

Cornwood Inn Community Business Plan

December 2019



Prepared by: Cornwood Inn Action Group Limited



EXECUTIVE SUMMARY

- The Cornwood Inn has been professionally valued and shown to be commercially viable to run as a pub.
- Securing enough money to open the pub is a realistic aim, which has been carefully financially modelled.
- The necessary money will come primarily from community investors buying shares in CIAG, with the rest coming from grant funding and social and commercial lending.
- CIAG is a community benefit society, a proven model for community-run pubs, offering community members a strong voice in the running of the business (as well as scope for attractive tax relief on any investments in CIAG shares).
- Operating the pub as a community-run asset will significantly add to its commercial competitiveness, as well as offering the chance to run it on an **Inclusive** basis (supporting and reaching out to the whole community, and with more than just a traditional pub offering).
- Further detail is set out in the rest of this document.

The Cornwood Inn is an historic pub in the heart of the village and parish of Cornwood (with a population of 1,119 – 2011 census), at the south-western edge of Dartmoor National Park, situated on a major route for people travelling to and from the walks, cycle routes and beauty spots of Dartmoor.

The first record of a pub on the site of the Cornwood Inn dates back to 1841, when it was called the Tavistock Inn, though it is believed there has been an inn on the site for even longer than that. Back in 1841 the pub was run by a James Dodderidge and his wife, and the landlord was William Mackworth Praed of Delamore, great-great-grandfather of the current owner of Delamore Estate. The pub had become the Cornwood Inn by 1861 and has been called that ever since. It became a freehold property in 1952.

The former owners of the Cornwood Inn (Ei Group plc – formerly known as Enterprise Inns) put its freehold on the market on 2 November 2018. The Cornwood Inn was (based on an application by Cornwood Parish Council) successfully listed as an Asset of Community Value on 1 March 2019.

Cornwood Inn Action Group Limited (**CIAG**) was formed on 10 April 2019 as a non-profit-distributing company limited by guarantee, in order to trigger a moratorium on the sale of the Asset of Community Value to any non-community buyer. That company has since been converted to a community benefits society, registered with the Financial Conduct Authority.

Following the news that the Cornwood Inn was being put up for auction by Ei Group, a group of local benefactors, who wish to remain anonymous, stepped forward to lend CIAG the necessary money to make a pre-auction offer to buy the pub (and save it from potential purchase at auction by a developer). That process was successful and culminated with

CIAG becoming the new owners of the Cornwood Inn on 27 September 2019. However, the benefactor loans have a term of just 6 months and are secured against the pub (i.e. with a mortgage) –if the benefactor loans are not repaid in full by 27 March 2020, the pub will almost certainly be put back on the market in order to enable the loans to be repaid.

The current situation is therefore a reprieve rather than a long-term solution.

The aims of this Business Plan are to:

- ▣ outline how CIAG intends to raise the money needed to repay the benefactor loans used to purchase the Cornwood Inn and successfully run it as a pub and village hub, offering the local community a range of benefits; and
- ▣ provide the necessary information and appropriate assurance for anyone considering investing in CIAG, whether as a shareholder, a grant or bursary provider, or a lender (social or commercial).

1. PURPOSE

KEY POINTS FOR THIS SECTION

- The Cornwood Inn will be managed by the community, for the community (with a professional pub manager appointed to run the day-to-day business).
- Achieving our core aims will take time – shareholdings are unlikely to see returns for at least the first 3 years and cannot be withdrawn during that time.
- That initial period is crucial to building a platform for the Cornwood Inn to deliver a sustainable, **Inclusive** offering.
- By being **Inclusive** (supporting and reaching out to the whole community, with more than just a traditional pub offering), the Cornwood Inn will create a virtuous circle, making a more profitable business with more power to do good in the community.

- 1.1 The stated overall aim of CIAG (described as its “objects” in its governing constitution) is *“to benefit the community by pursuing this mission: funding, managing and operating the purchase, refurbishment (as appropriate) and running of the property and business of the Cornwood Inn (The Square, Cornwood, PL21 9PU) as a social and cultural hub, benefitting the whole of the parish of Cornwood and its surrounding area, with an emphasis on inclusiveness and combatting rural isolation, together with any other enterprise or activity that complements or supports or is consistent with that core mission”*.

This mission consists of 4 main phases:

- 🏡 **Phase 1 – Secure the Cornwood Inn** – Completing the repayment of the benefactor loans used purchase of the freehold of the Cornwood Inn from the previous owner (Ei Group plc), including raising the necessary finance.
- 🏡 **Phase 2 – Re-Opening** – Undertaking any necessary repairs, refurbishment and re-stocking needed to re-commence trading as a village pub, reflecting the community’s feedback on basic priorities, as well as appointing a professional manager and conducting initial staff training.
- 🏡 **Phase 3 – Adding Value** – Having secured the basic operation of the Cornwood Inn as a thriving and sustainable village pub, expanding and improving its offering (including undertaking any necessary further building improvements) to both:
 - 🏡 offer more community services and benefits; and
 - 🏡 further improve the Cornwood Inn’s commercial value.
- 🏡 **Phase 4 – Sustaining Success** – Having achieved the first 3 phases above, shifting the emphasis to consolidating earlier successes, ensuring that the Cornwood Inn continues to be run as a community-focused, viable business long into the future.

The relatively long-term nature of the mission (together with the rules about Social Investment Tax Relief – please see section 3.7 below) means that no withdrawals of shares (except cancellations of £50 shareholdings, as described in CIAG’s governing

rules) will be allowed for the first 3 years. After that, the business is projected to have sufficient reserves to allow withdrawals on request during a specified window each year, subject to an overall annual limit of £25,000, on a pro rata basis – but only if that leaves enough money for CIAG to continue to successfully operate (and continue to improve) the Cornwood Inn.

Planned shareholder loans (please see section 3.6 below for further details) have a fixed, 7-year duration and it is not possible to withdraw those investments during that period.

Similarly, the need to prioritise ensuring that the Cornwood Inn is operating – and delivering on its community aims – in a sustainable way, means that we have not budgeted for payment of interest on shareholdings to start with. Our financial projections show that CIAG will overcome its projected modest initial (post-depreciation) losses and achieve profitability in Year 3 of trading, and will be in a position to pay:

- ▣ shareholder loan interest from Year 1; and
- ▣ share interest in respect of Year 3, 1 month after the end of that financial year (and for each subsequent year with the same timing).

CIAG does not currently have any plans to make further calls for investment in shares after the initial offering, though this could change in future – for example, if, during Phase 3, it is identified that there is enough appetite for further investment, that further investment is needed to complete any improvement work, and offering more shares is the best way to raise that investment.

- 1.2 CIAG aims to benefit the community by being “**Inclusive**”. (Where this Business Plan refers to “the community”, this is intended (unless stated otherwise) to refer to people living in and around the parish of Cornwood.)

To be **Inclusive** means to use the Cornwood Inn as a venue and rallying point for all members of the community (and visitors) to come together and, crucially, to reach out to people who might otherwise face social, physical, financial or emotional isolation, or other threats to their wellbeing – in short, for the pub to be an active force for good in the community.

There are three core strands to the **Inclusive** banner:

- ▣ **Innto Dartmoor** – leveraging the Cornwood Inn’s fantastic location at the gateway to Dartmoor, on a major route for people from the community and beyond who are looking to make the most of Dartmoor’s walking, horse-riding, cycling, kayaking, fishing and other outdoor amenities. By making the pub a hub for these outdoor-based activities – somewhere to meet at the start of the day and enjoy a meal together at the end, with facilities for bikes and other equipment – not only will crucial out-of-area trade be generated, but it will also be possible to open up opportunities for community members to participate in activities, alongside other enthusiasts, which might not otherwise be readily available to them.
- ▣ **Open Innternet** – in a rural community, lack of access to the internet is a significant barrier to accessing essential services – shopping, banking, managing utilities, making appointments, etc – especially for those who also lack personal mobility or transport. The internet can also be a key tool in helping to overcome loneliness and isolation. Both these factors are likely to increase in significance

as, for example, the trend for high street shop and branch closures (particularly banks) and the use of email as the main method of communication continues, or even accelerates. By purchasing broadband access and making this available to members of the community free of charge, with core initiatives aimed at increasing computer and internet literacy, the pub will play a key role in harnessing the power of the internet to help combat isolation, loneliness and even deprivation.

- 📌 **Inndependence** – as a permanently-staffed facility with a central village location and under-utilised space, the pub has a clear potential role to play in helping to bring various out-of-town services and other community benefits into the heart of the area – basically, using the pub as a hub for a host of helpful little extras and community-minded activities. This will play a key role in helping community members who may otherwise struggle to access those services to maintain their personal independence (whilst also giving them opportunities to enrich their social lives). Examples include memory café events (for dementia and Alzheimer sufferers and their relatives / carers), prescription and parcel collection, hosting a mobile library and mobile banking services, providing space for “pop-up” hairdressing services, and so on.

Please see Annex 7 for further specific examples of potential **Innclusive** initiatives.

CIAG’s community purposes are heavily informed by the following 3 key demographic factors (see Annex 4 for more details):

- 📌 A relatively wide spread of deprivation and affluence – creating a heightened need for a place where people can mix freely in an inclusive setting.
- 📌 A rural setting – making it harder for some members of the community to access certain services and facilities which are only available outside the immediate area.
- 📌 Relatively low population density – meaning that, along with other demographic indicators (covered in Annex 4), members of the community are at heightened risk of isolation and feelings of loneliness, with greater dependence on a strong and supportive local community.

Informed by the recent “FOCAL” survey undertaken by members of the Parish and a separate, exclusively pub-related survey conducted for CIAG (see Annex 3 for more details), the community’s main needs, concerns and aspirations (in respect of the Cornwood Inn) are:

- 📌 Ensuring that the community continues to benefit from a welcoming, vibrant pub, as an important social hub – a place to meet on an ad hoc, informal basis on any day of the week (unlike, for example, the Village Hall, which needs to be booked in advance, or the local Cricket Club, which opens only on certain days and is members-only).
- 📌 Offering affordable, good-quality food (because there are no other permanent options for a sit-down meal in the local area).
- 📌 Working alongside other community services and groups, in a complementary (non-competing) way.
- 📌 Tackling loneliness and isolation – whether due to people living in remote / rural locations, or due to other circumstances.
- 📌 Leveraging the pub’s special location at the “gateway to Dartmoor”.

- ❏ Ensuring that the pub is not (and does not become) a source of anti-social behaviour or other unwelcome disruption.
- ❏ Offering a physical hub and other support for a wide range of community groups and services.

1.3 To help meet all of the above needs and aims, CIAG will, in keeping with its overall aim as stated above:

- ❏ First and foremost, secure ownership of the Cornwood Inn for the community, in a way that protects it for generations to come (see below for information about the “asset lock”).
- ❏ Prioritise provision of a quality, affordable food offering, as a key component in creating (and driving use of) a social hub.
- ❏ Consult further (and on an ongoing basis) with existing community groups and the community in general on what the Cornwood Inn can offer, by virtue of its unique characteristics (e.g. location, public accessibility, opening hours, kitchen facilities, alcohol sales licence, parking facilities, internal and external spaces), that other groups and facilities cannot, or are less well-placed to.
- ❏ After an initial bedding-in period, implement new **Inclusive** initiatives on a regular basis as agreed by the management committee and reflecting the views of the wider membership/community (and make pro-active support of that an express term of the employment contract for the professional pub manager appointed by CIAG).

It is the firm belief of the current CIAG management board that this emphasis on community aims will create a virtuous circle – visibly and pro-actively working for the good of the community as a whole will drive greater loyalty to the Cornwood Inn (and an interesting and marketable differentiator for out-of-area visitors), which will in turn drive higher revenues which can then be reinvested in improving the pub’s ability to support the community.



1.4 The community share offer and associated shareholder loan programme (issued alongside this Business Plan) serves 2 main purposes in support of the above aims:

- 📦 At a purely commercial / financial level, it raises money towards the purchase of the Cornwood Inn for the community and the necessary first steps to enable the pub to start trading again.
- 📦 At a more behavioural level, it engages and galvanises the community, giving a real and tangible way to support the purchase and operation of the Cornwood Inn by and for the community – becoming both literally and emotionally invested in its success.

Although there are real financial benefits to investing as a community shareholder (explained in more detail at section 3.7), the cost to CIAG of this form of community investment is significantly lower than the cost (usually in the form of interest payments) of other sources of finance. Put simply, the more money is invested by community shareholders, the less CIAG will need to rely on other, more expensive forms of investment and the easier and quicker it becomes to deliver on CIAG's community-driven mission.

This lower-cost source of finance is also an advantage not readily available to purely commercial, for-profit businesses, and is therefore a key part of why CIAG is likely to be able to buy and run the Cornwood Inn viably, where recent commercial tenants have struggled.

The engagement of the community entailed by the community share offer is also crucial – although not everyone in the community can afford to invest, and therefore it would paint a false picture to look only at investment levels, the amount of community investment raised is a very strong indicator of the level of community support. That is, in turn, an important sign of how successful the pub is likely to be – a well-supported pub will be a well-attended (and therefore more profitable) pub.

Other providers of finance (lenders and grant funding providers) quite rightly want to see a healthy level of community investment before committing their own funds – so this is definitely one area where success will breed further success.

Perhaps even more importantly, the model of community shareholding offers a way of giving the community a true say in the running of the business – which helps to ensure that the Cornwood Inn truly is run by the community, for the community.

2. COMMUNITY & MEMBER ENGAGEMENT

KEY POINTS FOR THIS SECTION

- Buying the Cornwood Inn as a community asset in order to secure its long-term viability has a very high (>94%) level of support in the community.
- There is significant appetite to engage with the share offer, with more than £190,000 of community investment already pledged at an early stage.
- There are detailed and comprehensive plans to promote and manage the share offer process, which will reach all members of the community.
- There are clear opportunities (and clear plans to capitalise on those opportunities) to leverage community support to make CIAG and the pub even more competitive and successful.
- Engagement with other community stakeholders is crucial – this will be addressed primarily through a “Community Group Forum”.

