

Friends of The Elm Tree Inn Limited

Business Plan

Date: 1st December 2024



Please help to save the Elm Tree Inn

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Project Name: Friends of The Elm Tree Ltd Community Business Plan

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Author(s): Steering Committee and founder members of the Friends of The Elm Tree Limited

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1. EXECUTIVE SUMMARY

We are seeking investors who wish to become Members of the Friends of The Elm Tree Inn Limited (FCA Reg. No. 9439) who hope to buy The Elm Tree Inn, Langton Herring, Dorset. We plan to run it as a typical village pub for the benefit of the residents of Langton Herring and surrounding villages, as well as for visitors to the area. We aim to find a professional tenant who will run The Elm Tree Inn as a profitable business with all your support and provide a service to the village as well as to visitors to the area while supporting other local businesses and tourism within West Dorset.

More importantly, it will strengthen the heart of the village as a place for social gatherings, providing good food and cultural activities, and somewhere to meet people and exchange information, and it will promote a cohesive and friendly community in the area. It is our intention that the pub will work closely with and in support of the other community facilities and clubs in the area, in particular the village hall.

When you make an investment, you will become a Member of Friends of The Elm Tree Inn Limited. We are a Community Benefit Society, which is a society with limited liability run for the benefit of the local community. As a Member you will be a co-owner of the freehold of a traditional Dorset pub in a beautiful setting and will always receive a friendly welcome in the pub that you own.

The performance of the tenant that we select is critical to the long-term success and sustainability of the enterprise and it is essential that we maintain good communication with and support for our tenant to achieve this.

Shareholders will need to invest a minimum of £200 or more in £200 incremental tranches to a maximum of £65,000 per person or organisation. Each Member will have one vote that guarantees an equal say in the enterprise no matter how much you invest. The initial Steering Committee that has formed the Society is accountable to the membership and will, in future, be elected by the Members as a Management Committee.

Members will receive updates via the website www.friendsoftheelmtree.org, and newsletters and will be entitled to attend the Annual Members Meeting (AMM) and other special general meetings that may be called from time to time.

Professional expertise has been sought from Messrs. Symonds and Sampson and on 18 November 2024, their Market Value of the freehold property in its current condition being closed and with no Goodwill was between £570,000 to £600,000 excluding VAT. Additionally, we anticipate a further £50,000 will be required to cover the purchasing and start-up costs of the pub.

No valuation of potential turnover was possible as the pub is being sold without Goodwill. However, a professional tenant delivering good pub food, excellent local ales and wines in a welcoming atmosphere will generate a turnover that will sustain the pub as well as generating income for the tenant.

A professional survey of The Elm Tree will be conducted by A. Jestyn Coke, Chartered Surveyors of Blandford Forum, on 6th December 2024.

We aim to raise a total of £650,000 from a community share offer, notwithstanding the possibility of also crowdfunding. This will be used to purchase the building freehold with associated costs and taxes and get it ready to be re-tenanted. The Society will agree a lease with a tenant who will run the licensed business.

The rental income will provide the revenue to maintain the building, may well facilitate the withdrawal of shares from time to time, and may pay interest to the investors. We firmly believe that the business will be profitable, but if it is not, the Society will own a valuable asset – the building and land associated with it – which, if necessary, could be sold in order to return funds to investors. Your investment is in the building and land – the bricks and mortar, not the licensed business.

This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members and users.

This business plan will evolve as we move through the process and negotiate to acquire the pub, recruit the tenant, and achieve success with any grant applications. To that end, updated business plans will be published to you if and when they are generated.

2 . INTRODUCTION

2.1 THE PURPOSE OF THIS DOCUMENT

This business plan aims to demonstrate the feasibility of the Friends of The Elm Tree Inn Limited to raise sufficient community investment and alternative funding to enable the freehold of The Elm Tree Inn to be purchased and let to a professional tenant on a viable and sustainable basis.

2.2 MARKET BACKGROUND

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

Figures from the Office for National Statistics show that there were 80 pubs and bars in Weymouth and Portland in 2010, but by 2017 that had fallen to 55, a 31.2 per cent reduction. Similar figures show the same trend in East and North Dorset, but surprisingly, West Dorset, where numbers have fluctuated, show a slight increase in Dorchester and Bridport bucking the local and national trend.

Pubs have been pointing the finger of blame at the taxman for their troubles, complaining about the duty on beer, VAT levels and the cost of business rates. However, one must also consider the impact of Brexit, inflation, changes in consumer behaviour and changes in drinking and driving habits to better understand the current situation.

It is worth noting that communities are increasingly teaming up and buying these underperforming assets and operating them through tenancies for the benefit of the local community. According to the Plunkett Foundation, across the UK they have seen an increase in the opening of co-operative pubs.

The key reason for this change has been the recognition that cooperative pubs create a democratic way of running a community business and are set up on a 'one member, one vote' basis. Co-operative pubs aim to be profitable; they can distribute surplus profits to members, reinvest back into the running of the business, or distribute it back to the community.

