



Business plan for a proposed diversification

For

Mr. Frank Morgan

Of

Rowton Grange  
Aston on Clun  
Craven Arms  
Shropshire  
SY7 0PA

Student:  
15082200

Word count:  
3, 497

Contact Details: Sarah Morgan,  
Address: Delta House, 58 High Street, Newport, Shropshire, TF10 7AQ  
Mobile: 07465443713

## Table of Contents

---

Executive summary .....	iv
1.0 Introduction .....	1
Internal and external business environment for Rowton Grange.....	1
2.0 Objectives of the proposed project.....	3
3.0 Market research - Tourist sector.....	3
3.0.1 Locations trends;.....	3
3.0.2 Holiday focus;.....	4
3.0.3 Tourist trends in Shropshire;.....	4
3.1 Competitors.....	4
3.3 Proposed diversification .....	5
3.4 Location.....	6
4.0 Marketing mix .....	6
4.1 Consumer profile for the project .....	6
4.2 Product.....	7
4.3 Price.....	7
4.4 Promotion .....	8
4.4.1 Brand loyalty .....	8
4.4.2 Online marketing.....	8
4.4.3 Social media .....	9
4.4.4 Reviews .....	9
5.0 Considerations for the project .....	9
5.1 Physical impacts on the core business .....	9
5.2 Financial effect on the core business .....	9
5.3 Human resources impact on the core business .....	10
6.0 Other considerations.....	10
6.1 Insurance.....	10
6.2 Safety requirements.....	11
6.3 Business rates and tax.....	11
6.4 Planning history of farm.....	11
6.5 Planning considerations for the holding .....	12
6.6 Sourcing and manufacturing products.....	12
6.7 Environment and local area .....	12
6.8 Future proofing the business .....	12
7.0 Financial Viability .....	13
7.1 Sales forecast .....	13
7.2 Finance required .....	13

7.3 Account analysis.....	14
7.4 Cash flow.....	15
7.5 Sensitivity analysis.....	15
Conclusion.....	16
References.....	17
Appendices.....	21
Appendix 1: Physical resources of Rowton Grange, competitors within a 10 mile radius.....	21
Appendix 2: Similar businesses to the proposed diversification.....	25
Appendix 3: Analysis of various options for the proposed diversification project.....	26
Appendix 4: Location and area of the project.....	27
Appendix 5: Product design idea board.....	28
Appendix 6: Marketing approach.....	29
Social media.....	30
Reviews.....	30
Appendix 7: Predicted effect on the core business balance sheet.....	30
Effect on the balance sheet analysis.....	31
Appendix 8: Predicted effect of diversification on farm business profit and loss accounts.....	31
Appendix 9: Insurance information.....	32
Appendix 10: Safety requirements.....	32
Appendix 11: Planning policy considerations.....	32
Appendix 12: Waste disposal.....	36
Appendix 13: Future proofing the business.....	36
Appendix 14: Gantt chart showing proposed timeframe of the project.....	37
Appendix 15: LEADER funding.....	37
Appendix 16: Loan funding.....	37
Appendix 17: Capital expenditure required in year 1.....	38
Appendix 18: Balance sheet for proposed diversification.....	39
Appendix 19: Profit and loss for proposed diversification.....	40
Appendix 20: Aligning costs to occupancy rates.....	41
Appendix 21: Fixed and variable costs associated.....	41
Appendix 22: Normalised budget.....	0
Appendix 23: Cash flow years 1, 2, 3 and 10.....	0
Table 4 Farm diversifications within 10 miles of Rowton Grange.....	2
Table 1 Main competitors to the proposed project.....	5
Table 2 Proposed effect on the balance sheet.....	9
Table 3 Diversifications effect on the core businesses profit and loss accounts.....	10
Table 4 Summary of profit and loss accounts.....	14
Table 5 Analysis of return on investment.....	14