- 2.1 The share offer is open to all people aged 18 or over, living or working within 10 miles of the parish of Cornwood or having some other interest (for example, a property or a business) in that area, or to anyone who met those criteria in the last 10 years. It is also open to companies, clubs and other legal entities based within 10 miles of the parish of Cornwood – these “corporate” shareholders must nominate an individual who will vote and otherwise act on their behalf.

Alternatively, the share offer is open to individuals and organisations who confirm their support of the objects of CIAG.

There will be two classes of shares – one for individual shareholders meeting the geographical criteria described above, as well as for corporate and club shareholders meeting those criteria (the “local” share class), and the second for “supporters”. The classes will be subject to different minimum investment levels (with the “local” class having the lower minimum).

The parish of Cornwood has a population of 1,119 (based on 2011 census data) spread across 524 households, with adults comprising 81% of that overall number.

Whilst residents of the village are likely to form the majority of regular customers of the Cornwood Inn, the fact that its catchment area extends into the surrounding area, together with the fact that the population figures cited above drive a need to widen the potential investor base (without unduly diluting the community ethos), led to the decision to expand eligibility for community shares up to 10 miles beyond the parish boundary. Similarly, the fact that the community tends to inspire a degree of loyalty was behind the decision to open up the possibility of investing as a community member to people who met the relevant criteria within the last 10 years.

- 2.2 CIAG’s aims have a strong level of support from the community. In the recent “FOCAL” survey conducted by the Parish Council (for which surveys were sent to every household in the Parish and an estimated 66% of households responded), 94% of respondents were in favour of keeping the Cornwood Inn open. Consistent with that,

the, separate, purely pub-related survey for CIAG saw 248 households respond (representing approximately 51% of the households in the whole parish). The first question asked respondents to score the importance of having a local pub out of 5 (5 being "Very Important") – 96.33% of respondents scored this question 4 or 5 out of 5, with 77.96% awarding the highest importance score of 5.

This strong level of support has also been reflected in the numbers of people who have volunteered their time, labour and skills, with an organised cadre of more than 50 volunteers, some of whom offer valuable general labour and support, but with some also giving CIAG free access to genuine skills in building, interior design, architecture, surveying, project management, marketing, gardening and landscaping, banking, conveyancing and legal advice.

In terms of support for the share offer, the same pub-related survey asked for indicative pledges of investment. More than 50% of respondents made a pledge, which is an astounding result for a community with multiple deprivation challenges. The total level of potential community investment identified from that early-stage survey is £190,500, with anecdotal evidence to support the belief that more investment will be forthcoming once people see that the purchase is credible and viable (i.e. the "momentum effect" witnessed by so many other community pub initiatives).

It is clear that both the aims of CIAG and the share offer have significant community support.

Nonetheless, in recognition of the relatively small size of that community, even with the widened criteria for participation in the "local" share class, it was felt necessary to widen the pool of potential investors by allowing wider eligibility, to attract potential social investors who do not meet the community criteria – hence the creation of the separate "supporter" class (with its higher minimum investment).

- 2.3 The community share offer will be run in two stages – Stage 1 will be a "self-service" share offer, aimed primarily at the local community; and Stage 2 will be run via Crowdfunder, to broaden the potential reach of the offer. Stage 2 will not go ahead if Stage 1 hits the maximum target before Stage 2 starts.

Stage 1 will be promoted, before and during its launch (with a defined program of scheduled updates), via multiple channels:

- 📠 Through CIAG's own social media accounts.
- 📠 Through the very active "Cornwood and Lutton" Facebook page.
- 📠 In the Parish Magazine, which reaches 325 households each month (and which, crucially, communicates effectively with community members who, by choice or circumstance, will not access online communications).
- 📠 By emails to the Cornwood Inn Action Group mailing list.
- 📠 On the Cornwood Inn Action Group website.
- 📠 Through a poster campaign in and around the villages of Cornwood, Lutton and Corntown, and at community hubs (including the village shop, the village hall and the local primary school) and other local businesses.
- 📠 Through local media.

- 📣 Through the communication channels of other, supportive local groups, clubs and societies.
- 📣 Last, but by no means least, through word of mouth – a highly effective communication channel in a rural community!

The same channels will also be used, albeit potentially less intensively, to promote Stage 2 of the share offer (where the emphasis becomes more about bringing CIAG's Crowdfunder page to the attention of a wider audience). That Crowdfunder page will benefit from a short promotional video, which will also form part of the content for the scheduled updates during Stage 1 – with short, “teaser” videos being released via online media at various stages throughout Stage 1.

The share offer document itself, together with an application form, will be available online (via the Cornwood Inn Action Group website and, for Stage 2 of the share offer, via Crowdfunder). It (and a hard-copy application form) will also be professionally printed and made available in the various community hubs and local businesses referred to above, and mailed to anybody who specifically requests it via other channels (such as the Cornwood Inn Action Group website). A brightly-coloured, professionally-printed “flyer”, summarising the share offer and signposting where to find further details and how to apply will, via the volunteer army, be distributed to every household in the Parish, with the same volunteer army collecting application forms where those have been physically sent out.

During Stage 1, CIAG will also host weekly “drop-in” sessions at the Cornwood Inn, for anyone wanting to ask questions about (or otherwise obtain help with) the share offer application process – where volunteers will be on hand to help process applications, provide copies of the share offer document, application form and business plan, where requested, and help anyone with the logistics of making payment (including having internet-enabled tablets and laptops on hand for anyone wanting to access internet banking).

The share offer will be open for a total period of 10 weeks – 6 weeks for Stage 1 and 4 weeks for Stage 2. These timings have been chosen to strike an appropriate balance between allowing enough time to gather as many investments as possible under each Phase (and overall), and being short enough to enable a sustained and intensive promotional push (with some sense of urgency) – as well as recognising the impact of the intervening festive period. Throughout the share offer period a “totaliser”, showing the level of community investment to date, will be displayed prominently in Cornwood village square (opposite the pub) and on the Cornwood Inn Action Group website, and periodically updated – drawing on the experience of recent fundraising efforts at the village school, this has proved to be a fantastic way of generating a groundswell of enthusiasm and momentum, and ensuring that the initiative remains a talking point within the community.

Responses to Stage 1 of the share offer entail investors paying their investment into a dedicated bank account (separate from CIAG's main trading account) – primarily by BACS, but also by cheque (e.g. for those less familiar or comfortable with online banking). CIAG commits (in the share offer documentation) to not using those funds for any other purpose, and they will be returned in full to investors if the purchase does not proceed (with cheques not being cashed until the minimum investment target is met). Community investors will be able to complete the investment documentation online (via a dedicated page on the Cornwood Inn Action Group website) or in hard

copy (by returning the relevant form sent out with the share offer document). During Stage 2, all payments will be handled via the Crowdfunder platform, using Crowdfunder's "all or nothing" funding option (which means the funds are held by Crowdfunder and only released to CIAG if the minimum target is met, failing which the funds are returned in full to investors). In both cases (Stage 1 and Stage 2), if the minimum target of £200,000 is not met, investors will be reimbursed in full.

- 2.4 One key competitive advantage that a community-owned pub has over purely profit-making commercial enterprises is the ability to leverage free-of-charge skills and labour through community members volunteering.

As stated above, there is already an organised cadre of volunteers supporting efforts to improve the Cornwood Inn, covering a variety of skillsets. Those volunteers have been organised into groups based on their skillsets and preferences, with the support and oversight of the management committee but a high degree of delegated autonomy within their areas of activity. This has proved to be a very successful model and CIAG's aim would be to replicate the model with shareholders (and other supporters, as relevant) going forwards.

In practical terms, this will take the form of volunteer-staffed sub-committees with particular areas of focus (together with frameworks to work within and clear accountability and reporting requirements) set by the management committee – for example, ongoing fundraising (including sponsorship and grant / other funding applications), gardening and groundskeeping, special events, and **Inclusive** initiatives.

CIAG will also take every opportunity to leverage opportunities to reduce cost and further engage the community by identifying and pursuing what the community has to offer in terms of CIAG's supply chain – for example, sourcing furnishings and décor, planting for the grounds, building materials and even legal (and other) skills from members of the community prepared to provide these things at reduced (or even nil) cost.

By harnessing these community skill-sets and efforts, the competitiveness of CIAG and the pub offering as a whole will be significantly enhanced, at minimal cost – and the sense of community spirit and engagement will continue to feature prominently long past the initial purchase.

It is very much worth noting that no reliance is being placed on volunteer input for anything which is critical to the core operation of the pub – so, for example, no assumption has been made that the pub could be staffed with unpaid volunteers, though that may, in fact, be possible (at least to some extent). Neither does the financial model rely on reduced costs due to volunteer input or free / cheaper support as described above, except to the extent that such input or support has been expressly pledged. **This means that every instance of volunteer input or other support is a bonus, significantly adding to the competitiveness and financial viability of CIAG and the pub.**

In terms of relationships with wider stakeholders, the management committee has already consulted extensively with representatives of a wide range of community groups and facilities throughout the process of exploring a community purchase of the Cornwood Inn, so the key relationships are already in place.

CIAG will build on those relationships by operating a "Community Group Forum", chaired by a member of the management committee, which will meet periodically (the current plan is quarterly, though this may change depending on demand) with

representatives of any community group which wishes to attend, but particularly Cornwood Cricket Club, the Village Hall Committee, the Village Shop, Cornwood Parish Council, Cornwood CofE Primary School, the Community Police Constable, St Michael and All Angels Church, the local Women's Institute, local charities the YONGE Society and the Rooke Charity, the Community Orchard, organisers of local events (e.g. Cornwood Show, Fair in the Square, Cornwood 10K and Christmas Lights switch-on), representatives of local clubs and societies, and, if it is successfully re-opened, the Mountain Inn in Luton.

The core aims of the Community Group Forum will be to:

- 📄 Provide a clear line of communication between CIAG and other community stakeholders.
- 📄 Enable any concerns or grievances about matters affecting (or affected by) the Cornwood Inn to be appropriately and constructively aired and addressed (so the pub's status and effectiveness as a community asset remains intact).
- 📄 Identify and implement opportunities to involve the Cornwood Inn in wider community initiatives where it can add value.
- 📄 Ensure that all community stakeholders' efforts and activities (including those of the Cornwood Inn) remain complementary, with no undue duplication of effort.

CIAG is clear that a pub that is owned by the community also needs to be (and be seen to be) firmly part of that community in order to thrive – these wider stakeholder relationships are therefore seen as crucial to the pub's long-term success.

3. FINANCES

KEY POINTS FOR THIS SECTION

- A professional Market Appraisal Valuation has valued the pub at above the price ultimately paid for it by CIAG, which offers some assurance that (so long as overall borrowing remains sensible) investments in CIAG are likely to be able to be repaid (from the proceeds of selling the pub) if the worst should happen.
- The same Market Appraisal Valuation gives a “Fair Maintainable Trade” (projected annual revenue, net of VAT) of £260,000 – even with no material new income streams.
- The pub can be run profitably, but may take time to get there. The model projects a cash-positive position throughout, but a modest loss, after depreciation is applied, in Years 1 and 2 (due to the level of projected investment in the building), and the payment of interest to shareholders from Year 3.
- The financial model has been prepared without the benefit of trading information from the previous owners, so reflects a conservative (relatively pessimistic) approach, including contingency sums in a number of places, and is based on Optimum, Maximum and Minimum levels of community investment, as detailed below.

- 3.1 In addition to property viewings by members of the CIAG board and assorted volunteers (including professionally-measured floor plans being drawn up by surveyor volunteers, at no charge), the Cornwood Inn has been formally inspected by MJD Hughes for a Market Appraisal Valuation. That report is the primary basis on which the business valuation has been determined.

Mr Hughes is eminently qualified for this work, specialising in pub valuations, and is a Member of the Royal Institution of Chartered Surveyors, a Fellow of the Association of Valuers of Licensed Property, a Fellow of the National Association of Estate Agents, a Fellow of the National Association of Estate Agents Commercial and a Fellow of the British Institute of Innkeeping, and holds a Diploma in Commercial Property Agency.

Whilst current assets were acquired as part of the purchase (for a nominal price of £1), they have a nil value on CIAG's opening balance sheet. No goodwill was attached to the property on the market. The valuation was therefore focused on the fixed assets (essentially the pub freehold). Our business plan allows for a significant amount of capital expenditure to be undertaken before we commence trading, which has been reflected in our opening balance sheet. Any further current assets will, when acquired, be added to the balance sheet in accordance with generally-accepted accounting principles.

Based on MJD Hughes' report:

- The “Fair Maintainable Trade” for the pub (a professional valuation of overall turnover based on clear and recognised formulae) is, based on current configuration (i.e. doing nothing material to increase the trading space or add

further income streams), £260,000 per year. The report further identifies that, based on industry-standard profit margins and costs figures, it is possible (with careful management, but without doing anything to materially add to the pub's overall offering) to run the pub at a profit. (It is also worth noting that, based on publicly-available figures at Companies House, a previous tenant of the Cornwood Inn was able to generate more than £297,000 turnover for a 54-week period in 2013/14, from a standing start (i.e. the pub was previously closed), so we have evidence that higher levels of trade are possible, and our projected turnover figures are therefore demonstrably conservative.)