2.3 PROJECT BACKGROUND

In November 2023, the Elm Tree Inn was closed and shortly afterwards, the owner placed it on the market without Goodwill and without any formal announcement to the community.

In May 2024, the residents of Langton Herring met to discuss the situation, and the Friends of The Elm Inn arose from the actions of the community. The Friends of The Elm Tree Inn met on

several occasions and then established a steering committee to develop an action plan that would result in the reopening of The Elm Tree Inn.

The Elm Tree Inn was listed as an Asset of Community Value (ACV), and it was decided to apply to Dorset County Council to extend the ACV. This was realised in September 2024 and provided a greater possibility of a long-term sustainable future. After a survey of the community's interest and further consultations, the Steering Committee registered the community's intention to purchase the Elm Tree Inn in the name of The Friends of the Elm Tree Inn.

On 21st November 2024, the Financial Conduct Authority informed the steering committee that The Friends of The Elm Tree Inn Limited had been successfully registered (Number 9439). Henceforth, The Friends of The Elm Tree Inn will be known as "The Society".

2.4 WHY DID THE PUB CLOSE

The full potential of The Elm Tree Inn has been under-utilised in recent years through an inappropriate business model which led to high prices and few customers. The village alone cannot sustain The Elm Tree Inn and so the pub must attract clients from surrounding villages as well as from further afield.

3. VISION AND COMMUNITY BENEFITS

3.1 COMMUNITY CONSULTATION

Langton Herring has witnessed the impact on a community that a pub closure can have. Pub closure not only threatens the social cohesion of a community but also exacerbates the impact of rural isolation.

Research undertaken within the community via a survey and several open meetings has established an excellent body of support for the project with a high level of participation. Essentially, the community wanted The Elm Tree Inn to offer a warm welcome, a cosy atmosphere, fairly priced good food and outstanding service. Key comments included making the most of its appealing location off the main road, the wonderful views over the open countryside and direct access to footpaths and bridleways leading to the South Coast Path.

The pub was seen as playing a key role as a social amenity providing a place for friends and neighbours to meet and the opportunity to get to know new people moving into or visiting the community.

3.2 BENEFIT TO THE COMMUNITY

We believe that The Elm Tree Inn and the site it occupies are vital amenities for Langton Herring and nearby villages and that the best interest of the community will be served by acquiring the pub through a limited liability Community Benefit Society. This will enable the village to secure and safeguard the pub for the foreseeable future.

We intend to finance the acquisition and funds necessary to reopen the pub through a community share offer and possibly through crowdfunding. The intention is to maximise the capital raised through the community share offer. We have set a target of £650,000; however,

we need to raise a minimum of £500,000 to proceed. If we only achieve the minimum amount of share capital through the initial offer, the share offer will be extended. Other sources of funding will be pursued, but timescales for grant funding are notoriously uncertain and have been excluded from the business plan for this reason. Any grants awarded would be used to reduce the loan capital required for the purchase as well as the costs of reopening the pub.

This represents a fantastic opportunity for Langton Herring and nearby villages to strengthen the vibrancy and sustainability of our community. This purchase would have many benefits, including:

- Maintaining a place to meet friends and neighbours and improving the sense of community;
- Providing a central point for information on community events and local issues;
- Securing the heart of the village for the community;
- Improvements to the fabric of the building;
- Creating opportunities for employment;
- Injecting money into the local economy;
- Providing a hospitality venue for local groups (such as walkers, cyclists, bird watchers) , tourists, weddings and funerals;
- Helping to sustain local property prices.

4. AIMS AND OBJECTIVES

Our mission:

“To secure the long-term future of The Elm Tree Inn as a flourishing pub for the benefit of the community, by vesting ownership in a society controlled by the community and by running the pub profitably.”

As there was no Goodwill, trading history was largely unhelpful in establishing the valuation of the pub. However, we have used some historical data that allows us to feel confident about the future financial security of the pub (See table below):

Elm Tree Inn - Indicative Trading Results at Varying Turnovers

Turnover on Sales of Food and drink net			300,000	400,000	500,000
Gross margin on above		55%	165,000	220,000	275,000
Overheads	Staff wages	15%	45,000	60,000	75,000
	Rent		30,000	36,000	40,000
	Rates		8,000	8,000	8,000
	Energy		25,000	30,000	35,000
	Maintenance		15,000	18,000	22,000
	All Other		18,000	20,000	25,000
TOTAL			141,000	172,000	205,000
Profit to Tenant and family (in addition to accommodation)			24,000	48,000	70,000

4.1 RAISE ENOUGH CAPITAL TO PURCHASE THE PUB

We propose to raise £650,000 through a community share offer and possibly through crowdfunding. This will be used to purchase the building freehold with associated costs and taxes and get it ready to be re-tenanted.

Investment is in the building and land – the bricks and mortar, not the licensed business. This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members, users and future generations.

