Sweffling Community Pub

Draft Financial Projections

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Introduction

As a steering group, we've looked closely into the pub finances ourselves and with the help of a few close advisors, with the goal of making sure that the pub finances are viable for the long term.

With the models we've looked at, leasing the pub and appointing a manager will require the properties to be up and running in order to finance the changes, and the pub will need to register for VAT, we've made adjustments for these in a variety of scenarios.

With the properties at reasonably occupancy and assuming a continuation of the current goodwill the pub will make a suitable profit under both lease and ownership situations, and the property income leaves enough margin for potential downturn situations too.

It's looking likely that the government are going to make improvements to pub operating conditions, including more flexibility on licensing and a decrease in duty on draught beer, which should relieve some of the pressure on wet pubs and help to offset recent changes to National Insurance.

Set out below are a three year plan based on relatively conservative numbers, along with breakdown of all the other scenarios assessed, we've also looked at payback periods for various offer prices.

In addition, we've taken yields for the area for rental properties from local agents and run calculations on the flats and holiday lets. These have both helped to validate the rental figures and ascribe potential value to the flats if, for example a developer were to buy the pub, choose not to open the doors, and just rent out the attached properties without requiring a change of use, this validation fills in the gaps between our Red Book valuation and the market value ascribed by the current owners agents and auctioneers. These numbers are included in the appendices.

We invite you to digest as you see fit and of course we welcome questions, comments and particularly if there's anything you think we've missed, we'd be grateful if you'd let us know.

3 Year Plan based on conservative figures

This plan looks at one year of the pub leased and the remainder purchased, with turnover similar to today, with adjustments for VAT on sales and with properties in expected usage
Does not include any major renovations (these would likely be partially grant funded)

Does not include adjustments for inflation and all profits are pre-tax.

Alternative revenue scenarios are available in subsequent sections, but 3 year plan based on most likely outcome.

	Y1	Y2	Y3		
Income					
Drinks Sales	£95,000.00	£95,000.00	£95,000.00		
Food Sales	£7,000.00	£7,000.00	£7,000.00		
Property (Total)	£23,162.16	£23,162.16	£23,162.16	(Calcs on separate sheet)	
Gross	**£125,162.16**	**£125,162.16**	**£125,162.16**		
Drinks Purchases	£35,293.85	£35,293.85	£35,293.85	(Assumed average GP of 63%)	
Food Purchases	£2,100.00	£2,100.00	£2,100.00	(Assumed average GP of 70%)	
Cost of Sales	**£37,393.85**	**£37,393.85**	**£37,393.85**		
Heating (Wood)	£1,500.00	£1,500.00	£1,500.00		
Electricity	£1,800.00	£1,800.00	£1,800.00		
Rates	£0.00	£0.00	£0.00	(Small Business Rate Relief)	
Waste Disposal	£0.00	£0.00	£0.00	(Residential Bins)	
Sewerage	£100.00	£100.00	£100.00		
Water	£400.00	£400.00	£400.00		
Insurance	£1,500.00	£1,500.00	£1,500.00		
Internet/Phone	£300.00	£300.00	£300.00		
Advertising	£1,000.00	£1,000.00	£1,000.00		
Pub Maintenance	£3,000.00	£3,000.00	£3,000.00		
Accounts	£1,800.00	£1,800.00	£1,800.00		
Manager Salary	£35,190.00	£35,190.00	£35,190.00		
Lease	£18,000.00	£0.00	£0.00		
Overheads	**£64,590.00**	**£46,590.00**	**£46,590.00**		
				Total Profit	
Total	£23,178.31	£41,178.31	£41,178.31		£105,534.93

Return on Investment

Using the scenario figures from subsequent sections, a selection of return on investment periods are included below, we've allowed for most scenarios but have highlighted the more likely outcomes.

These calculations do not include other items such as legal fees.

		Years until Return		
Purchase Price	*No Property*	*Conservative*	*Healthy*	*Distressed*
£450,000.00	41	11	7	26
£500,000.00	46	12	8	29
£550,000.00	50	13	9	32
£600,000.00	55	15	9	35
£650,000.00	59	16	10	38

Calculations are pre-tax and assuming no major works scheduled
We would expect to investigate grant funds for any major works

Revenue Projections

Short-term Lease

Scenario 1 – Pub trading as per 2024, no properties in use

Income		
Drinks Sales	£90,000.00	
Food Sales	£7,000.00	
Property (Total)	£0.00	
Gross	**£97,000.00**	
Drinks Purchases	£37,322.24	(Assumed average GP of 59%)
Food Purchases	£2,100.00	(Assumed average GP of 70%)
Cost of Sales	**£39,422.24**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease	£18,000.00	
Overheads	**£64,590.00**	
Total	-£7,012.24	