- ☞ Depending on which valuation basis is appropriate, the estimated market value of the pub is:

 - for the freehold property only (i.e. “bricks and mortar” only, with no associated business), £280,000; or
 - on the basis of there also being a proper trading business (with full trading accounts and an inventory of trading assets), £450,000.
- ☞ On either valuation basis, this compares favourably with the purchase price ultimately paid by CIAG of £253,000 (plus VAT) for the property itself. The higher market value on a trading basis shows a level of growth (compared to the current market value) which offers some comfort to investors, as well as the possibility of restructuring CIAG's funding (allowing potential withdrawal of shareholdings and repayment of initial loans), once a trading history has been established
- ☞ It is also worth noting that the purchase included the sum of £1 for all trade assets and fixtures that happened to be at the premises on completion – in other words, this element of the purchase was essentially on a “sight unseen, as is” basis. In that context, the fact that the kitchen remains fully equipped and various useable items of furniture and other assets remain at the premises adds to the robustness of the financial position.
- ☞ Although the report notes that both the interior and the exterior of the pub have only been maintained to a limited level in recent years, it also notes that the property is in a reasonable condition, with no obvious major repair needs evident. Nonetheless, a contingent liability of (at least) £30,000 for initial repair and refurbishment has been assumed (with higher levels of investment allowing more extensive refurbishment work). Additionally we have built in a further £30,000 contingency reserve that will be carried forward year on year if not utilised. We have assumed that all capital expenditure will be capitalised and reflected in the Balance Sheet.

3.2 The total capital requirements are set out in Table 1 below. To some extent, the “requirements” will be tailored to reflect the level of community investment achieved modelled against three different levels:

- ☞ £250,000 – Optimum
- ☞ £350,000 – Maximum
- ☞ £200,000 – Minimum

(In each case, this is the level of community investment (through shares and associated shareholder loans), not the total level of capital required.)

Achieving the Optimum level of subscription would enable CIAG to repay the benefactor loans used to purchase the property and carry out the 1st phase of the proposed refurbishment programme (essentially ground floor improvements).

The Maximum level of subscription would enable CIAG to bring forward 2nd phase plans to refurbish the 1st floor, which would open up opportunities to generate additional revenue streams.

Whilst the Minimum level of subscription would enable CIAG to secure its purchase of the property, it would mean that the planned 1st phase of the capital expenditure / improvement programme would need to be significantly reduced (and deferred to / spread across later years).

Table 1 – Funding Requirements:

Capital Funding Requirements	Optimum (£)	Maximum (£)	Minimum (£)
Property purchase	253,000	253,000	253,000
Benefactor loan repayment ^{Note 1}	7,000	7,000	7,000
Fixtures and fittings	40,000	40,000	20,000
Renovation costs	30,000	120,000	30,000
Working capital / contingencies	70,000	80,000	40,000
Total Capital Requirements:	400,000	500,000	350,000
Represented By:			
Community Investment (Shares and Shareholder Loans)	250,000	350,000	200,000
Commercial Loan	100,000	100,000	100,000
Grant Funding	50,000	50,000	50,000

Note 1: Benefactor loan repayment amount covers all sums, in addition to the property purchase sum, needed to pay back the benefactor loans, including interest, legal, professional and auctioneer fees, Stamp Duty Land Tax and initial insurance costs.

Table 2 sets out the forecast balance sheet position post-acquisition and refurbishment and immediately prior to the commencement of trading. It covers the 3 scenarios above. (For Profit & Loss and Balance Sheet forecasts beyond this stage, please see Tables 3 and 5 below, respectively.)

Table 2 – Opening Balance Sheet:

Balance Sheet (Post-Acquisition & Pre-Trading)	Optimum (£)	Maximum (£)	Minimum (£)
Fixed Assets			
Property	260,000	260,000	260,000
Fixtures & Fittings / Capital Expenditure	70,000	160,000	50,000
	330,000	420,000	310,000
Current Assets			
Stock	15,000	15,000	15,000
Cash	55,000	65,000	25,000
	70,000	80,000	40,000
Current Liabilities			
	-	-	-

Long-Term Liabilities (Loan)		100,000	100,000	120,000
Net Assets		300,000	400,000	250,000
Capital Account				
Shares / Shareholder Loans		250,000	350,000	200,000
Grant Funding		50,000	50,000	50,000
Total Equity		300,000	400,000	250,000

- 3.3 The headline income and expenditure forecasts are as set out in Table 3 below, reflecting a conservative estimate of how progress is made towards the Fair Maintainable Trade figures shown in MJD Hughes' report. (As noted above, we have evidence that the pub has, in 2013/14 previously generated more than £297,000 over a 54-week period from a closed position, so the sales projections below are definitely conservative in light of that.)

Based on these projections, CIAG is forecast to:

- ▣ be cash-positive from Year 1 (though showing a modest loss in accountancy terms for Years 1 and 2 due to depreciation); and
- ▣ be in a position to pay shareholder loan interest from Year 1 and share interest in respect of Year 3, 1 month after the end of that financial year (and for each subsequent year with the same timing).

Table 3 – Headline Profit & Loss, First 5 Years (Based on Optimum Funding Level¹):

	Yr. 1 (£)	Yr. 2 (£)	Yr. 3 (£)	Yr. 4 (£)	Yr. 5 (£)
Wet Sales	126,459	138,346	148,445	153,344	155,644
Dry Sales	86,403	94,525	101,425	104,772	106,344
Total Sales	212,862	232,871	249,870	258,116	261,988
Direct Costs - Wet	44,261	48,420	51,956	53,669	54,474
Direct Costs - Dry	30,242	33,083	35,497	36,670	37,222
Total Direct Costs	74,503	81,503	87,453	90,339	91,696
Gross Profit	138,359	151,368	162,417	167,777	170,292
Staff Costs ^{Note 1}	69,857	70,985	74,258	77,129	79,851
Other Operating Costs ^{Note 2}	48,693	52,693	52,693	52,693	52,693
Total Operating Costs	118,550	123,678	126,951	129,822	132,544
EBITDA	19,809	27,690	35,467	37,955	37,748
Depreciation ^{Note 3}	25,491	22,535	20,036	17,914	16,105
EBIT	-5,682	5,155	15,431	20,041	21,643
Interest ^{Note 4}	6,320	5,916	8,991	8,544	8,074
Tax	0	0	0	2,313	3,243
Profit After Tax, Interest and Depreciaton ^{Note 5}	-12,002	-761	£6,440	£9,184	£10,326

¹ Profit & Loss projections for the Minimum and Maximum funding levels are available to download at: <https://cornwoodinnag.wixsite.com/ciag/community-share-offer-downloads>

Note 1: Staff costs assume manager salary costs of £47,036 in Year 1, rising to £52,909 by Year 5. Kitchen staff costs reflect the fact that dry sales are, at least initially, projected to be a relatively low proportion of the sales mix, so will entail / justify part-time support only – projected kitchen staff / chef costs are therefore £12,000 for Year 1, rising to £14,769 in Year 5. This assumes that no decision is made to invest further in kitchen staffing to help drive (rather than follow) additional dry sales.

*Note 2: Operating Costs include a sum of £4,000 per year to support **Innclusive** initiatives.*

Note 3: Depreciation is on a straight-line basis, over 5 years for fixtures and fittings and over 20 years for the freehold property.

Note 4: Interest consists of: (a) commercial lending at a rate of circa 4.7% - the financial model assumes a total loan of £100,000, which would be made up of whichever blend of the two loans described above offers the cheapest overall funding – the interest rate indicated by Triodos Bank is 4.7%, which is likely to be cheaper than the rate offered by the “More Than A Pub” loan, so that is the figure that has been used in our financial model; (b) shareholder loans of £75,000 at a rate of 2%; and (c) interest on shares at a rate of 2% (from Year 3). Please note that, although called “interest”, interest on shares is not tax deductible.

Note 5: Although a negative profit after tax, interest and depreciation is shown for Years 1 and 2, it is important to note that this is solely because of the impact of depreciation – without that impact, the figure would be positive. In other words, the business is projected to be cash-positive from Year 1.

- 3.4 A surplus cash buffer has been built into the financial model to minimise the reliance on bank funding to meet any working capital requirements. (This was felt to be prudent given the lack of trading history to support any such funding.)

The headline, initial cash flow forecast is set out below at Table 4. The forecast is modelled on the assumption that the commercial loan(s) will be repayable over a 10-year term, with no capital repayment holiday.

Table 4 – Source and Application of Funds Year 1 (Based on Optimum Funding Level):

Source of Funds	£	£
Profit / Loss before Tax		-12,002
Adjustments for items not involving the movement of funds - Depreciation		25,491
		13,489
less		
Application of Funds		
Repayment of Commercial Loan		-7,908
Surplus		5,581
Represented by:		
Increase / Decrease in Working Capital		
Increase in Stock		0
Increase in Creditors		-13,642
Opening Cash Position	55,000	
Closing Cash Position	74,223	19,223
		5,581

3.5 Table 4 above and Table 5 below demonstrate that the business is forecast to maintain sufficient liquidity to enable it to:

- ▣ Fully repay the proposed £100,000 loan within 10 years.
- ▣ Provide share liquidity to members after Year 3, allowing withdrawal of up to £25,000-worth of shares (representing 10% of the total projected share capital under the “Optimum” model) per year.
- ▣ Enable profit distributions by way of share interest from Year 3.

As referred to above, no withdrawals of shares (except cancellations of £50 shareholdings, as described in CIAG’s governing rules) will be allowed for the first 3 years. After that, the business is projected to have sufficient reserves to allow withdrawals on request during a specified window each year, subject to an overall annual limit of £25,000, on a pro rata basis – but only if that leaves enough money for CIAG to continue to successfully operate (and continue to improve) the Cornwood Inn. Dependent upon trading conditions, the CIAG board may decide it more appropriate to fund ongoing planned capital expenditure with external funding rather than use its cash balances as currently forecast – this would enable share liquidity to be enhanced at an earlier stage.

The figures in Table 5 below reflect the profitability, profit distribution (by way of interest payments to shareholders), amortisation, depreciation and reinvestment described in the preceding Tables.

Table 5 – Balance Sheet, First 5 Years (Based on Optimum Funding Level²)

	Opening	2020-21	2021-22	2022-23	2023-24	2024-25
FIXED ASSETS						
Freehold Property	£260,000	£260,000	£260,000	£260,000	£260,000	£260,000
Fixtures & Fittings	£70,000	£70,000	£70,000	£70,000	£70,000	£70,000
Accumulated Depreciation						
Freehold Property	£0	(£12,706)	(£24,791)	(£36,286)	(£47,219)	(£57,618)
Fixtures & Fittings	£0	(£12,785)	(£23,235)	(£31,776)	(£38,757)	(£44,463)
Sub-Total Accumulated Depreciation	£0	(£25,491)	(£48,026)	(£68,062)	(£85,976)	(£102,081)
TOTAL FIXED ASSETS	£330,000	£304,509	£281,974	£261,938	£244,024	£227,919
CURRENT ASSETS						
Bank						
Main Bank Account	£55,000	£74,223	£88,655	£55,915	£75,321	£93,950
Contingency Reserve				£30,000	£30,000	£30,000
Share Withdrawal Reserve ^{Note 1}				£25,000	£50,000	£75,000
Sub-Total Bank	£55,000	£74,223	£88,655	£110,915	£130,321	£148,950
Trade Debtors						
Sub-Total Trade Debtors	£0	£0	£0	£0	£0	£0
Other Debtors						
Sub-Total Other Debtors	£0	£0	£0	£0	£0	£0
Stock On Hand						

² Balance Sheet projections for the Minimum and Maximum funding levels are available to download at: <https://cornwoodinnag.wixsite.com/ciag/community-share-offer-downloads>

Wet Costs	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Dry Costs	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000
Sub-Total Stock On Hand	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000
TOTAL CURRENT ASSETS	£70,000	£89,223	£103,655	£125,915	£145,321	£163,950
CREDITORS DUE <12m						
Bank						
Sub-Total Bank	£0	£0	£0	£0	£0	£0
Trade Creditors						
Trade Creditors	£0	£7,207	£7,744	£11,699	£11,921	£12,025
Sub-Total Trade Creditors	£0	£7,207	£7,744	£11,699	£11,921	£12,025
Other Creditors						
VAT	£0	£5,602	£6,020	£6,544	£6,798	£6,918
PAYE	£0	£833	£848	£889	£922	£955
Sub-Total Other Creditors	£0	£6,435	£6,868	£7,433	£7,720	£7,873
Commercial Loan	£7,908	£8,312	£8,737	£9,184	£9,654	£10,148
Corporation Tax	£0	£0	£0	£0	£983	£2,578
TOTAL CREDITORS DUE <12m	£7,908	£21,954	£23,349	£28,316	£30,278	£32,624
NET CURRENT ASSETS	£62,092	£67,269	£80,307	£97,598	£115,043	£131,326
CREDITORS DUE >12m						
Commercial Loan	£92,092	£83,780	£75,043	£65,859	£56,205	£46,057
TOTAL NET ASSETS	£300,000	£287,998	£287,237	£293,677	£302,861	£313,187
CAPITAL AND RESERVES						
Share Capital ^{Note 2}	£175,000	£175,000	£175,000	£175,000	£175,000	£175,000
Grant	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000
Shareholder Loans	£75,000	£75,000	£75,000	£75,000	£75,000	£75,000
Retained Earnings	£0	(£12,002)	(£12,764)	(£6,324)	£4,190	£15,180
TOTAL CAPITAL AND RESERVES	£300,000	£287,998	£287,237	£293,677	£302,861	£313,187

Note 1: £25,000 for each Year (from Year 3) - cumulative value shown assumes no withdrawals against this reserve.

Note 2: Assumes no withdrawal of shares; any withdrawal to be funded from / replaced by Share Withdrawal Reserve.

- 3.6 The planned sources of initial capital, together with details of how they vary against the Optimum, Maximum and Minimum community investment models described above, are as set out in Table 6 below.

Table 6 – Sources of Capital:

Funding Source	Optimum (£)	Maximum (£)	Minimum (£)
Community Investment ^{Note 1}	250,000	350,000	200,000 ^{Note 2}
Grant Funding ^{Note 3}	50,000	50,000	50,000
Term Debt (Loan) ^{Note 4}	100,000	100,000	100,000
Total	400,000	500,000	350,000

Note 1: The term “community investment” includes, for these purposes, both classes of shareholding (as described in Section 2.1 above), and also the proposed shareholder loan offer (described further below).