The business plan will evolve as we move through the process and negotiate to acquire the pub and recruit the tenant, and subsequent modifications to the Business Plan may well be necessary

It is proposed that this is funded as follows:

- £650,000 from community shares (although we will most certainly seek grants as well as crowdfunding opportunities). The concept of community shares has been widely explored and promoted through community research and meetings, regular newsletters and articles in the local press, the campaign website and Facebook. The marketing activity for the share offer will continue using all of these vehicles in addition to posters, local leaflet drops, direct mail and focused communication with local businesses, cycling and walking groups etc.
- Grant funding, crowdfunding and benefactor loans will be sought; the business plan has excluded these sources as the success and timing of such grant funding cannot be guaranteed. However, any such funding will accelerate the purchase of The Elm Tree.
- We understand that the Elm Tree Inn sale will have VAT applied at 20 per cent, therefore, we will propose to 'opt to tax' and make taxable supplies (rent) in order that we can reclaim VAT on the purchase and on any subsequent refurbishment work. The VAT that will be charged on the purchase price of the pub will be reclaimed from HMRC.

Several contingency areas have been built into the business plan:

- If insufficient share capital is generated, the share offer will be extended until the ideal amount of £600,000 is achieved;
- If the share target is exceeded, the dependency on alternative funding will be reduced;
- Zero grant funding is included, however, some grant funding is hoped for;
- A three-month gap in rental income is included in year four to allow an unplanned change in tenancy;
- The maximum share withdrawal has been planned for with payouts commencing in year four, however, this level of withdrawal is considered unlikely;
- Share interest has been budgeted from year three, but payment will be decided based upon the health of the business;
- A contingency allowance has been included in the schedule of refurbishment costs;
- All work has been fully budgeted.

4.2 AFFORDABLE RENT

Based upon the freehold ownership status of the pub, modest profit and investment returns we will be able to charge affordable rents to the tenant whilst developing and improving the pub's infrastructure. The rent that will be charged will be graduated over the first three-year period: £27,000 per annum in Year One, £38,000 per annum in Year Two and £40,000 per annum in Year Three. The rent will be set at £30,000 per annum at the start of Year 4 and increase gradually across the year if there is a need to change the tenant.

4.3 AN EXPERIENCED TENANT

The model which the Steering Committee has decided on is to let the pub to a tenant who will be the business operator for an initial three-year term; which can be extended by mutual consent. The tenant will be responsible for the separate operational business, The Elm Tree Inn, which the Society will not micro-manage.

However, the tenant needs to appreciate the need to provide a welcoming environment, a selection of quality ales, wines and spirits and good menus at a price that is sustainable for the community.

The tenant will produce accounts quarterly to a representative of the Management Committee, who will discuss progress to date and development matters with the tenant. At that same meeting, the impact of the tenant's marketing plan will be discussed.

A formal recruitment process has been prepared to select an appropriate tenant to run the operational business. Allowances have been made for the costs of recruitment and a tenancy buy-in figure will be agreed upon as a part of the tenancy agreement.

A comprehensive recruitment process will include the following.

Friends of the Elm Tree Limited (FOTETL) will request:

- A CV and written application from all prospective tenants;
- A minimum of two personal references from previous business associates (not family members)
- A current CRB check;
- All necessary credit checks;
- A marketing plan;
- A detailed business plan complete with proposed menus, pricing, etc.

Suitable applicants will be invited for interview, and the ideal tenant will be selected based upon an interrogation of the submitted Business Plan, focussing on:

- Profitability
- Realistic figures
- Staffing proposals
- A clean CRB Check
- Reputation and relative success of previous ventures
- Qualifications e.g. food safety and catering certifications
- An allowance for advertising for a tenant if the current pipeline fails to yield a tenant.

4.4 COMMUNITY OWNERSHIP

The pub will be owned by and the lease granted by the Friends of The Elm Tree Inn Limited. This means the community will have greater control over rents and infrastructure development. It will also enable more direct communication between the tenant and the community. We hope that members of the Society will join and assist the management committee.

The widest possible community ownership will be encouraged; the minimum investment has been set at a level that our community research showed to be achievable for local people. There will be extensive promotion of the offer through all of the methods outlined in the previous section. This is a continuation of an active programme of communication that has run throughout the campaign as it has progressed and has included: regular open meetings, newsletters and updates on the project website and Facebook and extensive coverage in the local press and on local radio.

A key aspect of the community approach is to maintain regular communication between the Management Committee, Members and the Tenant. It is proposed to facilitate this through an online feedback process accessed via a members section of the website at www.friendsoftheelmtree.org so that member feedback can be reviewed and discussed with the tenant quarterly. This process will reflect the views and suggestions of the community and will not in any way replace the individual customer interaction with the tenant.

The evidence from The Plunkett Foundation clearly supports the view that the community benefit approach will make a significant difference to the future potential of The Elm Tree Inn:

- People care enormously about their local pubs and are willing to invest their money, time, skills and energy to save them;
- This wide membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.

This project is about saving the pub for the long term as a sustainable community asset. There are a number of key factors that are outlined below that will contribute to the future success of The Elm Tree Inn.