Table 6 Resilience of the profits to increased fixed costs.....	16
Table 7 Analysis of similar competitors in the UK .....	25
Table 8 Capital budgets for different lodge options.....	26
Table 9 Effect of diversification on the core business balance sheet .....	30
Table 10 Balance sheet analysis for the core business and proposed project .....	31
Table 11 Profit and loss account for core business and proposed diversification.....	31
Table 12 Loan repayment over 25 years .....	38
Table 13 Capital expenditure predicted .....	38
Table 14 Breakdown of furnishing costs.....	38
Table 15 Depreciation calculation over 15 years.....	39
Table 16 Proposed diversification balance sheet .....	39
Table 17 Profit and loss account for the proposed diversification .....	40
Table 18 Proposed occupancy rates aligned to variable and fixed costs.....	41
Table 19 Fixed and variable costs for the proposed diversification .....	42
Table 20 Normalised budget for the proposed project .....	0
Table 21 Projected cash flow year 1 – Set up .....	0
Table 22 Projected cash flow year 2 .....	1
Table 23 Projected cash flow year 3 .....	2
Table 24 Projected cash flow year 10.....	3
Figure 1 Map of Rowton Grange .....	1
Figure 2: Modulog cabin plan and dimensions for The Tapnell lodge.....	6
Figure 3 Proposed location and are for the lodges.....	6
Figure 4 Customer profile.....	7
Figure 5 Cash flow projection for first three years .....	15
Figure 6 sensitivity analysis for the proposed project .....	16
Figure 7 Public footpaths around Rowton Grange .....	28
Figure 8 Proposed design ideas for the proposed project.....	29
Figure 9 Agricultural land classification for Rowton Grange .....	
Figure 10: Areas of significant interest around Rowton Grange .....	35
Figure 11: 10 mile radius of Rowton Grange .....	35
Figure 12 Gant chart for the proposed timings of the project .....	37



## Executive summary

---

The farm subject to the following diversification plan is Rowton Grange farm of Mr. Frank Morgan, located in the south Shropshire hills, near Craven Arms.

After analysis of the internal and external business environment, consumer and market trends for the business, it has been decided to venture into the tourist industry.

The proposed project involves implementing two 6 person deluxe, eco-friendly holiday lodges on a two acre plot within the quiet farming environment of Rowton Grange. It will focus on offering a unique and personalised experience with added extras including hot tubs, animal petting area, dog kennel, disabled access and train station pick up.

Market research concluded a gap in the market for larger, luxury holiday units within South Shropshire. There will be a wide consumer focus looking at groups of families and friends from all around the UK, including those with disabilities.

The threat of current and future competitors for the chosen sector is a significant, therefore a competitive marketing and promotions plan has been developed. This includes a strong, active presence on the internet and social media.

Considerations for other factors affecting the project have also been accounted for including planning, licences, effect on the current business and the local environment.

The overall project is predicated to cost £105,000 with funding sourced from a mix of personal finance, grants and a loan. Once established the project is predicted to make an average retained profit of £16,500 per year, giving a 5.8 years payback for the project. This is based on a 58% occupancy rate and charge of £100 per night per lodge.

A thorough analysis of the financial viability has shown the business is resilient to price and occupancy changes with bank charges still being met at prices as low as £70 per night.

The proposed project stays in line with the businesses objectives, having little influence on the current farming system, but provides an alternative cash flow to help assist the repayment of capital. The success of the project is dependent upon many factors including the granting of planning permission, access to capital and the Morgan family willing to sacrifice physical, financial and human resources.

## 1.0 Introduction

The farm is situated in a small hamlet named Rowton (OS Grid Ref: SO 41147 79959), in the borough of South Shropshire, England and part of Clungunford civil parish. The location of the farm is outlined in red below.