Note 2: The “Minimum” level of community investment is aligned with the most pessimistic projection of what, based on survey data and pledges received to date, we believe to be attainable. If the actual level of community investment turns out to be lower, the project may still be viable, with the shortfall made up of either greater success in the range of grants being applied for, or increased borrowing (which would require further financial modelling to ensure viability).

Note 3: Although other potential sources exist, the most likely source of grant funding is from the “More Than A Pub” funding, provided by Power To Change and distributed by the Plunkett Foundation. An application has been submitted for this funding and is under consideration (having successfully cleared the first stage of acceptance).

Note 4: The main potential sources of borrowing identified are: (a) the loan component under the “More Than A Pub” scheme referred to above (which would be unsecured but attracts interest, so has been categorised for the purposes of the financial model as a “commercial loan”) – this is also under consideration; and / or (b) a loan from Triodos Bank (which would most likely be secured against the property).

As stated in the notes above, our application for both grant and loan funding from the “More Than A Pub” scheme has been submitted and is due for consideration on 21 November 2019.

After initial, positive discussions with Triodos Bank we have been invited to submit our Business Plan and have done so. We will continue to progress a full application as quickly as possible during the Share Offer period and hope to know the outcome before the Share Offer closes.

The total amount of additional finance we are applying for exceeds the total amount needed, which provides a degree of contingency in case either (or both) of our applications is unsuccessful, or less successful (in terms of the amount made available) than we have included in our financial model. There is also the option of pursuing other sources of finance, including commercial lending from other lenders (such as the Co-operative Bank), but it is not appropriate to pursue too many lending applications at once.

The shareholder loan offer is intended to offer a risk-proportionate way for investors to invest higher sums (than might otherwise be the case through a shares-only investment). The option of investing additional sums by way of a shareholder loan will be open to any shareholder who:

- invests at least £2,500 in shares;
- invests at least £2,500 more by way of shareholder loan; and
- accepts the shareholder loan terms (included at Annex 9 of this document).

Shareholder loans will be unsecured (ranking behind all other debts of the company, but ahead of shares), attract interest at the annual rate of 2%, and be repayable by way of a bullet repayment on the 7th anniversary of the loan being granted.

Someone wishing to invest £5,000 or more does not have to use the shareholder loan option – it simply exists as a possibility.

The fundraising mix has been built around the following main assumptions / ratios, aimed at de-risking the community investments as much as is possible and sensible:

- ▣ Commercial debt to market value of the underlying core asset (based on a Market Value – Closed valuation basis) of no more than 50% – this ratio reflects the fact that the investors’ best chance of seeing their investments repaid (to any extent) if the business is unsuccessful is through a sale of the underlying core asset (the property).
- ▣ Aiming to keep “adjusted net gearing ratio” (ratio of total debt to total shareholding and shareholder loans, on the basis that the main aim of this ratio is about protecting overall shareholder investment) below 47.5%, noting that a traditional gearing ratio of between 25% and 50% is generally considered optimal / normal for a well-established company. Again, this is a useful measure of the likelihood of investors being repaid in the event of business failure, which is less dependent on property values.
- ▣ An assumption that grant funding will not be so restricted as to the use to which it can be put that the constraints materially affect its treatment as generally available capital.

The mix of funding sources has also been built up on the basis of:

- ▣ Cheaper, more flexible funding preferred over more expensive, more constraining (or limited-use) funding.
- ▣ Analysis of what is realistically available.
- ▣ Driving community involvement as much as possible.

It follows from this that any failure to achieve the projected levels of either social investment or grant funding (or both) will change the fundraising mix increase reliance on pure borrowing (whether as “soft” loans from social funders, or more commercial borrowing, for example from Triodos Bank). Similar points apply to how the fundraising mix would change under each of the Optimum, Maximum and Minimum community investment models – the greater the level of community investment, the less reliance there will be on grant funding and borrowing (as shown in Table 6), but also the more it will be possible to improve the pub (and potentially add new revenue streams – e.g. from refurbishing upstairs to offer guest accommodation) from an earlier stage.

The level of potential social investment available is informed by the community survey (summarised at Annex 3) and research into the possibility of promoting the share offer to out-of-area, high-net-worth social investors – with the Minimum level of community investment reflecting minimal reliance on out-of-area investors, and the Maximum level of community investment likely to entail more material participation from those investors.

The projected levels of funding of each other type (grants and loans) are based on relatively conservative estimates, informed by research into the available grants for which CIAG would qualify (a total of £881,000 potential funding identified, though the realistic sum is, of course, some way below that) and direct discussions with potential lenders.

- 3.7 CIAG’s structure and activities have been carefully designed to ensure compliance with the requirements for Social Investment Tax Relief (SITR). It is not possible to formally apply for SITR until the business has been trading for at least 4 months, but “advance assurance” from HMRC has been applied for and there is good reason to believe that it

will be given (though no guarantee of advance assurance is given or implied here and it may not be forthcoming until after the Share Offer closes).

CIAG and its business plan meet all of the key requirements for SITR:

- ❏ CIAG is a community benefit society, with an asset lock (a legal protection meaning that CIAG's surplus / residual assets – for example, if the company is wound-up – cannot be distributed to shareholders, but must instead be applied for the benefit of the community).
- ❏ CIAG is not controlled by another company, does not control any other companies, is not part of a partnership, is not listed on any stock exchange, has fewer than 250 employees, and falls well below the asset limits which apply to SITR. To the extent relevant, there is no plan or likelihood of any of these characteristics changing for at least 3 years.
- ❏ A “qualifying trade” will be carried out throughout the first 3 years, starting within 2 years of the investments in question (and this was one of the key reasons for opting to employ a manager rather than let out the pub to a tenant during that 3-year period, which would not qualify for SITR).
- ❏ The business plan and rules on withdrawal of shareholdings (and repayment of shareholder loans, where relevant) support ongoing compliance and no withdrawal of investments for at least 3 years (as required by the SITR rules).
- ❏ Investors will be buying shares (no preference shares), to be paid for in full, in cash, at the time of the investment.
- ❏ Investors participating in the shareholder loan programme will be providing new debt investment, in cash, which is unsecured, will not be paid back until at least 3 years after the initial investment, and will not have an interest rate higher than a reasonable commercial interest rate.
- ❏ Although the financial model does assume interest payments will be made to shareholders (at a reasonable commercial rate) from 9 months after the 3rd year of trading, there is no guarantee of interest to be paid on shares. Nor is there any arrangement to guarantee or buy back the shares (though withdrawal of share capital may be possible after 3 years, as described more fully in section 1.1 above).

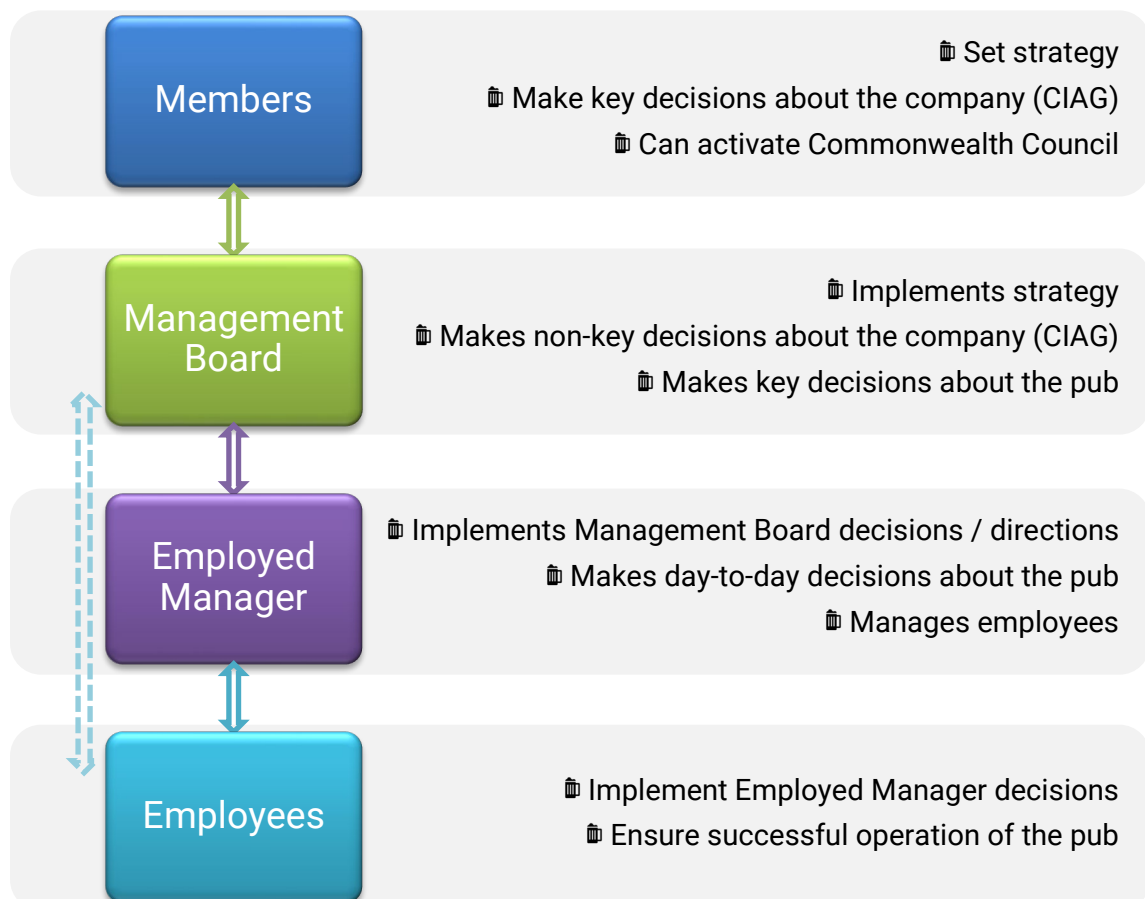
4. ORGANISATION & TRADING ACTIVITIES

KEY POINTS FOR THIS SECTION

- There is a clear governance model for CIAG, dictated by the FCA-approved Somerset Rules for community benefit societies, giving members (shareholders) the ultimate say on a democratic basis.
- There is an important distinction between running the business (i.e. CIAG itself) and running the pub – the governance model is designed to support a culture of accountability without undue interference.
- There is clear evidence to support the sales forecasts underpinning the financial model, and a robust plan for meeting the main staffing needs to ensure the pub is competently run.
- Key risks have been analysed, with risk mitigations identified for each one – please see Annex 6 for more detail.

ORGANISATION

- 4.1 The diagram below summarises the key organisational arrangements of CIAG, describing the relationships between members (shareholders), the management committee, the employed manager and employees.



Each two-way arrow above depicts both the power to appoint, and a line of accountability – so, for example, the Members appoint the Management Board and the Management Board is accountable to the Members – and so on. The Management Board will confirm key hiring decisions for Employees, who will also be directly accountable to the Management Board where expressly decided (e.g. where an Employee is supporting implementation of a specific **Innclusive** initiative being overseen by the Management Board).

The Commonwealth Council referred to in the diagram above is a particular feature of the FCA-approved model rules being adopted by CIAG – the Somerset Rules. As described in those rules, *“The Commonwealth Council is an oversight body that does not operate immediately following incorporation, but which can be activated at a later date, for example if the society has become larger and more complex; plays an important role in the co-operative sector locally; is facing divisive or controversial decisions; or wishes to offer an additional voice to minority groups or classes within the membership.”*

- 4.2 CIAG is not owned by, and does not own, any other companies. There are no current plans to change this. CIAG will own the freehold of the Cornwood Inn and has no current plans to lease the site as a whole, though it is possible, as the mission progresses through “Phase 3 – Add Value”, that arrangements will be entered into to let (lease) parts of the property to, for example (and as illustrations only at this stage), the village shop or a B&B operator. Any such arrangements will be on proper, legally-binding and commercial terms, but with a rent that is set at a level which reflects the community status (if any) of the other party (e.g. the community-owned village shop) and CIAG’s wider aspirations of fairness and priming its partners for success.
- 4.3 In accordance with CIAG’s governing rules, half the current management committee will resign at the first full shareholders’ meeting, though they are allowed to seek re-election at that meeting (along with anyone else who wants to serve on the management committee). However, in the meantime it is important that potential investors and community members have confidence in the competence of the current management committee. CIAG is fortunate to benefit from a relatively wide range of skills and backgrounds on its current management committee – their mini-biographies are set out in Annex 8.

The management committee is not employed by CIAG and its members will draw no salary or other remuneration. As set out above, the employed pub manager will report to the management committee (and primarily to specific members of the management committee on day-to-day matters, under the headings of “wet sales”, “dry sales” and “**Innclusive** and events”) and will, in turn, manage any other employees – though those other employees will, ultimately, also be accountable to the management committee.

As reflected above, the role of the management committee will be to set the strategic direction of CIAG and the operation of the pub, with the appointed pub manager (supported by their employees) tasked with implementing that strategy. The management committee will hold the pub manager accountable for that implementation, requiring periodic reports and having the ability to require the pub manager to meet with the management committee as needed to discuss any key issues, opportunities or concerns, but the pub manager will otherwise be free to operate within the limits of their delegated authority (e.g. on spending commitments and major purchases).

The overall aim is to achieve a culture of accountability without interference.

4.4 Engagement of members in the governance of CIAG will be about more than simply the rules saying that members can vote on X, Y or Z – it will also entail:

- ▣ Making it easier for members to understand the rules, what their rights are as members, and how they can get involved – for example, by providing plain-English summaries of the key features of the rules, and maintaining an FAQs section on the CIAG website.
- ▣ Actively encouraging members with an interest in a particular sub-set of CIAG's or the pub's activities (e.g. disability-friendliness, charitable work, or buying local) to participate by establishing their own sub-groups for discussion or promotion of specific ideas, for the Management Board and wider membership to then vote on as relevant – with sub-groups which agree to adhere to a common code of conduct able to apply to the Management Board for recognition as an "Official CIAG" sub-group.
- ▣ Actively promoting general meetings, management board vacancies and other participatory activities (including the "Official CIAG" sub-groups described above) through the various channels described at 2.3 above.
- ▣ Starting with a higher degree of participation in the early stages by having more frequent general meetings (likely to be monthly, though to be driven by need, efficiency and feedback), tapering to a lower frequency once the concept of participation is well established and CIAG enters a more "business-as-usual" phase.