5 . WHAT THE FINANCIALS LOOK LIKE

The Friends of The Elm Tree Inn Limited (FOTETI) will own the pub and let it to the tenant. Provided sufficient funds can be raised from investors and other sources, FOTETI will not need to obtain commercial mortgage funding. Therefore, the core financials of the venture will simply comprise the receipt of rent from the tenant, payment of property-related and other expenses and the eventual payment of interest to investors. In addition, we need to build a reserve to provide for developing the property further when appropriate.

The Elm Tree Inn has only been closed for a year so we can assume that it will return to a vibrant pub soon after it reopens. As such, we have been advised by our professional valuation that the reasonable rent to be charged to our tenant will be graduated over the three-year period: £27,000 pa in Year One, £38,000 pa in Year Two and £40,000 pa in Year 3. The rent will be set at £30,000 pa in Year 4 if there is a need to change the tenant.

5.1 PROJECTED FINANCIALS FOR THE FIRST 5 YEARS

The table below shows the projected annual surplus from FOTETI's activities for the first five years of operation. A modest return to investors is budgeted from year 3 onwards.

		PROFIT OR LOSS ACCOUNTS				
	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Income from shareholders	650,000					
Income from rent		27,000	38,000	40,000	30,000	40,000
Deposit interest		200	300	400	500	600
TOTAL INCOME	650,000	27,200	38,300	40,400	30,500	40,600
Purchase of property	600,000					
Stamp duty and professional costs	40,000					
Insurance (landlord only)		1,000	1,000	1,000	1,000	1,000
Interest paid to investors					6,500	6,500
Landlord repairs		10,000	5,000	5,000	5,000	5,000
Professional fees		1,500	500	500	2,000	500
Accountancy		1,800	1,900	2,000	2,100	2,200
Bank charges		100	100	100	100	100
Other		800	800	800	800	800
TOTAL EXPENDITURE	640,000	15,200	9,300	9,400	17,500	16,100
TAXABLE SURPLUS		12,000	29,000	31,000	13,000	24,500
Less Tax at 19%		(2,280)	(5,510)	(5,890)	(2,470)	(4,655)
SURPLUS AFTER TAX		9,720	23,490	25,110	10,530	19,845
Bank balance at start of year	0	10,000	19,720	43,210	68,320	78,850

Bank balance at end of year	10,000	19,720	43,210	68,320	78,850	98,695
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5.2 BALANCE SHEET PROJECTIONS

The Friends of The Elm Tree Inn Ltd. balance sheet projections show a projected snapshot of its assets and liabilities both at the outset and at the end of each financial year for the first five years.

Balance Sheet						
	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Property	640,000	640,000	640,000	640,000	640,000	640,000
Bank balances (inc. contingency)	10,000	19,720	43,210	68,320	92,377	98,695
	650,000	659,720	683,210	708,320	718,850	738,695
Investors share capital	650,000	650,000	650,000	650,000	650,000	650,000
Accumulated reserves	0	9,720	33,210	58,320	68,850	88,695
	650,000	659,720	683,210	708,320	718,850	738,695

5.3 CASH FLOWS

The Friends of The Elm Tree Inn's intention is that sufficient funds will be raised at the outset to purchase the freehold property, cover all initial costs and also start with a positive bank balance. Thereafter, the incoming rental will more than cover all outgoings and the bank balances will increase.

5.4 START UP COSTS

We have allowed an overall budget figure of £40,000 to cover all the initial costs of acquiring the Elm Tree, obtaining professional advice where necessary and locating and appointing the tenant. The main costs are:

Stamp duty	19,500
Search fees and registrations	1,500
Plunkett Foundation	500
Tenant appointment	2,000
Tenancy agreement and new lease	2,000
Publicity	2,000
Contingency for property and kitchen refit	12,500
	<hr/> 40,000 <hr/>

Note – VAT on the property acquisition is kindly being financed initially by a third party who will be repaid as soon as it is recovered from HMRC. For this reason, it does not need to be reflected in the above financials.

6 . THE FRIENDS OF THE ELM TREE INN LTD, COMMUNITY BENEFIT SOCIETY

The Friends of The Elm Tree Inn Limited is an incorporated enterprise established by the Friends of The Elm Tree Inn Steering Committee as founding members. The purpose of the Society is to enable the people and friends of Langton Herring and nearby villages to secure and safeguard the future of The Elm Tree Inn, an amenity of prime importance to the community.

The Society is a limited liability, Community Benefit Society using the model rules developed by The Plunkett Foundation. The Plunkett Foundation is a charity that has been helping rural communities through co-operatives and community- ownership to take control of the issues affecting them since 1919.

The Friends of The Elm Tree Inn Limited (FOTETI) is a democratic enterprise registered with the Financial Conduct Authority (FCA). Embedded in its Rules is the principle that should the Society achieve a surplus beyond that required to meet its liabilities, it will be used to improve the facilities and ensure the future of the business. A copy of the Rules of the Friends of The Elm Tree Inn Ltd is on www.friendsoftheelmtree.org, or can be requested from a member of the FOTETI Management Committee.

The Society is a democratic organisation that operates on the principle of one Member one vote. The Society has Members, a Management Committee, and a Secretary and these roles and responsibilities are explored later.