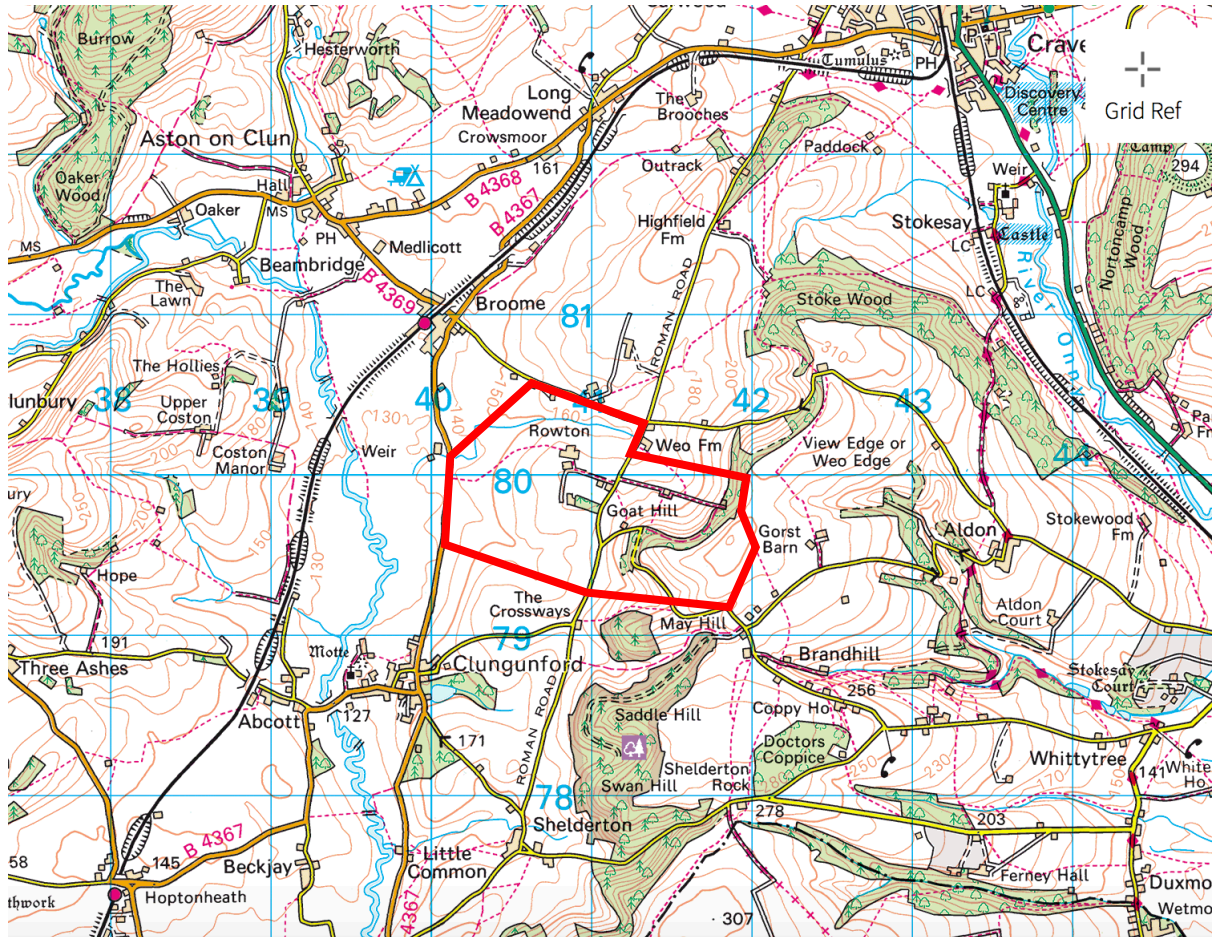


Figure 1 Map of Rowton Grange

(OS maps, 2019)

### Internal and external business environment for Rowton Grange

The internal and external environment, place, position and nature of the business have been assessed and summarised below. See appendix one for further analysis of the physical resource at Rowton Grange.

#### Figure 2 Analysis of the key strengths, weaknesses, opportunities and threats for Rowton Grange

Strengths	Weaknesses
Current successful enterprise in the tourist industry.	Financial position of the business, high borrowing.
Unutilised buildings and land have potential for development.	The current farming system is reliant on subsidies.
Locations has high aesthetic value, and surrounding area is popular for tourism.	No formal strategic or succession plan currently in place.

Educated successors planning on returning home. Family are supportive of business decisions.	The farm is not achieving top technical performance (within top 25%) across all enterprises.
<b>Opportunities</b>	<b>Threats</b>
Current low interest rates <sup>1</sup> making borrowing money currently more affordable.	Uncertainties over post BREXIT situation <sup>5</sup> , making the viability of investments difficult to predict.
Baby boomer generation is retiring, who have the most free time and cash <sup>6</sup>	Stricter environmental rules and regulations and changing government policies <sup>5</sup>
New markets opening post BREXIT <sup>5</sup>	Threat of global warming and climate changes effect on agriculture <sup>2</sup> , with increasing consumer pressures relating to the environmentally sustainability of agriculture.