TRADING ACTIVITIES

4.5 The Market Appraisal Valuation referred to in Section 3.1 above identified the following key headlines in terms of market opportunity, customer base and product offer:

- ▣ The "Fair Maintainable Trade", which is derived using objective formulae specific to the pub trade, is assessed to be £260,000 per year.
- ▣ *"From our projection as to the fair maintainable trade our valuation reflects the property and trade level/potentials with a basic level of investment."*
- ▣ *"Regular visits and use from locals is paramount but the Cornwood must be attractive to potential customers from outside the area having to use their car."*
- ▣ *"Alcoholic sales may not be able to make up all the sales. Food, teas, coffees and sweet snacks (cakes and biscuits) will therefore be important to the business. This may well mean that the operation does not adhere to conventional pub opening times."*
- ▣ *"Morning coffee, a popular lunch menu and afternoon tea will not only be important to turnover but also as a form of advertisement for the pub. Cyclists, walkers and lunch visitors can be encouraged to return in the evening with family and friends if the correct offering is provided."*
- ▣ *"The pub provides potential for increasing trade. There will be an initial period of uncertainty as to the trade performance after the Community take over the pub and the manager recruited by the Community should be provided with assistance to constantly analyse trends in trade levels and deal with operational shortcomings."*

- ▣ *“The pub would provide an excellent facility for community groups, meetings, and visitors to the village. All local groups should be encouraged to use the pub as often as possible.”*

In addition to the above professional findings, the following things all point to a viable trading proposition:

- ▣ Accounts available at Companies House show that, during 2013/14, the tenant at that time achieved turnover (after a period of the pub being closed) of more than £297,000 over a 54-week period.
- ▣ Within the wider local area there are similarly-situated pubs which appear to be thriving, based on offering (amongst other traditional pub features) consistent, reasonably-priced food – most notably the Royal Oak at Meavy and the Turtley Corn Mill.
- ▣ The parish has a population (as at the last census) of 1,119 – but the pub’s catchment area is realistically larger than this, due to a combination of main transport routes and the lack of competing pub offerings in the area surrounding the parish.
- ▣ Question 3 of our own survey focused on frequency of use. This question was answered by 234 households (the survey was deliberately configured to make it difficult to submit more than one response per household), and a total of 64.95% of respondents indicated that they and / or others in their household would visit the pub weekly, 2-3 times a week or daily (with a further 34.62% of respondents saying they would visit occasionally).

- 4.6 There is no need for additional premises for the pub to be able to trade effectively. (Indeed, the first-floor premises are most likely too extensive for their current use – providing accommodation for a live-in manager – and so represent opportunity for additional revenue in due course.)

The circumstances of the sale (without business or books) mean that it is unclear what trade equipment will need to be purchased. As referred to above, at Section 3.2, the financial model assumes up to £40,000-worth of trade fixtures and fittings will need to be purchased (based on recommended figures in MJD Hughes’ report) – though the true figure is expected to be lower given the assets which were included in the purchase (for the nominal price of £1), many of which are useable and useful.

In addition:

- ▣ It is essential (both for trading purposes and for the “Open Internet” strand of CIAG’s **Inclusive** aspirations) that the pub has a high quality broadband connection, together with an actively-managed website that can take bookings.
- ▣ Based on anecdotal experience of previous pub occupants, it would be preferable to identify alternative payment methods in the event of a PDQ machine failure.

- 4.7 The main trade competencies required to deliver the business plan for the pub are:

- ▣ Pub Management; and
- ▣ Chef / Catering.

A dedicated Pub Manager will be employed by CIAG and the cost of this has been factored into the financial model, based on industry-benchmarked salary data. The

vacancy will be advertised through general and more specialist job-search media, as well as being communicated directly to a number of former managers of the pub who have expressed an interest in running the pub as a community asset, freed from the constraints of being tied to Enterprise Inns. One of the first responsibilities of the Management Board, supported by someone with extensive pub management expertise (the brother of one of the existing Management Board members), will be to define the job specification for, interview and appoint the Pub Manager.

In order to both attract higher-calibre candidates and incentivise them to stay for the longer-term (assuming they are doing a good job), the remuneration package on offer will be attractive and results-orientated, and there will be an understanding (though not a promise) that a tenancy may be available for a successful Pub Manager after the initial 3-year period – i.e. CIAG would step back from employing a manager and would instead act as landlord, letting the pub to a tenant (a model which has been successfully used by a number of community pubs). Such a move would, of course, be subject to approval by CIAG's members.

Both survey feedback and the financial model indicate that offering good food will be key to the pub's success. Initially, the projected levels of dry (food) sales would not justify high levels of expenditure on a dedicated chef, and the financial model therefore attempts to strike an appropriate balance by providing for part-time kitchen staffing to start with – with the possibility of investing in attracting a dedicated chef in order to drive higher food sales in due course.

Finding a good chef can be notoriously hard, but CIAG does have a few things working in its favour in this respect:

- ▣ One of the current Management Board members has an ownership stake in a specialist catering / hospitality recruitment agency which can be used to run the recruitment drive with more vigour and oversight than would otherwise be the case.
- ▣ Driven by a strong preference indicated in survey feedback, the aim will be to offer decent “pub grub”, with (ultimately) a Sunday roast / carvery offering – this will broaden the range of suitable candidates for the chef role compared to, say, offering a gastropub or fine dining experience, and will enable the required food offering to be provided in the absence of a dedicated, full-time chef in the early years.
- ▣ The opportunity to design and implement a food offering from scratch, without the restrictions imposed when working for a brewery-tied pub, will enable the vacancy to stand out and (hopefully) attract a wider pool of high-quality candidates.

In order to offer more strength-in-depth and reflect the community ethos of the pub, CIAG has reached out to City College Plymouth and South Devon College and confirmed that there is real scope to recruit an apprentice to support kitchen staffing (and, depending on their apprenticeship track / subject, front-of-house duties as well, as needed).

In addition, following advice from pub industry experts, a professional stock-taker will be employed, helping to minimise stock loss and to reduce the burden on cash flow (and space) caused by carrying too much stock. Again, this has been fully costed in the financial model.

- 4.8 The principal risks associated with the proposed business model are set out in Annex 6 (which contains a detailed “SWOT” analysis – Strengths, Weaknesses, Opportunities, Threats), together with details of contingency plans and other ways of mitigating those risks.

ANNEX 1 – TIMELINE (KEY DATES)

🗓	2 November 2018	JLL instructed as selling agents for Cornwood Inn
🗓	9 January 2019	Asking price reduced from £325,000 plus VAT to £295,000 plus VAT
🗓	1 February 2019	Community meeting in Village Hall calling for volunteers to form Action Group (and otherwise support any community-led buy-out initiative).
🗓	15 February 2019	First meeting of Cornwood Inn Action Group
🗓	1 March 2019	Cornwood Inn listed as Asset of Community Value (following application by Cornwood Parish Council)
		Vendors notified intent to sell (as required by rules for Assets of Community Value), triggering “interim moratorium”.
🗓	19 March 2019	Cornwood Inn Action Group website launched
		Community pub survey launched
		First edition of <i>Pub</i> News published
🗓	1-3 April	Initial meetings with community volunteer / supporter groups
🗓	8 April 2019	Application for Plunkett Foundation support submitted
🗓	10 April 2019	Cornwood Inn Action Group Limited incorporated as non-profit-distributing company limited by guarantee
		Expression of interest to be treated as potential bidder for Asset of Community Value submitted to South Hams District Council (triggering “full moratorium”)
🗓	24 April 2019	First meeting with Plunkett adviser
🗓	16 May 2019	Anonymous (community) benefactor provided £2,500 of loan funding (to be repaid from bursary / grant funding if and when available)
🗓	31 May 2019	Professional valuation of the Cornwood Inn received
🗓	18 June 2019	Expression of Interest submitted to Community Shares Booster programme
🗓	24 June 2019	Application for further Plunkett support (under More Than A Pub funding) submitted
🗓	27 June 2019	Application for further Plunkett support notified as successful
🗓	11 July 2019	Event at Cornwood Cricket Club to promote community share offer
🗓	6 August 2019	Auctioneers instructed to sell Cornwood Inn by auction on 12 September (after Asset of Community Value moratorium expires)
🗓	7 August 2019	Application submitted for Plunkett pre-purchase grant funding
🗓	29 August 2019	Purchase offer made to JLL (selling agents)
🗓	30 August 2019	Application for Plunkett grant funding notified as successful
🗓	8 September 2019	Heads of Terms agreed with benefactor lenders
🗓	9 September 2019	Revised (pre-auction) purchase offer made to (and accepted by) JLL
🗓	10 September 2019	Pre-auction offer confirmed as successful – exchange of contracts on purchase of Cornwood Inn
🗓	27 September 2019	Loan Agreements signed with benefactor lenders, together with grant of

		private mortgage over the property
		Completion of purchase of Cornwood Inn
🗑	3 October 2019	Application submitted to convert Cornwood Inn Action Group Limited to a community benefit society, using Somerset Rules
🗑	19 December 2019	CIAG registered with Financial Conduct Authority
🗑	20 December 2019	Business Plan and Share Offer document granted Standard Mark
🗑	21 December 2019	Community Share Offer launched
🗑	27 March 2020	Benefactor loans must be repaid in full

ANNEX 2 – CIAG CONSTITUTION

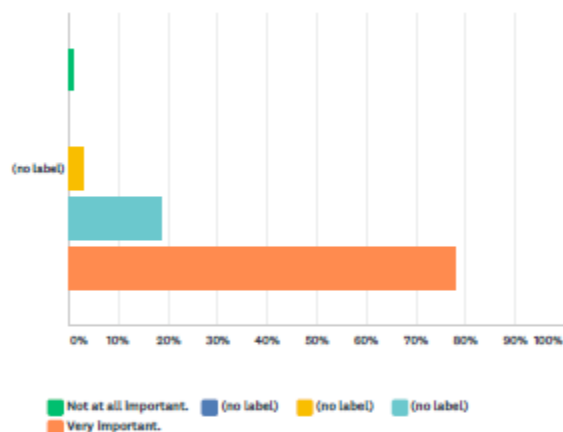
The governing rules of CIAG can be accessed at <https://cornwoodinnag.wixsite.com/ciag/community-share-offer-downloads> or by calling John Sykes (CIAG Treasurer) on 01752 837381.

ANNEX 3 – SUMMARY OF SURVEY FINDINGS

SurveyMonkey key responses:

Q1 On a scale of 1 to 5, how important do you think it is to have a local pub?

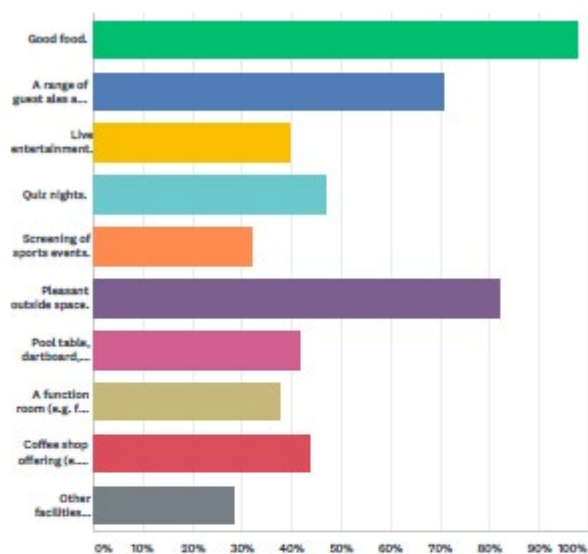
Answered: 245 Skipped: 3



	NOT AT ALL IMPORTANT.	(NO LABEL)	(NO LABEL)	(NO LABEL)	VERY IMPORTANT.	TOTAL	WEIGHTED AVERAGE
(no label)	0.82%	0.00%	2.86%	18.37%	77.96%	245	4.73
	2	0	7	45	191		

Q2 Which services would you like a local pub to offer? You can choose more than one thing.

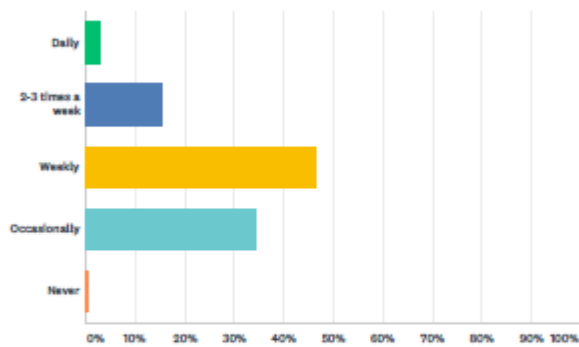
Answered: 234 Skipped: 14



ANSWER CHOICES	RESPONSES
Good food.	97.86% 229
A range of guest ales and / or wines.	70.94% 166
Live entertainment.	39.74% 93
Quiz nights.	47.01% 110
Screening of sports events.	32.05% 75
Pleasant outside space.	82.05% 192
Pool table, dartboard, other pub games.	41.88% 98
A function room (e.g. for parties, meetings and large-group meals).	37.61% 88
Coffee shop offering (e.g. range of coffee, tea and cakes etc).	43.59% 102
Other facilities (e.g. shop, library, etc).	28.21% 66
Total Respondents: 234	

Q3 If the Cornwood Inn became a community-owned pub, with more control over what it offers, how often would you or anyone else in your household be likely to visit it?