The Rules are an important document which defines your rights as a member; please read them if you wish to invest.

6.1 LIMITED LIABILITY

The Friends Of The Elm Tree Inn Limited is a limited liability entity. The most you could lose is your initial investment (though we believe that this is highly unlikely). You will not be liable for the activities of the tenant. The intended community benefit is that the community has a pub.

6.2 MANAGEMENT STRUCTURE

The first Members of the Society shall be those who signed the application for registration and the first Members shall appoint the Steering Committee who shall serve until the first Annual Members Meeting. Full details can be found in the society rules at www.friendsoftheelmtree.org.

The current Steering Committee is composed of the following members:

Name	Post
Nick Carroll	Chair
Alun Cooper	Vice-chair
Shaun Moloney	Vice-chair
Peter Hughes	Secretary
Trevor Austreng	Treasurer
Anne Kerrins	Member
Grahame Hill	Member

Start-up provisions allow that after the first Annual Members Meeting, all the members of the Steering Committee shall retire. Those elected to replace them as members of the Management Committee shall take office immediately after the conclusion of the first Annual Members Meeting, and the following provisions shall apply to them.

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

One-third who obtained the next highest number of votes shall serve until the conclusion of the third Annual Members Meeting.

The remainder of those elected shall serve until the conclusion of the second Annual Members Meeting.

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

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

- Organise and supervise the purchase and the initial refurbishment works;
- Appoint the tenant;
- Monitor and manage the Society's financial affairs for the benefit of the Community;
- Oversee the lease and manage the relationship between FOTETI and the tenant;
- Recruit new tenants should that be necessary.

The Management Committee will need to decide how it will approach its operation and how work is shared out will necessarily depend on the skills, interests and amount of time that a person has to offer.

The role description for each member of the Management Committee will match the responsibilities and expectations of the role.

The Management Committee is equally responsible in law for committee actions and decisions. It is collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations. In addition to these seven individuals, it is proposed to have a further two to three Members on the Management Committee. The Committee will employ a professional accountant and will have an annual report of accounts.

The Committee will put in place Officer Liability Insurance for the Management Committee and Secretary.

Annually, the Management Committee will provide all members with an annual report which will set out financial statements and a report of the Society's activities during the previous financial year.

The Friends of The Elm Tree Inn Limited is registered with the Financial Conduct Authority (FCA) and will be required to provide the FCA with an annual return. However, as community share investors are deemed to invest for social returns and not for financial gain, the share issue does not fall within the scope of the Financial Services and Markets Act (FSMA) and the sale of community shares is not regulated by the FCA. There is no right of complaint to the Financial Ombudsman Service and nor can investors apply to the Financial Services Compensation Scheme.

6.3 COMMUNITY BENEFITS

The main reason for investing is to get a sustainable pub. In addition, the intention is to pay a modest interest from Year 3 and onwards and your liability will be limited.

6.4 WHAT YOU WILL NOT GET

6.4.1 Windfall redevelopment returns

In the event that the pub ceases trading, any surplus (after paying creditors and repaying share capital) must be used for the benefit of the community. Any investment should, therefore, be considered an opportunity for individuals to contribute financially to the community with the specific goal of helping to keep the pub open, rather than receiving a substantial financial reward.

6.4.2 Increase in the value of shares

The value of the shares stays constant. They cannot be sold, but can only be withdrawn or left in a Will. This will not be an investment which will increase in value.

6.4.3 Investment guarantees

The share offer is exempt from the Financial Services and Markets Act 2000 and subsidiary regulations. This means that there is no right of complaint to an ombudsman. A community benefit society is registered with, but not authorised by, the Financial Conduct Authority and, therefore, the money paid for shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the whole of your investment could carry a risk, please consider it carefully and, if necessary, seek independent financial advice.

6.5 POTENTIAL INVESTMENT RISKS

Although it is not possible to foresee all possible adverse outcomes, there are a number which it is reasonable for the Management Committee to guard against.

6.5.1 A risk that you could lose all or part of your investment

The Steering Committee believes that it is unlikely that you will lose your capital investment. This will only happen if FOTETI's liabilities exceed its assets. For example, when the pub closes, we will have no rental income. However, if such a situation did come to pass, we could initially rent out the flat to obtain income, and if the situation became grave, then we would seek alternative business propositions.

6.5.2 A risk that you may not be able to withdraw your shares

The Rules permit withdrawals only in certain circumstances, and only after three years. Thereafter, if many people want to withdraw their money in a particular year, then not everyone will be able to withdraw their money in that year. In those circumstances, the repayments will be made in the order in which notice to withdraw was received at the discretion of the Management Committee.

6.5.3 A risk of financial fraud

The risks here are very low as the Steering Committee does not intend FOTETI to trade as a pub. The tenant will be responsible for trading as The Elm Tree Inn. Two signatories are required for all written transactions and electronic transactions over £100.00, and FOTETI will take out appropriate insurance against inappropriate actions by any member of the Steering Committee.