Short-term Lease

Scenario 2 – Pub trading as per 2024, plus VAT on drinks, conservative properties in use

Income		
Drinks Sales	£95,000.00	
Food Sales	£7,000.00	
Property (Total)	£23,162.16	(Calcs on separate sheet)
Gross	**£125,162.16**	
Drinks Purchases	£35,293.85	(Assumed average GP of 63%)
Food Purchases	£2,100.00	(Assumed average GP of 70%)
Cost of Sales	**£37,393.85**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease	£18,000.00	
Overheads	**£64,590.00**	
Total	£23,178.31	

Short-term Lease

Scenario 3 – Pub extended opening, plus VAT on drinks, properties at high occupancy with possibility of Sizewell uplift

Income		
Drinks Sales	£110,000.00	
Food Sales	£10,000.00	
Property (Total)	£34,238.52	(Calcs on separate sheet)
Gross	**£154,238.52**	
Drinks Purchases	£40,866.56	(Assumed average GP of 63%)
Food Purchases	£3,000.00	(Assumed average GP of 70%)
Cost of Sales	**£43,866.56**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease	£18,000.00	
Overheads	**£64,590.00**	
Total	£45,781.96	

Short-term Lease

Scenario 4 – 30% of pub goodwill lost, plus VAT on drinks, properties at conservative occupancy

Income		
Drinks Sales	£60,000.00	
Food Sales	£4,000.00	
Property (Total)	£23,162.16	(Calcs on separate sheet)
Gross	**£87,162.16**	
Drinks Purchases	£22,290.85	(Assumed average GP of 63%)
Food Purchases	£1,200.00	(Assumed average GP of 70%)
Cost of Sales	**£23,490.85**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease	£18,000.00	
Overheads	**£64,590.00**	
Total	-£918.69	

Outright Purchase

Scenario 1 – Pub trading as per 2024, no properties in use

Income		
Drinks Sales	£90,000.00	
Food Sales	£7,000.00	
Property (Total)	£0.00	
Gross	**£97,000.00**	
Drinks Purchases	£37,322.24	(Assumed average GP of 59%)
Food Purchases	£2,100.00	(Assumed average GP of 70%)
Cost of Sales	**£39,422.24**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease		
Overheads	**£46,590.00**	
Total	£10,987.76	

Outright Purchase

Scenario 2 – Pub trading as per 2024, plus VAT on drinks, conservative properties in use

Income		
Drinks Sales	£95,000.00	
Food Sales	£7,000.00	
Property (Total)	£23,162.16	(Calcs on separate sheet)
Gross	**£125,162.16**	
Drinks Purchases	£35,293.85	(Assumed average GP of 63%)
Food Purchases	£2,100.00	(Assumed average GP of 70%)
Cost of Sales	**£37,393.85**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease	£0.00	
Overheads	**£46,590.00**	
Total	£41,178.31	

Outright Purchase

Scenario 3 – Pub extended open, plus VAT on drinks, properties at high occupancy with possibility of Sizewell uplift

Income		
Drinks Sales	£110,000.00	
Food Sales	£10,000.00	
Property (Total)	£34,238.52	(Calcs on separate sheet)
Gross	**£154,238.52**	
Drinks Purchases	£40,866.56	(Assumed average GP of 63%)
Food Purchases	£3,000.00	(Assumed average GP of 70%)
Cost of Sales	**£43,866.56**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease		
Overheads	**£46,590.00**	
Total	£63,781.96	

Outright Purchase

Scenario 4 – 30% of pub goodwill lost, plus VAT on drinks, properties at conservative occupancy

Income		
Drinks Sales	£60,000.00	
Food Sales	£4,000.00	
Property (Total)	£23,162.16	(Calcs on separate sheet)
Gross	**£87,162.16**	
Drinks Purchases	£22,290.85	(Assumed average GP of 63%)
Food Purchases	£1,200.00	(Assumed average GP of 70%)
Cost of Sales	**£23,490.85**	
Heating (Wood)	£1,500.00	
Electricity	£1,800.00	
Rates	£0.00	(Small Business Rate Relief)
Waste Disposal	£0.00	(Residential Bins)
Sewerage	£100.00	
Water	£400.00	
Insurance	£1,500.00	
Internet/Phone	£300.00	
Advertising	£1,000.00	
Pub Maintenance	£3,000.00	
Accounts	£1,800.00	
Manager Salary	£35,190.00	
Lease	£0.00	
Overheads	**£46,590.00**	
Total	£17,081.31	