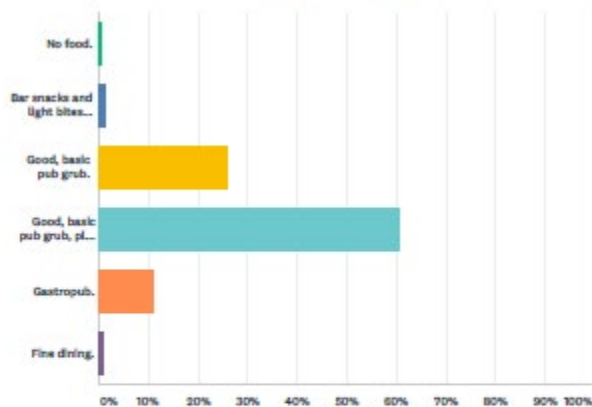
Answered: 234 Skipped: 14



ANSWER CHOICES	RESPONSES	
Daily	2.99%	7
2-3 times a week	15.38%	36
Weekly	46.58%	109
Occasionally	34.62%	81
Never	0.43%	1
TOTAL		234

Q4 What type of food do you think the pub should focus on?

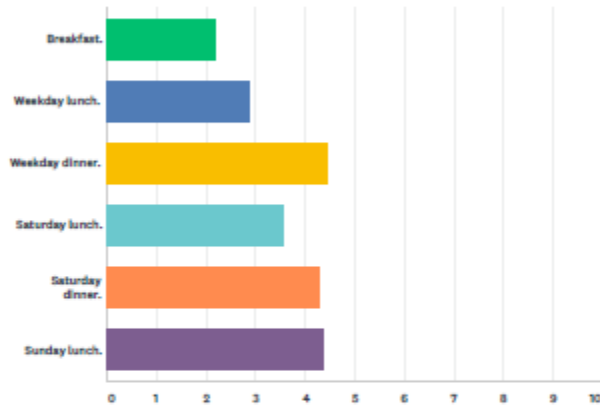
Answered: 234 Skipped: 14



ANSWER CHOICES	RESPONSES	
No food.	0.43%	1
Bar snacks and light bites only.	1.28%	3
Good, basic pub grub.	25.64%	60
Good, basic pub grub, plus Sunday roast / carvery.	60.68%	142
Gastropub.	11.11%	26
Fine dining.	0.85%	2
TOTAL		234

Q5 If the pub served the type of food you like, when would you be most likely to eat there? Please rank the choices below, with 1 being the most likely. If you would never eat at the pub, even if it served food you like, please skip this question.

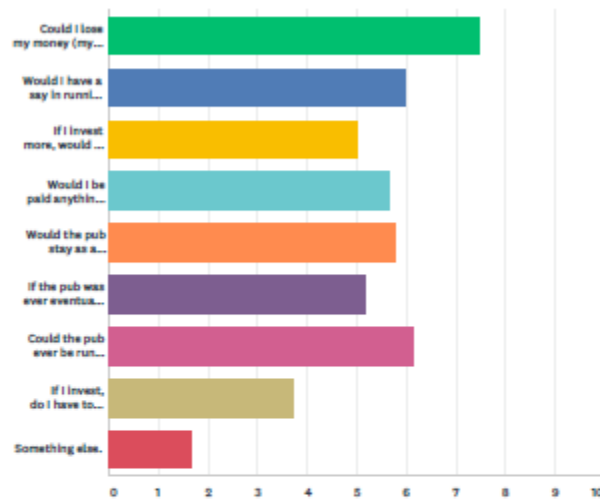
Answered: 226 Skipped: 22



	1	2	3	4	5	6	TOTAL	SCORE
Breakfast.	8.90% 13	3.42% 5	8.90% 13	10.27% 15	14.38% 21	54.11% 79	146	2.20
Weekday lunch.	6.83% 11	10.56% 17	17.39% 28	11.80% 19	36.65% 59	16.77% 27	161	2.89
Weekday dinner.	38.86% 75	14.51% 28	15.03% 29	19.17% 37	8.81% 17	3.63% 7	193	4.45
Saturday lunch.	7.89% 12	18.42% 28	23.03% 35	29.61% 45	15.13% 23	5.92% 9	152	3.57
Saturday dinner.	20.12% 34	32.54% 55	19.53% 33	14.20% 24	8.88% 15	4.73% 8	169	4.27
Sunday lunch.	29.21% 52	25.84% 46	20.22% 36	8.99% 16	9.55% 17	6.18% 11	178	4.38

Q6 What would you want to know about or be comfortable with before investing in buying, fixing-up and running the pub? Please rank the items below, 1 being the most important thing to you.

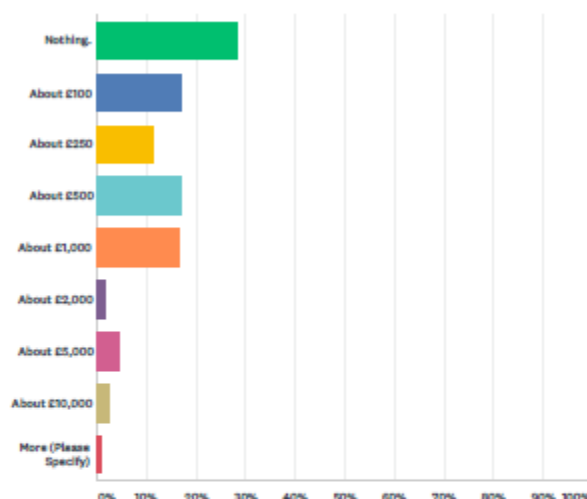
Answered: 181 Skipped: 67



	1	2	3	4	5	6	7	8	9	TOTAL	SCORE
Could I lose my money (my initial investment)?	48.65% 72	17.57% 26	8.78% 13	8.11% 12	6.76% 10	2.03% 3	2.70% 4	4.05% 6	1.35% 2	148	7.48
Would I have a say in running the business?	3.45% 5	28.97% 42	13.10% 19	18.62% 27	13.10% 19	8.97% 13	7.59% 11	4.83% 7	1.38% 2	145	6.01
If I invest more, would I have more of a say in the running of the business?	2.17% 3	7.97% 11	23.91% 33	10.14% 14	8.70% 12	14.49% 20	21.01% 29	10.87% 15	0.72% 1	138	4.99
Would I be paid anything (e.g. interest or a dividend) from time to time if the pub is successful?	4.00% 6	8.67% 13	20.67% 31	26.67% 40	15.33% 23	10.00% 15	9.33% 14	4.67% 7	0.67% 1	150	5.65
Would the pub stay as a community asset?	19.87% 31	11.54% 18	6.41% 10	8.97% 14	23.72% 37	11.54% 18	8.33% 13	7.60% 12	1.92% 3	156	5.77
If the pub was ever eventually sold for a profit, would I share in that profit?	6.08% 9	10.81% 16	10.81% 16	8.78% 13	16.22% 24	28.38% 42	14.19% 21	4.05% 6	0.68% 1	148	5.16
Could the pub ever be run profitably?	25.15% 41	14.11% 23	12.88% 21	10.43% 17	7.36% 12	3.68% 6	19.02% 31	6.75% 11	0.61% 1	163	6.15
If I invest, do I have to get involved in any other ways?	4.00% 6	5.33% 8	7.33% 11	8.00% 12	6.67% 10	11.33% 17	6.67% 10	46.00% 69	4.67% 7	150	3.73
Something else.	1.48% 2	3.70% 5	1.48% 2	0.74% 1	0.74% 1	2.22% 3	0.74% 1	3.70% 5	86.19% 115	135	1.65

Q9 Assuming all your questions and concerns could be addressed to your satisfaction, how much would you be prepared to invest? Please choose the closest option.

Answered: 174 Skipped: 74



ANSWER CHOICES	RESPONSES	
Nothing	28.16%	49
About £100	17.24%	30
About £250	11.48%	20
About £500	17.24%	30
About £1,000	16.67%	29
About £2,000	1.72%	3
About £5,000	4.60%	8
About £10,000	2.30%	4
More (Please Specify)	0.57%	1
TOTAL		174

FOCAL (Future Of Cornwood And Lutton) survey headlines:

The results of the Cornwood and Lutton Parish Plan Questionnaire (which was distributed to every household in the parish) provide very helpful insight to considerations needed in securing the future of the Cornwood Inn:

- 🗑 94% of the 412 respondents thought it important for the community to keep the Cornwood Inn open.
- 🗑 Reasons for using the pub had highest returns for meeting friends (206), eating in the evening (178) and eating at lunchtime (120).
- 🗑 Common themes in the commentary show overwhelming support for good pub food, sensible pricing of food and drink and consistent customer service from experienced staff.
- 🗑 Equally noteworthy is the desire for improved atmosphere, environment and managing anti- social behaviours.
- 🗑 Over half of respondents said they would never play pool, drink after work or support live events.
- 🗑 Potential for future customers may also be realised if further unpicking of why over a quarter of respondents never use the pub currently to eat or meet friends.

- 🗑 Requests to think about a good smoking solution, outdoor play facilities for children and safe pathways or transport to neighbouring villages also featured highly in feedback.
- 🗑 More-than-a-pub suggestions from the survey included adding a tearoom/café, takeaway service, parcel collection and integrating the village shop.
- 🗑 On inclusion, feedback focused on better accessibility, support from staff in bad weather and warmth (especially having heating on and/or fires lit).
- 🗑 Related survey questions responses also provided helpful insight for potential new pub initiatives and collaborations especially around catering for people using the moor for cycling, walking and horse riding. (102 respondents said they would use the moor more if there were organised walks and 22 if organised horse rides.) As well as ideas for additional service delivery such as access to office space, recycling, mobile banking, drop in health facilities and an integrated library in excess of 260 respondents said they would use the following in Cornwood if it was available: café, cash point, library and GP surgery.

The space within and around the pub has real potential to deliver these desires and improvements for the community it serves and its warmly welcomed community of visitors.

ANNEX 4 – COMMUNITY DEMOGRAPHICS

2011 Census Data (UK-wide data for comparison in brackets)

	Cornwood	UK Average
Population:	1,119	
Households:	524	
Children:	21%	(19%)
Adults <65:	48%	(62%)
Adults >65:	31%	(19%) – significantly older population than the national average
Single Adults:	42%	(49%)
Adults Living Alone:	34%	(30%) – higher than average levels of solitary living
No Passport:	20%	(17%)
Day-to-day Activities Limited	17%	(18%)
Bad Health:	5%	(6%)
Providing Unpaid Care:	13%	(10%) – higher than average levels of unpaid care – unpaid carers are more likely to suffer from isolation
Households Unoccupied (i.e. Holiday Homes):	8%	(4%)
Properties Owned:	73%	(68%)
Properties Rented:	25%	(31%)
No Vehicle:	9%	(25%) – although lower than the national average, having no vehicle is disproportionately detrimental in a rural / isolated community
Lone Parents:	24%	(11%) – much higher than national average levels of lone parenting – lone parents are more likely to suffer from isolation or loneliness, or have other support needs or challenges
Retired:	20%	(16%)
Average Property Price (December 2017):	£246,959	(£226,756)

English Indices of Deprivation (2015)

Multiple Deprivation – 48th percentile – in most 50% deprived neighbourhoods

Income – 63rd percentile – in least 40% deprived neighbourhoods

Employment – 53rd percentile – in least 50% deprived neighbourhoods

Education – 77th percentile – in least 30% deprived neighbourhoods

Health & Disability – 65th percentile – in least 40% deprived neighbourhoods

Crime – 77th percentile – in least 30% deprived neighbourhoods

Barriers to Housing & Services – 18th percentile – in most 20% deprived neighbourhoods

Living Environment – 4th percentile – in most 10% deprived neighbourhoods

IDACI (Children) – 67th percentile – in least 40% deprived neighbourhoods

IDAOP (Old People) – 68th percentile – in least 40% deprived neighbourhoods

ANNEX 5 – KEY FINANCIAL MODEL EXTRACTS

Note: Versions of the table below for the Minimum and Maximum funding levels are available to download at:

<https://cornwoodinnag.wixsite.com/ciag/community-share-offer-downloads>

Detailed Profit & Loss – First 5 Years (Optimum Funding Level)

	2020-21	2021-22	2022-23	2023-24	2024-25
Sales					
Wet Sales	£126,459	£138,346	£148,445	£153,344	£155,644
Dry Sales	£86,403	£94,525	£101,425	£104,772	£106,344
TOTAL Sales	£212,862	£232,871	£249,870	£258,116	£261,988
TOTAL TURNOVER	£212,862	£232,871	£249,870	£258,116	£261,988
Direct Costs					
Wet Costs	£44,261	£48,420	£51,956	£53,669	£54,474
Dry Costs	£30,242	£33,083	£35,497	£36,670	£37,222
TOTAL Direct Costs	£74,503	£81,503	£87,453	£90,339	£91,696
GROSS PROFIT	£138,359	£151,368	£162,417	£167,777	£170,292
Overheads					
Manager Salary	£47,036	£47,036	£48,917	£50,874	£52,909
Cleaning Wages	£4,368	£4,368	£4,543	£4,724	£4,913
Kitchen Staff - Wages	£12,000	£13,128	£14,086	£14,551	£14,769
Employer's NI	£6,453	£6,453	£6,711	£6,980	£7,259
Business Rates	£9,800	£9,800	£9,800	£9,800	£9,800
Licensing Fees SHDC	£500	£500	£500	£500	£500
Gaming Fee SHDC	£100	£100	£100	£100	£100
Water	£3,000	£3,000	£3,000	£3,000	£3,000
Gas	£3,000	£3,000	£3,000	£3,000	£3,000
Electricity	£10,000	£10,000	£10,000	£10,000	£10,000
Telephone	£300	£300	£300	£300	£300
Broadband	£600	£600	£600	£600	£600
Insurance	£2,500	£2,500	£2,500	£2,500	£2,500
Marketing/Advertising	£1,000	£1,000	£1,000	£1,000	£1,000
Consumables	£1,200	£1,200	£1,200	£1,200	£1,200
Waste Management	£2,500	£2,500	£2,500	£2,500	£2,500
Stocktaker	£1,800	£1,800	£1,800	£1,800	£1,800
Accountancy	£2,400	£2,400	£2,400	£2,400	£2,400
Legal Costs	£800	£800	£800	£800	£800
Bank Charges	£500	£500	£500	£500	£500
Card Charges - Fees	£300	£300	£300	£300	£300
Card Charges - Transactional	£3,193	£3,193	£3,193	£3,193	£3,193
Fire Inspection	£300	£300	£300	£300	£300
Alarm	£300	£300	£300	£300	£300
PAT Testing	£300	£300	£300	£300	£300
Certifications	£300	£300	£300	£300	£300
Innclusive Initiatives	£4,000	£4,000	£4,000	£4,000	£4,000
Maintenance	£0	£4,000	£4,000	£4,000	£4,000