6.5.4 A risk that you see no returns

Another possible, albeit unlikely outcome, is that there is no scope to pay interest on the investment for several years. The best way to avoid this is to raise sufficient capital in the first instance.

7. HOW DO I SUBSCRIBE?

Before deciding whether to invest, please read this Business Plan and the separate Share Prospectus carefully and consider taking independent advice. Both documents can be located at www.friendsofthelmtree.org or a copy can be requested from any member of the Management Committee.

You must be 18 years of age or older to become a Member of The Society. There is no residential requirement, just a desire to support the cause. When considering taking part, it is vital to realise this is an investment in our community – creating a unique asset for us all and helping to make the Community and the surrounding area a more vibrant, thriving and sustainable place. It is not a conventional financial investment with an expectation of direct financial returns. The full details are set out in the Rules of the Association which are available on www.friendsofthelmtree.org

7.1 THE COMMUNITY SHARE ISSUE

The share issue has been designed to allow local people and organisations to contribute financially, on a long-term basis, to the business of the Friends of The Elm Tree Inn Limited.

Individuals (aged 18 years and over) and organisations can apply for membership by buying shares at £1.00 per share, with a minimum investment £200.00 and a maximum investment of £65,000 per person or organisation.

Please note that shares must be purchased in tranches of £200 between the minimum and maximum investments noted above.

All money and cheques will be banked as they are received, and shares issued at that point, if the project to purchase The Elm Tree Inn does not go ahead all monies will be refunded.

The shares are not transferable and cannot be sold. The only way to recover the value of the shares purchased is to give three months' notice of withdrawal to the Management Committee. Shares cannot be withdrawn until at least three years have elapsed from the date of the share issue and then only at the discretion of the Management Committee and subject to appropriate reserves having been generated.

Shares are not transferable except on death or bankruptcy and are able to be withdrawn at the sole discretion of the Management Committee under the Rules, which are available on www.friendsofthelmtree.org, or from a member of the Management Committee. All withdrawals will be paid from the rent or new share capital.

The Management Committee has the authority to refuse a withdrawal request if it would endanger the business.

No interest will be paid to shareholders in the first three years. After Year Three, it is our intention to pay a modest interest, and any such interest payment will be proposed by the Management Committee within the limits specified in the Rules and put to a vote at the Annual Members Meeting. Any such proposal will be based on the performance of the Society and if approved, will be paid gross to the member by the Society and it is each member's responsibility to declare such earnings to HMRC if appropriate.

It is important to note that the value of the shares will not increase. The only financial benefit for members is any interest paid annually.

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

7.2 MEMBERSHIP SHARE APPLICATION FORM AND PAYMENT SOCIETY

To become a Member of Friends of The Elm Tree Inn Limited and invest in our venture, you will need to complete a hardcopy application form and send it with a cheque made payable to Friends of The Elm Tree Inn Limited to The Secretary or transfer the money via BACs.

Alternatively, you can complete a copy of the application form on our website and upon completion, it will be sent to The Secretary. Payment will be by cheque or by BACs transfer.

A copy of the Business Plan can be downloaded from our website: www.friendsofthelmtree.org

The Society will file all share application forms received.

7.3. SHARE CERTIFICATES

Once the Treasurer has received confirmation that your payment has been deposited in our bank account, The Secretary will be informed and she/he will issue a share certificate. A digital copy of the share certificate will be sent to the shareholder or a paper copy can be sent if so requested.

The Society will file copies of all share certificates that have been issued.

8. APPENDICES

8.1 SUSTAINABILITY PLAN

Our sustainability objectives are to conserve energy and reduce waste. In the future, our energy conservation will, for example, be achieved through the use of energy-efficient lighting, smart thermostats, energy-efficient kitchen equipment and switching to renewable energy with a green energy provider or exploring the installation of solar panels to offset the pub's energy consumption.

The management of waste reduction will be achieved by setting up recycling areas for glass, cardboard, aluminium and plastics, both behind the bar and in customer areas. We also want to eliminate using single-use plastics and replace them with reusable alternatives. The tenants will be required to operate a smart inventory management system to track the inventory closely thus reducing over-ordering and minimising food waste.

Sustainable sourcing will be achieved using local and seasonal ingredients partnering with local producers and breweries thereby reducing the environmental impact of long-distance transportation. Beverages would include locally sourced beers, wines, spirits and soft drinks.

Water conservation will be achieved by efficient glass washing machines with water-saving settings. It will be possible in the future to set up rainwater harvesting to use for non-potable uses such as watering the gardens and exterior cleaning.

Employee training will be key to successful sustainability, ensuring that they are fully on board with our vision and values.

This Sustainability Plan will not only minimise the pub's environmental impact but will also appeals to eco-conscious customers while reducing long-term operational costs. By integrating sustainable practices, the pub can become a model for environmentally responsible hospitality.

