viable business when operated under community ownership.
- Given the current climate for hospitality economics there are some challenges and risks in this business plan which investors should be aware of.
- Investors who meet the minimum investment of £250 will obtain members' voting rights in the CCBS on a one member, one vote basis.
- The interim management board consists of volunteers, passionate about preserving and enhancing the pub within the village, with wide business experience. Additional members with specific skills and experience will be co-opted onto the team as needed.
- At the appropriate time we will set up a simple management board to oversee the running of the pub. The emphasis will be for the appointed manager and chef to have the freedom to run the pub to meet the required objectives without significant day to day interference from that board.
- It is expected that a level of volunteer support will be required, indeed encouraged to enable flexible staffing especially as the business rebuilds its reputation. Such volunteering will add to the unique character and charm of the pub as was proven with the breakfast offering during last year.
- The business plan includes aspirations to grow the daytime use of the building, so it becomes not just a drinking house but a facility for use for coffee brunch and other community services.
- Future business development plans also include the setting up of a farm shop in the shed to drive footfall. As a charity we would expect to be able to access grants & donations for the capital costs of setting up and developing such a facility.

Financial Headlines - Years 1 – 5 (£)

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales (Ex VAT)	350,000	450,000	530,000	600,000	600,000
Cost of Goods	149,240	176,130	201,983	222,480	222,480
Gross Margin	200,760	273,870	328,017	377,520	377,520
% Gross Margin	57%	61%	62%	63%	63%
Fixed Costs	64,967	78,561	87,213	91,642	93,951
% Fixed Costs	19%	17%	16%	15%	16%
Operating Costs	157,480	194,744	214,898	241,074	248,498
Operating Profit (B4 Int &Tax)	(21,687)	564	25,907	44,804	35,071

At £450k turnover the business meets the objectives to trade successfully and is break-even

Key Assumptions in Business Plan (For further detail see section 9 – Financial Summary)

- Turnover projections have been based upon prior trading under Keith's operation (£450k turnover) and shared figures from existing landlord (£380k pro rata for a year)
- Projections are supported by a bottom-up model of footfall & spend by customer type (Drinker, Diner, Coffee, Lunch, Event etc)
- Gross Margin assumptions have been validated with existing operations and industry sources and assume an improvement in waste management in future operations.
- Fixed costs have been modelled using current status shared by the existing & previous landlords and show the impact of recent insurance, utilities and rates rises.
- Labour costs are supported by a bottom-up model of labour by day and include 3% pension costs and NI at 15% for all salaries greater than £5k. Year 1 and ongoing labour costs are considerably higher as a result.
- Growth from £350k to £450k is predicted to be achieved by ensuring the pub returns to its core values of warm ambience with good quality wholesome food offering and expanding daytime use.
- By employing a manager looking after front of house and a chef we will be able to ensure that customer experience is strong and where casual labour/volunteers support they will be appropriately trained and supervised to perform their roles to high standards.
- The appointment of a chef who will be able to cost & price meals to deliver target margins adapt the menu to current trends, and waste as it arises will be an essential ingredient for success.

Full details of the business plan are in Section 7 risks and mitigations discussed in section 9 and sensitivity analysis in Appendix III.