



Baldons and Nuneham Community Society Limited

Report of the Management Committee to the AGM in relation to the period to 24th March 2014

Details of the Society

Society Address

Durham Leys Barn, Marsh Baldon, Oxfordshire, OX44 9LP

Core Purpose

The Baldons and Nuneham Community Society Limited (“BNCS”) is a Community Benefit Society established and managed by the community for the benefit of the Community of the Baldons and Nuneham Courtenay.

Committee

The current committee members are:

Elizabeth Jones (Chair)
Phil Collins (Vice Chair)
John Simpson (Membership Secretary & Treasurer)
Laurence Attewill
Philip Gardner
Dave Greenaway
Jacquie Lake
Tom Saw
Sonja van Dijk

The initial Committee is set out above and pursuant to the Rules will act for the first 3 years but will stand down at the third AGM. Thereafter the Management Committee is elected by the members and members have to stand for re-election in rotation. The initial 3 year term is to ensure continuity of management in the start-up period.

It is the responsibility of the committee to oversee and have governance of the activity undertaken on behalf of the members of BNCS. There have been 28 ordinary meetings of the BNCS Committee. Currently meetings typically take place 1-2 times per month depending on current activity.

Independent Financial Auditor

The Management Committee has appointed Crowe Clark Whitehill LLP of St. Bride's House, 10 Salisbury Square, London, EC4Y 8EH to be the Society's auditors. The re-election of the auditors is one of the matters of business for the AGM. The Management Committee recommend the re-election of Crow Clark Whitehill LLP.

Structure, Aims & Objectives of the Society

BNCS was registered with the Financial Services Authority ("FSA") on 10 December 2012. BNCS is a Community Benefit Society, a modern form of the historic Industrial and Provident Society. It has withdrawable shares and legal personality, and members have limited liability. The objectives of BNCS, as articulated in the Rules of BNCS, are to carry on any business for the benefit of the community and in particular by acquiring the freehold premises of the Seven Stars, to provide a venue for the community which:

- Promotes social gathering, employment and tourism;
- Provides facilities and services for the community
- Provides event facilities

The Rules of BNCS define its structure, management and operation. They are available on the website at www.savethesevenstars.com. Copies of the Rules are available from any member of the committee. If you have any question about the Rules, please raise them with any member of the committee.

Overview of the Year's Activities

Summary of Key Milestones:

- 10th December 2012 – BNCS officially established and registered with the FSA
- 1st March 2013 – Seven Stars Public House purchased by BNCS & tenant appointed; purchase possible by reason of a generous loan from David Harding.
- 30th March 2013 – Seven Stars Reopens; refurbishment with assistance from the LEADER fund and masses of support from the community
- 31st March 2013 – Initial Share Offer Closes with £157,950 of shares issued
- 19th November 2013 – New Dining Room officially opened by Vice Chair South Oxfordshire District Council (Cllr Ann Midwinter), following a generous grant from Communities Investment Fund (CIF)
- 27th December 2013 – Open Share Offer opens with £10,100 of new shares issued to date
- 25th April 2014 – New Kitchen Extension opens

The Seven Stars Public House was purchased for £275,000 excluding VAT and Stamp Duty. This was based on a professional book valuation and therefore influenced by the trading / profitability prior to closure. A 10% deposit was paid with the outstanding balance part of a 20 year mortgage (interest at 1.5% above base rate).

Trading of the Seven Stars in the year to 24th March 2014 (360 days of trading) was £489,399.34 and therefore rent due to BNCS is £48,939.93. This trading is above the minimum and initial expectations and has been strong from reopening whereas a “ramp up” period was expected. The value of the asset, given the current strength of trading and enhancements to the fabric of the building is therefore expected to be significantly higher than the value at which it is carried in the accounts. The property is valued at the purchase value of £275,000 plus cost of improvements less grants received, a total of £354,456.

To date BNCS has raised £168,050 in shares. This has been used to pay the deposit on the purchase of the Seven Stars Public House, along with Stamp Duty and legal fees associated. Initial repairs, maintenance and some asset purchases to enable the re-opening have also been funded by the share issue, in addition to the conversion of the barn to a dining area (part grant funded) and new toilets as well as extension and refit of the kitchen.

Further to an extensive tenant search and selection process, Matt Ford was appointed as tenant in late February 2013 and has operated the business from re-opening. The initial tenancy is due to run for 3 years from appointment after which time there will be a review. Based on this review, there is the possibility of granting a long term fully insuring and repairing lease.

The Seven Stars Public House was purchased on Friday 1st March and reopened on Saturday 30th March 2013, following a month of preparation. The help and support of the community and beyond in both time and money made this possible.

Matt has implemented the vision of BNCS by providing a welcoming place for the community that serves good food and drink as well as opportunities for the villages to meet and socialise. In addition to this he has also built up loyalty from a strong “outside” trade. Currently the Tripadvisor Rating (based on 57 reviews from opening) is 4.5/5 with 52 out of 57 reviews at Very Good or Excellent. This places the Seven Stars Public House at #29 out of 480 dining establishments in Oxford.