8.2 SWOT ANALYSIS

8.2.1 Strengths

- The Elm Tree Inn is situated in an excellent location at the centre of the village, with direct access to the coastal path and onto bridleways/footpaths leading to The Fleet and in an Area of Outstanding Natural Beauty (AONB);
- It has a base of regular customers who will quickly return to a well-run pub that is supported by a committed clientele;
- The Elm Tree Inn will benefit from previously holding an excellent reputation for service, good ales and good pub food;
- The business will own the freehold and will not be tied to any particular brewery or supplier;
- The Society will appoint an experienced licensee as the tenant to run the business and, therefore, free to negotiate the best deals for the supply of food and drink;

- Rent from the tenant will provide the Society with a secure income;
- The pub buildings are in excellent condition with a very large car park with EV charging points;
- There is a large outside seating area suitable for al fresco dining;
- The energy of the Steering Committee is worthy of note.

8.2.2 What will we do to make the most of the strengths?

- Make local residents feel welcome;
- Ensure that the needs of local residents are incorporated into the business model;
- Respond to the needs of visitors and holiday-makers;
- Offer a variety of “special evenings” throughout the year;
- Think “al fresco” in the summer;
- Consistent good selection of quality drinks and food at an affordable price.

8.2.3 Weaknesses

- The Elm Tree Inn is not situated on a main road, so there is less passing trade;
- Under the current ownership, the pub has lacked consistency of tenants and so has lost customers to other venues;
- The Elm Tree Inn has now been closed for one year, and profitability had declined in previous years;
- The Elm Tree Inn recently had a reputation as an expensive Gastropub and this will need to be overcome;
- The population of Langton Herring, on its own, is too small to support the pub and so will need outside trade;
- Finding good staff and retaining them is difficult;
- Time is very much of the essence as the moratorium is of a finite duration;
- Our marketing and fundraising campaigns are at an early stage and yet we must guarantee the stated purchase price in a mere matter of months;
- We must constitute and populate a committee structure (reporting to the Steering Committee) so as to be able to work on multiple tasks simultaneously.

8.2.4 What will we do to overcome these weaknesses to strengthen the business?

- Recruit an experienced and caring tenant who will create a warm, friendly atmosphere from Day One;
- Create goodwill that will spread by word of mouth;
- Engage with more local residents to encourage them to become active Members of FOTETI
- To build a strong reputation from scratch with a new tenant and staff would appeal to a wider community;
- To develop new customer bases including, tourists, walkers, cyclists, people in search of locally sourced beers and affordable good food;
- There is potential for the conversion of rooms to accommodate B&B or temporary accommodation such as lodges in the car park;
- Allowing camper vans to park in the car park would lead to more customers eating and drinking in the Elm Tree;
- The possibility of developing a morning Cafe and a lunch menu selling locally sourced food;
- The business will be established as a community enterprise and so should be able to access grant aid from the government or local authority funding;
- To work closely with the Village Hall to potentially provide catering for village functions e.g. Lunch Club, evening socials etc.

8.2.5 Opportunities

- To build a strong reputation from scratch with a new tenant and staff would appeal to a wider community;
- To develop new customer bases including, tourists, walkers, cyclists, people in search of locally sourced beers and affordable good food;
- There is potential for the conversion of rooms to accommodate B&B or temporary accommodation such as lodges in the car park;
- Allowing camper vans to park in the car park would lead to more customers eating and drinking in the Elm Tree;
- The possibility of developing a morning Cafe and a lunch menu selling locally sourced food.
- The business will be established as a community enterprise and so should be able to access grant aid from the government or local authority funding.
- To work closely with the Village Hall to potentially provide catering for village functions e.g., Lunch Club, evening socials etc.

8.2.6 What will we do to make the most of these opportunities?

- Constantly update our website and social media platforms;
- Photographs and short videos rather than copious texts;
- Advertise in national magazines to encourage ramblers, cyclists and twitchers to come to The Elm Tree;
- Support the tenant, and staff, so as to maximise our potential;
- The lunch menu is essential for locals, visitors and holidaymakers;
- Make it a destination pub for locals and visitors.

8.2.7 Threats

- The inability to obtain the necessary financing to conclude the purchase of the Elm Tree Inn
- The owner may not agree to sell The Elm Tree Inn to us;
- The owner may successfully persuade DCC to develop the site for housing;
- The current economic climate threatens many more pub closures and an increase of future taxes on alcohol further threatens the business;
- Possible government control in the reduction of licensing hours is a potential threat;
- The increased costs of energy prices (oil, gas and electricity) is a threat;
- The rise in National Insurance contributions for the employer is another potential issue;
- There is strong competition from local pubs: Kings Arms, Victoria Inn, The Lugger Inn, The Turks Head, The Marquis of Granby, The Fat Badger, and The Swan;
- Local Café/Tea Shops: Ducks Portesham, Cherries Abbotsbury, Bellinis Abbotsbury, Old School Room Abbotsbury, Abbey House Abbotsbury, Wishing Well Upwey, Fat Badger, Red Barn;
- The Profit and Loss information received from the current owner is incomplete;
- The price of the lease needs to be confirmed;
- We may not be able to recruit suitable tenants in time to open the pub;
- The Steering Committee gets burn out. Support from effective committees is essential, but absent;
- Insufficient governance/structure;
- In 2025/26, hospitality discount on business rates may not be continued.