TOTAL Overheads	£118,550	£123,678	£126,951	£129,822	£132,544
EBITDA	£19,809	£27,690	£35,467	£37,955	£37,748
Depreciation					
Freehold Property	£12,706	£12,085	£11,495	£10,933	£10,399
Fixtures & Fittings	£12,785	£10,450	£8,541	£6,981	£5,706
TOTAL Depreciation	£25,491	£22,535	£20,036	£17,914	£16,105
OPERATING PROFIT (After Depreciation)	(£5,682)	£5,155	£15,431	£20,041	£21,643
FINANCE					
Loan Interest					
Shareholder Loans	£1,500	£1,500	£1,500	£1,500	£1,500
Commercial Loan	£4,820	£4,416	£3,991	£3,544	£3,074
Sub-Total Loan Interest	£6,320	£5,916	£5,491	£5,044	£4,574
TOTAL FINANCE	£6,320	£5,916	£5,491	£5,044	£4,574
NET PROFIT	(£12,002)	(£761)	£9,940	£14,997	£17,069
Tax	£0	£0	£0	£2,313	£3,243
PROFIT AFTER TAX	(£12,002)	(£761)	£9,940	£12,684	£13,826
Share Interest Accrual	£0	£0	£3,500	£3,500	£3,500
PROFIT AFTER TAX AND SHARE INTEREST	(£12,002)	(£761)	£6,440	£9,184	£10,326
ACCUMULATED PROFIT (Less Share Interest)	(£12,002)	(£12,763)	(£6,323)	£2,861	£13,187

Detailed Balance Sheet – First 5 Years (Optimum Funding Level)

	Opening	2020-21	2021-22	2022-23	2023-24	2024-25
FIXED ASSETS						
Freehold Property	£260,000	£260,000	£260,000	£260,000	£260,000	£260,000
Fixtures & Fittings	£70,000	£70,000	£70,000	£70,000	£70,000	£70,000
Accumulated Depreciation						
Freehold Property	£0	(£12,706)	(£24,791)	(£36,286)	(£47,219)	(£57,618)
Fixtures & Fittings	£0	(£12,785)	(£23,235)	(£31,776)	(£38,757)	(£44,463)
Sub-Total Accumulated Depreciation	£0	(£25,491)	(£48,026)	(£68,062)	(£85,976)	(£102,081)
TOTAL FIXED ASSETS	£330,000	£304,509	£281,974	£261,938	£244,024	£227,919
CURRENT ASSETS						
Bank						
Main Bank Account	£55,000	£74,223	£88,655	£55,915	£75,321	£93,950
Contingency Reserve				£30,000	£30,000	£30,000
Share Withdrawal Reserve ^{Note 1}				£25,000	£50,000	£75,000
Sub-Total Bank	£55,000	£74,223	£88,655	£110,915	£130,321	£148,950
Trade Debtors						
Sub-Total Trade Debtors	£0	£0	£0	£0	£0	£0
Other Debtors						
Sub-Total Other Debtors	£0	£0	£0	£0	£0	£0
Stock On Hand						
Wet Costs	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Dry Costs	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000
Sub-Total Stock On Hand	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000
TOTAL CURRENT ASSETS	£70,000	£89,223	£103,655	£125,915	£145,321	£163,950
CREDITORS DUE <12m						
Bank						
Sub-Total Bank	£0	£0	£0	£0	£0	£0
Trade Creditors						
Trade Creditors	£0	£7,207	£7,744	£11,699	£11,921	£12,025
Sub-Total Trade Creditors	£0	£7,207	£7,744	£11,699	£11,921	£12,025
Other Creditors						
VAT	£0	£5,602	£6,020	£6,544	£6,798	£6,918
PAYE	£0	£833	£848	£889	£922	£955
Sub-Total Other Creditors	£0	£6,435	£6,868	£7,433	£7,720	£7,873
Commercial Loan	£7,908	£8,312	£8,737	£9,184	£9,654	£10,148
Corporation Tax	£0	£0	£0	£0	£983	£2,578
TOTAL CREDITORS DUE <12m	£7,908	£21,954	£23,349	£28,316	£30,278	£32,624
NET CURRENT ASSETS	£62,092	£67,269	£80,307	£97,598	£115,043	£131,326
CREDITORS DUE >12m						
Commercial Loan	£92,092	£83,780	£75,043	£65,859	£56,205	£46,057
TOTAL NET ASSETS	£300,000	£287,998	£287,237	£293,677	£302,861	£313,187
CAPITAL AND RESERVES						
Share Capital ^{Note 2}	£175,000	£175,000	£175,000	£175,000	£175,000	£175,000
Grant	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000
Shareholder Loans	£75,000	£75,000	£75,000	£75,000	£75,000	£75,000

Retained Earnings	£0	(£12,002)	(£12,764)	(£6,324)	£4,190	£15,180
TOTAL CAPITAL AND RESERVES	£300,000	£287,998	£287,237	£293,677	£302,861	£313,187

Note 1: £25,000 for each Year (from Year 3) - cumulative value shown assumes no withdrawals against this reserve.

Note 2: Assumes no withdrawal of shares; any withdrawal to be funded from / replaced by Share Withdrawal Reserve.

ANNEX 6 – SWOT ANALYSIS & RISK MITIGATION



NB: The SWOT analysis above focuses on the core business of CIAG, in terms of its viability as a commercial entity (and therefore the matters of most likely interest to potential investors). It therefore does not specifically consider the wider social aims of CIAG, except to the extent they have a bearing on the commercial viability of the business.

Key Risks and Mitigations

Risk	Mitigation
<p>🏠 Treby Arms has re-opened and Mountain Inn may re-open, increasing competition for community clientele</p>	<p>🏠 Differentiation – neither pub is equipped to (or has the reputation for) providing the same type or scale of offering as the Cornwood Inn</p> <p>🏠 Further differentiation through community ownership</p> <p>🏠 Cornwood Inn’s wider business plan explicitly aims to broaden the clientele beyond the immediate community, reducing impact of any loss of community clientele</p>
<p>Too many community investors wanting to withdraw their shareholdings at once</p>	<p>🏠 Rules will expressly prevent this, giving board the necessary discretion to protect CIAG’s liquidity</p> <p>🏠 Higher value investors are able to invest by way of shareholder loans (in addition to a shareholding) – such loans will be expected to be paid back within a specific timeframe, meaning that not so much money will be tied up in shareholdings, which have an uncertain withdrawal timeframe, and the business will therefore be able to plan more robustly for reducing levels of community investment</p> <p>🏠 Financial model anticipates the ability to access (further) commercial lending after the first 3 years of trading (when withdrawal of shares becomes possible), enabling withdrawn investment to be replaced by borrowing if needed (and sustainable)</p>
<p>Dependence on quality food offering</p>	<p>🏠 Focus on simple, relatively small range provided at consistently high quality</p> <p>🏠 Some dedicated staffing spend earmarked in financial model, with scope to invest in a full-time dedicated chef in future years</p> <p>🏠 Ability to access specialist catering recruitment agency to access appropriate talent</p>

Risk	Mitigation
Potential for business to be distracted or subverted by “village politics”	<ul style="list-style-type: none"> 🗑 Clear governance model which emphasises the difference between running the company and running the pub – “accountability without interference” 🗑 Use of well-established rules and type of legal entity (community benefit society) for this type of initiative – designed to avoid exactly this scenario 🗑 Scope for participation of non-community investors to help balance out more partisan interests
Macro-economic or other wider threats (e.g. possible economic slow-down due to hard Brexit, or widening of gap on duty payable on drinks served in pubs versus shops) may affect viability of pub business	<ul style="list-style-type: none"> 🗑 Scope (and plans) to broaden the offering beyond traditional pub offering, e.g. integration with village shop, coffee shop and cake offering, etc – so less vulnerable to wider pub business trends 🗑 Foster close and, where possible, personal relationships with the supply chain, to help drive a more collaborative response to such pressures (rather than suppliers simply passing on the full impacts to us as a customer) 🗑 Community focus of pub offers a clear and marketable differentiator to other pubs (and to other sellers of alcohol)
Employed manager may be incompetent or dishonest	<ul style="list-style-type: none"> 🗑 Careful job description and selection process, overseen by the board, co-opting suitably qualified advisers as needed 🗑 Close management by CIAG board, with direct accountabilities (and pro-active monitoring) as described in Section 4.3
Employed manager may move on	<ul style="list-style-type: none"> 🗑 Ensure that employed manager is made aware of the possibility to move to a tenanted model after 3 years, if all is successful 🗑 Offering above-average remuneration to help attract talent and drive loyalty

Risk	Mitigation
Financial modelling may be inaccurate, resulting in business being unsustainable and investors losing money	<ul style="list-style-type: none"> 🗑 Monitor model against reality every month for first year of trading, and revise entire financial model following that first year 🗑 Financial model includes various contingencies and was prepared on a conservative basis 🗑 Ratio of shareholder investment (including shareholder loans) to other indebtedness is comparatively low 🗑 Financial model assumes a degree of net operating loss for the first year anyway – if this looks like being substantially exceeded, the possibility remains to cease trading and seek alternative solutions, releasing the value of the underlying asset (and repaying investors) in due course

ANNEX 7 – INNCLUSIVE IDEAS

Introduction

It should be noted that the ideas listed below are indicative only, and definitely non-exhaustive – they are included here to both demonstrate the range of suitable, community-enhancing possibilities and to help exemplify the 3 key strands of the **Innclusive** banner.

One of the key functions of the community ownership model (and related governance described elsewhere in this Business Plan) will be to source ideas and prioritise them in a way which reflects the community's needs and wishes.

Innto Dartmoor

- 🗑 Reach out to clubs and other associations based around activities for which Dartmoor is especially well-suited, offering facilities (packed lunches, shower room, additional bike racks, equipment storage etc) or special deals (reduced-price meals and / or drinks), ideally in return for promoting and opening up their activity to members of the local community.

Core Benefits:

- Promotes the pub to a wider, out-of-area user base, building revenues and increasing what can be re-invested in the community offering.
- Opens up a wider range of activities to local residents than would be the case through purely locally-available activities and groups, which in turn helps to counter loneliness and isolation and promotes health and wellbeing.
- Establishes the pub as a hub, driving wider economic benefits for the surrounding area.

Examples of relevant activities include:

- Art – e.g. landscape painting
- Car and motorbike rallies
- Caving
- Clay pigeon shooting
- Climbing
- Cycling
- Dog walking
- Fishing
- Foraging
- Hashing
- Horseriding
- Kayaking
- Letterboxing / geocaching

- Orienteering
- Pheasant shoots
- Photography
- Remote control aircraft clubs
- Walking

Open Internet

- 🗑 Make superfast broadband available from the pub, free of charge (with a daily changing password – not to mention the pub’s thick walls! – helping to ensure that people visit the pub to access this).
- 🗑 Keep a (community-sourced) bank of second-hand (or new, if available) laptops and other internet-enabled devices behind the bar to be checked out for free (for use on the pub premises) by members of the community.
- 🗑 Host internet drop-in clinics and quickfire training, run by tech-savvy members of the community (and, where available, local professionals) to help less confident web users develop the skills and knowledge needed to access the internet safely and confidently.
- 🗑 Launch an app, enabling users to vote on certain decisions relating to the Cornwood Inn (e.g. wine and beer of the week, food specials, choice of live entertainment, etc), alongside pub-hosted drop-in events aimed at connecting tech-savvy community members (ideally younger people, subject to licensing rules of course) with less tech-savvy community members (who are often, though not exclusively, older people).

The events would use showing people how to download, access and use the app as a way of providing a starting point for teaching basic web access and smart-phone skills.

Core Benefits:

- Gives a voice to community members in terms of certain aspects of the running of their village pub, even if they could not afford to invest as shareholders.
 - Addresses loneliness and isolation by connecting people, mainly across different generations.
 - Helps to tackle “online isolation”, where people lack the skills (or infrastructure) to access key web-based services – an especially important issue in more isolated, rural communities where web-based services are often the only viable option, particularly for those lacking transport.
- 🗑 Invite Devon Libraries to workshops aimed at demonstrating how the internet can be used to access the library service (and how libraries can be used to access the internet).
 - 🗑 Run “write your own blog” sessions, aimed at helping both seasoned and new internet users understand how to start up and write blogs, as a way of building communities beyond the physical boundaries of the immediate area.