Appendices – Property Calculations

A1 – 2 Flats and Holiday Let

SWH Rental Properties							**Expected Income from Property**					
							Pessimistic	**Pessimistic**	**Optimistic**	**Optimistic**	**Expected Std rental + Badger**	**Expected SIZEWELL rental + Badger**
							Std market rental + BADGER	**SIZEWELL rental + BADGER**	**Std market rental + BADGER**	**SIZEWELL rental + BADGER**	**Expected = (Optimistic + Pessimistic / 2)**	
					25	30						
					633	793						
	Standard Rent Lower Bound	Standard Rent Upper Bound	Sizewell Rent Lower Bound	Sizewell Rent Upper Bound	Badger Cottage Lower Bound	Badger Cottage Expected Bound						
Rental Income												
Income – Rent P/A	16,800	19,200	30,000	48,000	16,913	23,803	33,713	46,913	43,003	71,803	38,358	59,358
Outgoings												
Upkeep/Maintenance (Assume 10% of median)	2,000	2,000	4,000	4,000	1,800	1,800	3,800	5,800	3,800	3,600	3,800	4,700
Agents Fees - Tenancy Setup (Amortised over year, assume 1 per year)	1,980	2,220					1,980	-	2,220	-	2,100	-
Agents Fees – Management	1,344	1,536	4,800	7,680	3,044	4,285	4,388	7,844	4,580	10,724	4,484	9,284
Linens (If fully serviced)			2,412	2,412	2,292	2,798	2,292	4,703	2,292	4,703	2,292	4,703
Cleaning (If fully serviced)			1,512	1,512	1,800	2,160	1,800	3,312	1,800	3,312	1,800	3,312
Council Tax/Business Rates							-	-	-	-	-	-
Electricity/Heating			2,400	2,400	720	720	720	3,120	720	3,120	720	3,120
Water			200	200								
Total annual income	11,476	13,444	14,676	29,796	7,257	12,041	18,733	22,134	27,591	46,344	23,162	34,239
Corporation Tax	2,180	2,554	2,789	5,661	1,379	2,288	3,559	4,167	3,933	7,040	3,746	5,604
Total Net Profit	9,296	10,890	11,888	24,135	5,878	9,753	15,174	17,966	23,658	39,303	19,416	28,635

Capital to Yield calcs – Post-Tax

	Yield Calcs based on Price Below	Lower Rent	Upper Rent
Price	500,000	19,416	28,635
Yield %		**4**	**6**

Expected bounds for yield based on Flick and Sons recommendation 4-6%

A2 - 2 Flats, Holiday Let, and Owners Accommodation also let out, such as if pub acquired by developer for use for workers accommodation (no change of use required)

SWH Rental Properties - Including Owners Flat

Includes Owner/Manager accomodation, for example if an alternative owner decided to not open pub and rent all accomodation to local workers

							Expected Income from Property					
							Pessimistic	Pessimistic	Optimistic	Optimistic	Expected Std rental + Badger	Expected SIZEWELL rental + Badger
							Std market rental + BADGER	SIZEWELL rental + BADGER	Std market rental + BADGER	SIZEWELL rental + BADGER	Expected = (Optimistic + Pessimistic / 2)	
					25	30						
					633	793						
	Standard Rent Lower Bound	Standard Rent Upper Bound	Sizewell Rent Lower Bound	Sizewell Rent Upper Bound	Badger Cottage Lower Bound	Badger Cottage Expected Bound						
Rental Income												
Income – Rent P/A	25,200	28,800	45,000	72,000	16,913	23,803	42,113	61,913	52,603	95,803	47,358	78,858
Outgoings												
Upkeep/Maintenance (Assume 10% of me	2,650	2,650	6,000	6,000	1,800	1,800	4,450	7,800	4,450	3,600	4,450	5,700
Agents Fees - Tenancy Setup (Amortised over year, assume 1 per year)	2,820	3,180					2,820	-	3,180	-	3,000	-
Agents Fees – Management	2,016	2,304	7,200	11,520	3,044	4,285	5,060	10,244	5,348	14,564	5,204	12,404
Linens (If fully serviced)			2,412	2,412	2,292	2,798	2,292	4,703	2,292	4,703	2,292	4,703
Cleaning (If fully serviced)			1,512	1,512	1,800	2,160	1,800	3,312	1,800	3,312	1,800	3,312
Council Tax/Business Rates							-	-	-	-	-	-
Electricity/Heating			2,400	2,400	720	720	720	3,120	720	3,120	720	3,120
Water			200	200								
Total annual income	17,714	20,666	25,276	47,956	7,257	12,041	24,971	32,734	34,813	66,504	29,892	49,619
Corporation Tax	3,366	3,927	4,803	9,112	1,379	2,288	4,745	6,181	5,305	10,491	5,025	8,336
Total Net Profit	14,348	16,739	20,474	38,845	5,878	9,753	20,227	26,552	29,508	56,013	24,867	41,283

	Yield Calcs based on Price Below	Lower Rent	Upper Rent
Price	650,000	24,867	41,283
Yield		**4**	**6**

Expected bounds for yield based on Flick and Sons recommendation 4-6%