8.2.8 What will we do to tackle these threats?

- Get an early start with the share offer and crowdfunding. No delay...;
- Obtain intelligence about what local pubs are offering. Can FOTETI better these?
- Recruitment expertise is essential for the right tenant. The tenant must accept responsibility for staffing;
- Urgently review our governance structure and make changes where appropriate;
- The threat of increased interest rates can be reduced by maximising the community shareholding;
- Review the menu and prices at The Turks Head.

8.3 UNIQUE SELLING POINTS (USPs) OF THE BUSINESS

8.3.1 Description of the Pub's Products and Services and How the Business Will Stand Out from the Competition

- The Elm Tree can be reached on foot by most of the residents of Langton Herring;
- The location of the Elm Tree Inn is perfect for holidaymakers, ramblers, cyclists and bird-watchers;
- The large carpark makes it easy for visitors to park, enjoy the exquisite countryside and return for food and drink;
- EV charging points in the carpark;
- The history of The Elm Tree Inn is enchanting and engaging;
- The recent renovation of The Elm Tree Inn makes it an atmospheric and enjoyable location for a relaxing meal or drink;
- The extensive gardens provide delightful opportunities for sociable drinks or al fresco dining;
- Sourcing quality food and drinks from local farms, breweries and vineyards.

8.4 MARKETING PLAN

BUSINESS OBJECTIVE

To relaunch the Elm Tree Inn as an on-going profitable community-owned village pub.

BACKGROUND

The Elm Tree Inn was purchased and renovated to a very high standard (including the grounds and car park) by a Dorset-based entrepreneur in 2020. When it re-opened it was more akin to an upmarket gastro-pub with high quality, relatively expensive gourmet catering with 90 per cent of the space used for dining. It was closed in 2023 as it was making a loss and put on the market. The local community intends to purchase the pub as a community asset and re-open it.

MARKETING OBJECTIVES

1. To create awareness of the re-opening of the Elm Tree Inn and generate first visits
2. To generate repeat visits from first-time visitors
3. To welcome back previous clients of the Elm Tree Inn

THE PRODUCT (What will the new Community Elm Tree Inn offer?)

The Elm Tree Inn is a historic Dorset village pub with a large car park and easy access to the walks on the South West coastal path and The Fleet for rambling and bird watching (twitching).

The building and surrounding garden and grounds are in excellent condition having been recently renovated whilst retaining the traditional features and architecture.

When the local community reopen the pub, in order to maintain long-term success, it will no longer be a high-end gastro-pub, but be a mid-market venue with affordable prices set in a welcoming, friendly environment befitting a Dorset rural pub.

The relaunched pub will reinstate a place to drink which was absent from the previous restaurant-style venue. This will make it more attractive to local villagers albeit it is accepted that the village residents alone cannot sustain a pub. To attract more customers from the local residents and also the wider West Dorset community, the pub will offer a simple lunch menu with packed lunch for walkers with drinks available. In the evenings the Elm Tree will offer more traditional, good-quality “pub food” with outdoor dining in the summer.

THE TARGET MARKET (Who do we wish to attract to the Elm Tree?)

1. Families from within Dorset and those who may wish to come to Dorset as a holiday destination
2. All 18+ adult residents within a 15-mile radius of Langton Herring
3. All 18+ holidaymakers/visitors to Dorset within a 15-mile radius

THE PROPOSITION/POSITIONING (What key message do we want to communicate?)

“The historic Elm Tree Inn has reopened as a traditional, family and dog-friendly, village pub (with food) in picturesque Langton Herring”.

MARKETING STRATEGY (How will we do it?)

A. Awareness Building and Trial

1. Target - Residents in Dorset
 - a) Public Relations campaign with Regional and Local Media
 - b) Social Media campaign
 - c) Direct emails from Elm Tree supporters to contacts
 - d) Web site (which should enable booking)
2. Target - Holidaymakers/Visitors
 - a) Public Relations campaign with local Holiday, Visitor and Tourist bodies
 - b) Posters at Camp/Caravan site offices and local shops
 - c) Direct communication via Holiday Letting Agencies/Cleaning companies
 - d) ‘Chesil Rocks’ style street posters in the vicinity of Langton Herring
 - e) Advertisements in national magazines such as rambling, cycling, bird-watching

B. Repeat Visits

1. Target - All Dorset Residents and Holidaymakers
 - a) All visitors to be given Elm Tree wallet-sized ‘calling cards’ with booking details etc.

EVALUATION

The totality of the marketing and promotion will be judged a success if the Elm Tree meets its Business Plan financial objectives. However, it will be difficult to separate out the effect of individual parts of the Marketing Plan. It is envisaged, therefore that all visitors to the Elm Tree will be incentivised to complete a review on Facebook, Instagram or Tripadvisor to ascertain the source of their awareness of the relaunched Elm Tree and also, their feedback on their visit.

COST

The main out-of-pocket costs would be the printing of posters and cards as well as advertising in national and local magazines. These costs will need to be included in the operational budget.