In order to ensure that the village vision for the Seven Stars is kept alive, and to support continued growth in trading for the tenant to ensure income for BNCS, a quarterly review with Matt Ford has taken place. Whilst there is ongoing dialogue, particularly given the amount of activity in the first year, this is a useful and formal regular touchpoint. This has been carried out on three occasions to date by a subcommittee of three.

With a strong turnover, there provides a great opportunity for long term profitability and therefore viability of the business. In the first year this has been more limited as the tenant has invested his profit generated into the quality, service and some equipment to ensure consistency and build customer reputation loyalty in the first year.

Membership & Membership Strategy

The initial BNCS share offer solicited a fantastic response and collected £157,950 from 158 members in amounts ranging from £300 up to £10,000; in some cases whole families signed up to be a part of the process.

At that time we anticipated that further funds would be needed to keep pace with developing plans, so in addition to applying for grants a further open share offer was deemed appropriate. This was launched on 27th December 2013 with a target for further investment of at least £15,000 initially.

As of today we have attracted 6 new members and 2 existing members have decided to increase their investment raising an additional £10,100. This brings the total invested in BNCS to £168,050 (some of which is after the year end so not reflected in the accounts presented today).

Our strategy with regard to investment is to:

- Encourage existing shareholders to maintain or increase their investment.
- Generate new investment to replace any investment that may be withdrawn in future.
- In order to achieve the above, to maintain a competitive return on investment for existing and new members. During the period of the loan from David Harding, this is restricted to the amount which is being paid under that loan (1.5% above base).

Finance Report

The audited accounts presented today show that the Society is in good health financially. Assuming trading of the Seven Stars continues to grow as it has over the last year, there is opportunity for this to go from strength to strength.

Excluding the small amount of new share money falling into the new financial year the total amount of money raised in the form of Loans, Share Subscriptions, Grants and Donations was £463,792 – a great foundation for the Society.

In addition, Rent plus interest and sundry sales generated a further £50,524 making our total funding pool over £514,000.

In summary terms (full details are included in the audited accounts) this has been spent as follows:

- £290,000 on the actual purchase of the building and fixtures from David Harding (this includes Stamp Duty and all our legal fees).
- £20,000 on the purchase of additional fixtures and fittings for the initial opening and for the new dining room and patio.
- £15,000 on essential repairs and renewals to bring the pub up to the standard we needed for the re-opening.
- £99,000 on the new dining room, patio area and the first part of the work to extend and remodel the kitchen and food preparation area.
- £34,000 covering the majority of kitchen building work. This was on going at the year end and is now complete.

Additionally, there have been other start up and day to day running costs, capital and interest costs for the loan from David Harding as well as the allowance for interest on investor's share capital, and this makes up the rest of the expenditure.

As at today's date the Society has £47,377 in cash which together with the quarterly rental payments from the pub and any further share subscriptions, will be used to pay the running costs of BNCS, make the loan repayments and provide funds for future development.

Building Works

Since the acquisition of the Seven Stars in March 2013, BNCS has undertaken three main phases of building works, as follows:

1. The first phase, substantially completed in one month, was to get the pub ready for opening at the end of March. The work entailed making an access between the bar and the old barn, upgrading the electricity, gas, plumbing and fire systems, vermin eradication, repairing leaks to the bar roof, redecoration throughout and replacement of rotten windows. The bulk of the work was carried out by Paul Anders. We must also pay tribute to all the villagers who turned up to do removals, painting, cleaning and other tasks over that first month – thank you all very much.
2. The second phase was the conversion of the barn to a dining room which was carried out in September and October by PJD builders at a total building cost of £63,000. The Dining Room was opened in mid-November to much acclaim and has been well used ever since.
3. The additional covers provided by the completion of the dining room highlighted the inadequacies of the kitchen and after much discussion the third phase was undertaken in February and March of this year. The purposes of this phase were threefold: the replacement of the old and inadequate kitchen ventilation system, the extension of the kitchen to provide a 60% increase in floor area and a rearrangement of the kitchen layout to enhance effectiveness. This work was carried out by PMS Oxford and Oxford Commercial Kitchens at an overall cost of c £50,000.

Future Activity Planned

The management committee will start serious discussion and planning for the next phase of improvements after the AGM. Items on the agenda are:

- refurbishment of the existing toilets
- works as necessary to the exterior
- garden
- car park
- a small play area
- possibly creating a more “pubby” space

These further works will be funded from the capital raised from share issue and therefore continued share issues remain an important focus for BNCS. Where possible we will seek to obtain funding through grants, however this does prove to be now more difficult due to:

- The business being more viable based on the investments already made.
- Having already used most grant facilities available to organisations without charitable status.

We would like to take this opportunity to thank everyone who has made a contribution to making BNCS and most importantly the Seven Stars a success in the first year, and in advance for their on-going support.

The Management Committee

17 May 2014