Inndependence

- 🗑 Breakfast club for children at school locally whose parents are working or seeking work.
- 🗑 Occasional mobile library service (perhaps even leveraging technology to offer collection and return of books and other resources on behalf of Devon Libraries).
- 🗑 Mobile banking from the pub car park.
- 🗑 Enhancing the existing village Post Office offering by providing service across more days and / or longer hours (and in a more secure environment). In any event, offering a secure parcel drop-off and collection service.
- 🗑 Integrating (by agreement) the existing village shop and coffee shop offering, providing greater trade through otherwise traditionally-quiet hours, and more scope for stocking a wider range of products valued by the community.
- 🗑 Providing an affordable, healthy meal of the week (cross-subsidised by other menu options), also available on a take-away basis – perhaps using the model deployed successfully elsewhere, where users pay what they can (by dropping payment into a sealed container).
- 🗑 Complementing existing Village Hall and other events by offering social inclusion opportunities on more days of the week and at alternative times, for example:
 - Meet-Up Mondays (a national movement)
 - Repair cafés
 - Memory cafés for dementia and Alzheimer sufferers
 - Knit and natter sessions
 - Craft and making workshops
 - Boardgame days
 - Shopping trips (with transport leaving from and returning to the pub as a central gathering point)
- 🗑 By arrangement, hosting a regular roster of services (provided by businesses and other service providers from the surrounding local area) which are currently hard to access without ready access to transport, for example:
 - Hairdressing and beauty treatments
 - Chiropody
 - GP and related health services
 - Sight and hearing tests
 - Physiotherapy
 - Job searching
 - Citizens' advice
 - Exercise classes – especially for those with particular needs or constraints
 - Pharmacy

ANNEX 8 – CIAG MANAGEMENT COMMITTEE BIOGRAPHIES

Al Goodwin has lived in Cornwood Parish for 5 years (having bravely bought a house with his in-laws!), with one child at Cornwood Primary School, one at Ivybridge Community College and a toddler keeping everyone busy at home.

His wife is a Consultant at Derriford hospital, but Al is far less useful to society, being a lawyer by background. He trained at “Magic Circle” firm Freshfields Bruckhaus Deringer in London, spent several years at other major firms DLA Piper and Burges Salmon, and became a Partner at Top-100 firm Foot Anstey at the age of 34, heading up the Complex Contracts & Collaborations and Public Sector teams. After 5 years as a Partner, Al joined a client, SC Group (an international advanced engineering and manufacturing company) as their Head of Commercial for 2 years, before setting up his own business (Candid Commercial) at the start of 2018, aimed at making legal and commercial advice clearer and more accessible to those who need it.

Al’s current clients range from Google, to (Hugh Fearnley-Whittingstall’s) River Cottage, through to a regional sexual health charity (to mention just a few). Al’s main contribution to the management committee has been sorting out the various legal bits, and making chocolate brownies.

Andrew “Tom” Thomson is married to Jess Thomson, a former Head of Arts and Photography secondary school teacher, with 3 children all showing career aspirations in the arts and welfare. Tom and his family have recently moved to Cornwood from Berkshire, realising a promise we made to themselves 30 years ago. Tom’s career has been somewhat diverse, studying Farm and Estate management after leaving school, progressing into the wine and restaurant industries when the family farm passed into others’ hands (remember to check your wills are in place!).

Despite developing a love of cooking and qualification in wine tasting, a spell back in education earned Tom a Postgraduate Diploma in International Marketing and Languages, together with Membership of the Institutes of Marketing and Export. Accepting a general management role within BPI Plc, with responsibility for developing and implementing International standards with the assistance of the Association of British Insurers and Loss Prevention Council in the manufacture of specialist plastics used in worldwide Marine, Aviation, Defence, and Commercial Construction industries, a career progression in a similar export role within the Dairy Industry, for Ambic Plc, manufacturing mastitis control products for the international dairy herd markets came to an abrupt end with the advent of the Foot and Mouth epidemic of the late 90s.

Utilising knowledge gained from contractor contacts servicing the National Trust, English Heritage and Royal Historic Palaces, Tom set up his own building and refurbishment firm in 2001, a very rewarding experience that he continues to enjoy getting out of bed for. The next chapter is being formulated, and is likely to involve Tom’s passion for good food – he can’t resist a project.

John Sykes and his wife, Gayle, moved to Cornwood from nearby Plympton in December 2016. Originally from Yorkshire he has spent most of his working life in the Plymouth and South Hams area. He trained as a teacher in Bath and then taught Mathematics, ICT and PE from the late 70's onwards. His first posts were in Plymouth, followed by a short period as Head of Maths at Coniston in the Lake District, he then returned to the South West as Head of Maths at Dartmouth Community College. In the late 80's he became Vice Principal, and for a short period Acting Principal, of Sir John Hunt Community College in Plymouth.

John retired from teaching in 2011 and spent just over 3 years as the College's Data Manager, before permanent retirement in 2015. During his time at Sir John Hunt he was part of the team that secured Lottery Funding to build a Community Sports Hall and then oversaw its design and construction. He played a major role in the PFI project that created a campus of 3 schools on the Sir John Hunt site. He was also seconded for 2 years to support the PFI project at Ernesettle Primary School.

John's main contributions to CIAG have been setting up and managing the electronic communication and storage systems, and, more recently, serving as Treasurer.

Laura Joynes has lived locally all her life and after finishing school at Ivybridge Community College, she moved away to study Law at university. On completion of her degree, Laura took the opportunity to travel and work abroad for a year before deciding to return to Devon to settle in the parish. She lived in Luton for 14 years, but a growing family meant that her and her husband moved from their cottage to their current house in Cornwood 4 years ago.

Laura has worked as a Legal Manager for the NHS for the past 15 years. She heads up a team that specialises in Medical Negligence, Personal Injury, Inquests and all aspects of health care legislation. A demanding role, with often difficult and complex issues, but Laura loves every part of it as she enjoys a challenge!

Laura lives with her husband and two children, who both attend Cornwood Primary School, and very much enjoys taking part in community events with her family.

Nick Pound – The latest member of CIAG, Nick has drifted slowly westwards through most of his life, finally settling in Cornwood nearly 10 years ago.

Originally an industrial chemist, Nick joined Castrol back in 1982 as a white-coated development chemist and stayed with the company (later owned by BP) for nearly 30 years picking up a variety of experiences as well as meeting his wife, Linda, across a smoking test tube. As with many big companies, there was no simple career path mapped so roles included developing products for racing teams; technical trouble-shooting in South America; major business systems projects; global supply chain management for the Offshore and Power Generation markets and (finally) finance for the developing Biofuels business.

Having been away from home for far too much time, the option of early retirement was irresistible and Nick is now enjoying working on house and garden and walking the moor with the dogs.

In addition to CIAG duties, Nick is also a trustee and treasurer of the Cornwood Show.

Nicola Dollard (or Nicky) is originally from the brewing family of Hall and Woodhouse , and has been living in Cornwood for 30 years, initially at East Rooke and now at Delamore.

She is a founding Director of Delamore Arts which has an annual Art Exhibition at Delamore , every day in May, and exhibits over 70 different artists, both painters and sculptors, from around the world. Around 7000 visitors now attend the exhibition and a café was set up to cater for them all. There should be plenty of scope to encourage these visitors up to the pub!

Nicky is also Director and Partner of Delamore Park, which provides 10 modern offices of over 11000 sq. foot between Cornwood and Lutton at Home Farm. This was set up in 2007 and designed and built locally by the Delamore Estate. She was also a Trustee of Endsleigh House near Tavistock, until it was sold to the Forte family.

Nicky is married to Gavin and they both live in and run the Delamore Estate, which has been in his family since 1677 – and it used to own the Cornwood Inn!

ANNEX 9 – SHAREHOLDER LOAN TERMS

Cornwood Inn Action Group Limited

Shareholder Loan Agreement

- Parties:**
- (1) Cornwood Inn Action Group Limited, a community benefit society, with its registered office at The Coach House, Uppaton Lane, Ivybridge, PL21 9HS and registered with the Financial Conduct Authority under society number [insert].
 - (2) [Name].

THE PARTIES AGREE THAT:

Meanings

- 1) In this contract, certain words and phrases start with upper-case letters or have a special meaning. The following meanings apply to those words and phrases:

- | | |
|-------------------------|--|
| CIAG | has the meaning given above in the “Parties” section. |
| Default Interest | means interest payable on overdue sums under this agreement, as set out in clause 14) below, at the same rate as that which would apply under the Late Payment of Commercial Debts (Interest) Act 1998 (at the time of writing, 8.75% annually). |
| Insolvency Event | means: <ul style="list-style-type: none">(a) any property of CIAG becomes subject to any forfeiture or to any procedure for another person taking control of that property, including where a mortgagee takes possession of (or exercises (or seeks to exercise) any power of sale, or power to appoint a receiver in relation to, that property);(b) CIAG ceases or threatens to cease to carry on, or disposes or threatens to dispose of, its business or a material part of its business;(c) CIAG makes a proposal for a voluntary arrangement under the Insolvency Act 1986 Part I or enters, or seeks to enter, into any other form of composition or arrangement with its creditors, whether in whole or in part;(d) CIAG becomes subject to a notice of an intended appointment of an administrator, or an application is made to any court, or any meeting of directors or members is called, in each case with a view to CIAG entering into administration; |

- (e) an administrative receiver is appointed in respect of the whole or any part of the undertaking of CIAG; or
- (f) a petition is presented in any court or a meeting is convened for the purpose of considering a resolution for the winding-up of CIAG (except in the case of a reconstruction or amalgamation that has your prior express approval).

Litigation	means any litigation, administrative or arbitration proceeding before (or of) any court, governmental authority, other tribunal, arbitrator or other third party.
Loan	has the meaning given in clause 4) below.
Loan Date	has the meaning given in clause 7) below.
working day	means a day other than Saturday, Sunday or any public holiday in England.
you, your	and similar terms refer to the person entering into this agreement with CIAG, named above in the "Parties" section.

- 2) Any words following "including", "includes", "for example", "in particular" or any similar expression are illustrative only and do not change the sense of the wider clause they are used in.

Eligibility

- 3) To be eligible to enter into this agreement, you must, at the time of entering into it, have bought or committed to buy at least £2,500-worth of community shares in CIAG. If the value of community shares you hold in CIAG falls below that number before the Loan is repaid, that does not affect this agreement.

The Loan

- 4) You agree to lend CIAG the sum of £[insert]. This is referred to in the rest of this agreement as "the Loan".
- 5) You will pay the Loan money to CIAG within 3 working days of entering into this agreement.
- 6) You will pay the money either:
 - a) as a bank transfer to the bank account CIAG tells you about; or
 - b) as a cheque made payable to Cornwood Inn Action Group Limited.
- 7) The date the Loan is received by CIAG as cleared funds in CIAG's bank account is the Loan Date.

Repayment

- 8) CIAG will repay the amount of the Loan to you in full no later than the date falling 7 years after the Loan Date. If that date is not a working day, the repayment will instead be on the next working day.
- 9) CIAG's repayment will be to the bank account from which you paid the Loan amount, unless you request payment to a different account in your name (and CIAG, acting reasonably, accepts that request).

10) CIAG may choose to repay all or part of the Loan amount at any time before the repayment date described in clause 7) above, but only after at least 3 years have passed since the Loan Date. Where CIAG chooses to make this type of early repayment and only repays part of the Loan, references in the rest of this agreement to “the Loan amount” will be treated as references to whatever is left of the original Loan amount after CIAG’s partial repayment.

11) You also entitled to require CIAG to repay the Loan in full if any Insolvency Event happens.

Interest

12) CIAG will pay interest on the Loan amount at the annual rate of 2%, for each day that the Loan amount remains outstanding. Interest will be paid as close as reasonably possible to each anniversary of the Loan Date, but CIAG has the right to bring forward or delay interest payments by a reasonable amount in order to group together interest payments under multiple shareholder loan agreements on the same date.

13) Interest will only be paid on the Loan amount – no interest is payable on interest (apart from where CIAG is late to pay interest, in which case clause 14) below applies).

Your Rights and Remedies

14) If CIAG is late to pay any amount due under this agreement (either a repayment of the Loan amount or a payment of interest under clause 12) above), Default Interest will apply to the sum in question for each whole day of delay in payment.

15) The Loan is unsecured. This means (along with any other legal consequence of the Loan being unsecured) that you have no right to force any of CIAG’s assets to be sold or passed over to you in order to repay the Loan, and you rank alongside all other unsecured creditors (people to whom CIAG owes money) if CIAG becomes insolvent.

16) To give you an additional level of protection against decisions which may negatively affect the chances of the Loan being repaid to you, CIAG is not entitled to implement any of the following types of decision without your express prior approval:

- a) any decision which would, or would be materially likely to, result in the total level of debt secured against the property owned by CIAG exceeding £140,000 (or, if higher, 50% of the independently-assessed valuation of that property, on a “Market Value – Closed” basis);
- b) any decision which would, or would be materially likely to, result in the ratio of CIAG’s total debt to CIAG’s total shareholding and shareholder loans exceeding 50%; or
- c) any decision which would, or would be materially likely to, result in an Insolvency Event.

17) You must not unreasonably withhold an approval under clause 16), and if your approval has been requested and you have not answered within 5 working days of that request you will be deemed to have given your approval.

Use of the Loan

18) CIAG may use the Loan money for any purpose. This does not affect your rights under clause 16) above.

Legal Matters

19) CIAG makes the following promises (in legal terms, represents and warrants) to you:

- a) CIAG entering into and complying with this agreement does not and will not contravene any charge, mortgage, lease, loan facility or other agreement;
- b) at the time of entering into this agreement, CIAG is not insolvent and knows of no circumstances that would entitle any creditor to appoint a receiver or administrator, to petition for winding-up, or to exercise any rights over or against the assets of CIAG;
- c) no Litigation which could materially and adversely affect CIAG's ability to repay the Loan or otherwise comply with this agreement is presently taking place, pending or (to the best of the knowledge, information and belief of CIAG) threatened against CIAG; and
- d) CIAG entering into and complying with this agreement does not and will not contravene any of the provisions of its constitution.

20) You are not allowed to transfer or assign any of your rights under this agreement to anyone else.

21) All the provisions of this agreement are distinct from each other; if a provision is (or becomes) invalid, illegal or unenforceable, that does not affect the other provisions.

22) English law applies to this agreement, its subject matter and its formation, and the English Courts have exclusive jurisdiction over any disputes arising about those things.

Signed:

Name:

Date:

Signed:

Al Goodwin

Director

Date: [insert]

For and on behalf of Cornwood Inn Action
Group Limited