

## Business Finance Proposal Form



Funding Circle Rep	Eamonn Martin - 020 3467 9873
Email	eamonn.martin@fundingcircle.com
Date	26 June 2024

### Business

Company Name	UNION INNS LIMITED
Trading/Registered Address	Sheringham House, Ladybrook Road, Bramhall, Cheshire, United Kingdom, SK7 3NB
Registration number	11982502
Is the entity part of a group structure?	No
Date incorporated	07 May 2019
Summary of Business Activities	
Website	<a href="https://swanandrailwayhotelwigan.co.uk/">https://swanandrailwayhotelwigan.co.uk/</a> <a href="https://www1.camra.org.uk/pubs/woodman-birmingham-121303">https://www1.camra.org.uk/pubs/woodman-birmingham-121303</a>

### Proposed Finance

Amount and Term	£125k
Date Required	July 2024
Purpose of loan	<p>Customer owns two freehold pubs and is currently renovating a 3<sup>rd</sup> called The Woodman in Birmingham which is in a great location.</p> <p>The renovation will cost £250k, they will use £125k directors loan and are looking to borrow the other £125k to complete the works.</p> <p>The customer has offered a detailed outline below.</p>

### Current Position (per last filed accounts)

Annual Turnover	£622,958
Profit/Loss	£-23,367
Shareholder Funds	£-682,444
Overdraft Limit	N/A
Existing Government + other Debt (CBILS, BBL, Loan, HPs etc.)	BBL

### Director/Shareholders

	Applicant 1	Applicant 2	Applicant 3
Name & Shareholder %	JOHN RICHARD BREARLEY		
Home Address:	SHERINGHAM HOUSE, LADYBROOK ROAD, BRAMHALL, STOCKPORT, SK7 3NB		
Previous address (if less than 2 years):	Same as current address		
Homeowner/Tenant:	Homeowner		
Value:	£857,000		

<b>Mortgage Balance:</b>	£930,000		
<b>DOB:</b>	19/05/1961		
<b>Phone 1:</b>	07776216551		
<b>Phone 2:</b>			
<b>Email:</b>	johnrbrearley@icloud.com		
<b>Consent to Search (Y/N?):</b>	Y		

## Primary Contact

Tel: +447776216551 Email: johnrbrearley@icloud.com

Looking forward I gave you a thumbnail both of me (a Chartered accountant by background, long experience in various sectors including pubs/hospitality including being FD of Boddington's in the late 1990s responsible for 800 pubs) and Union Inns business model (to take pubs that have retained significantly unspoiled heritage features and make them fit for and attractive to the current market place whilst respecting that heritage). In terms of the specifics Union Inns owns two freehold pubs, The Railway in Birtley and The Swan & Railway in Wigan both of which have been restored in line with this model. The Swan & Railway is a stunning 1898 grade 2 listed pub directly opposite the main railway station in Wigan with seven hotel rooms, a beautiful outside drinking area and was proud winner, in 2022, of the the Historic England pub conservation of the year category in the CAMRA pub design awards, the blue ribband accolade for such projects. The current project we talked about, The Woodman in Birmingham, is a similarly beautiful 1897 red brick and terracotta pub grade 2 listed in a location to die for, only minutes from the city centre, surrounded by the university quarter and which will find itself, by 2030, only yards from new Curzon St HS2 station which is currently under construction. The pub has been secured on a 25 year lease from Birmingham City Council at an attractive rent. Longer term there will undoubtedly be an opportunity to acquire the freehold from the Council, assemble a site for an extension (all the land is owned by the council who are very supportive) and potentially develop or sell on as an opportunity. The task at hand for Union Inns now is a careful restoration with a targeted opening in September to tap into the well of affection and interest there is for The Woodman making it an iconic destination pub. The total cost of this project is £250k covering the building works, fittings, working capital and pre-opening costs. I can happily flesh all this out as a more formal document if you think that would help.

In terms of financing The Woodman, £125k is already in place as an injection from another of my businesses, and I am looking to fund the balance with borrowings of a fairly short-term nature as when the business reaches maturity I expect to refinance the entire Union Inns business on a secured basis which would see me repaying the borrowings. So key features: £125k loan size, ideally repayable over five years, but would consider going shorter, accept that the cost will be quite high as it will be unsecured, happy to give a personal guarantee, ideally no or low early repayment charges.

You suggested some business projections would be useful. I attach a spreadsheet which summaries the overall numbers for Union Inns. This shows each pubs kpi's and profit or loss, central costs, which are very modest, and a reconciliation back to the statutory accounts. The last filed accounts which you have are for the year ended 31 March 2023. Statutory accounts for the year ended 31 March 2024, which don't have to be filed until 31 December 2024, are not yet prepared but the management accounts numbers are included on the summary. There is then the budget for the current year ending 31 March 2025 for the two existing pubs. Finally there is what I call a proforma showing what we are targeting each pub to make in a full year on the assumptions shown. As the Woodman is due to open mid-way through the current year we have not included anything in the budget although it will contribute some profit for the period it is open.

Looking at the numbers it is important to remember that in the year ended 31 March 2023 we were still suffering the after-effects of the pandemic, then, during the year ended 31 March 2024 we experienced sharp inflationary pressure particularly in utilities which is now abating. The Railway in Birtley is going to benefit from a small refurbishment planned later this year and The Swan is very much still in growth phase as the year ended 31 March 2023 was the first year with no covid related disruption and the pub only opened in late 2019 and the hotel rooms not until on 20th March 2020, the very day Covid restrictions were introduced!

Overall in 2023 at the EBITDA level the business was profitable producing a small £19k profit, this converted to a loss of £23k before tax, as shown in the statutory accounts, as there was interest of £9k (on the loan from my pension fund, and a small bounce back loan) a £25k loan write off which was of an advance made to support another operator completely unconnected to Union Inns opening a heritage pub which was unfortunately not a success so nothing to do with Union Inns trading and an £8k fair value adjustment which is the write of what is effectively capex because the pubs are maintained at external valuation in the balance sheet (£760k)

2024 was a difficult year because of the challenges mentioned above but the business still managed to be remain profitable producing a small £10k profit. Interest was £8k and there was no bad debt write off or fair value adjustments in the year..

Turning to 2025 we are budgeting for £72k of EBITDA profit as the Railway turns round from modest loss to modest profit as a result of tight management focus and the Swan starts to deliver significant profit as sales growth continues, margin is strong and utility costs reduce reflecting new supply deals. Central costs increase as resource is applied in advance of the Woodman opening.

The proforma or steady state sees the business delivering £152k of EBITDA. The Railway is assumed to increase to £22k profit as the benefits of the refurbishment planned for this year are delivered. The Swan is actually expected to trade at the same level as this year (in reality we expect it will still be growing) and the profit falls slightly as we have assumed government business rates relief drops away (it may not) producing £73k profit. The Woodman is expected, on what we believe to be a reasonably conservative takings (gross of VAT) assumption of £12.5k per week, to produce £83k profit.

As requested I also attach bank statements for the twelve months to date for the two trading bank accounts for the business, we have an account with Barclays for each pub, obviously no trading transactions have occurred for the The Woodman yet. I also attach the central account statement. This is used for capital transactions and to move funds between the units etc. No trading transactions go through it.