(Source: Authors own, 2019)

The diversifications in the local area are predominately tourist driven, despite the accommodation market appearing saturated there may be opportunities through providing different experiences to the customer to gain market share. Location has appeared key to the majority of businesses, with prime retail location along the A49. Due to the limited failed businesses within Shropshire, there is a high chance for diversifications to succeed if managed properly. Table four shows diversifications identified within a 10 mile radius of Rowton Grange, examples are expanded in Appendix 1.

**Table 1 Farm diversifications within 10 miles of Rowton Grange**

Diversification sector	Number of businesses	Examples
Rural leisure/ recreation	7	Manor adventure, Acton Scott and Oaker Wood (Day out activity centres)
Farm shops	3	Ludlow Food Centre is a successful farm shop <sup>3</sup> ,
Retail	8	Edgton Christmas trees, Bow house equestrian.
Wedding venues	1	Downton Estate
Added valued food and drink	7	Wenlock Edge and Radnor Hills water
Accommodation	29 camping and glamping sites 127 holiday lets	Variety of accommodation, predominantly in town settings, varying from 1* to 5*. Average at 3* accommodation for 2-4 people.
Failed businesses	2 PYO Strawberries, Wistanstow and Maize Maze, Craven Arms	Failed due to staffing and weather issues.

(Source: Authors own)

<sup>1</sup> (Pelham., *et al.* 2018)

<sup>2</sup> (Archer., *et al.* 2008)

<sup>3</sup> <http://www.ludlowfoodcentre.co.uk/Content.aspx?ID=1>

## 2.0 Objectives of the proposed project

---

The predominant objectives for the business and diversification project have been identified as follows:

- Running a profitable and sustainable farm business with a positive environmental and community focus. It aims to meet family and business goals and aid debt reduction.
- Diversify the business to allow an additional income stream, reducing the sensitivity of the business to volatile commodity markets and the reduction of subsidies (Basic Payment Scheme) within the next few years post BREXIT. <sup>4</sup>

Business strengths;

- Aesthetically pleasing, quiet location
- Local area holds significant value within the tourist sector
- Human resources (people skills, experience, chance of a future partnership, current experience in the holiday let industry).
- Success of current holiday let, high occupancy rates and positive reviews.
- Underutilised resources on farm including stables, manage, woodland and piggery (See appendix one).

Local opportunities;

- Location eligible for LEADER funding and 'Visit Shropshire' scheme<sup>5</sup>
- Local attractions and festivals ('Food festival' in Ludlow, 'Medieval Festival' in Bishops Castle, Ironbridge museum)
- Local activities including Acton Scott museum, Ludlow Castle, National trust parks and hiking.

Overall the strength of the resources on farm and success of diversifications in the local area make diversification into the tourist sector a viable option for diversification. Tailoring the project towards consumer trends such as the aging population and healthy lifestyles will be vital in ensuring any project is sustainable in the future. Despite the tourist sector being largely exploited in the area, there are still opportunities to target different markets.

The main risks for the farm are the current high borrowings which could influence the ability to borrow money, however this can be overcome with a robust diversification plan. The threat of uncertainty of the future of farming post BREXIT increases the importance of exploring different income streams to reduce the effects of volatility.

## 3.0 Market research - Tourist sector

---

### 3.0.1 Locations trends;

---

UK holidays are projected to increase due to the uncertainties of BREXIT affecting factors including the weakening of the pound, different driving permits and health care policies influencing the decision<sup>6</sup>.

---

<sup>4</sup> (NFU, 2019)

<sup>5</sup> (Visit Shropshire, 2019).

<sup>6</sup> (ABTA, 2018).

'Staycation' trends have already shown an increase, with 3/5 of people looking to take their 2019 holiday in the UK, on average spending £823 per trip with 50% of this on accommodation, an increase of 37% since 2017<sup>7</sup>.

### 3.0.2 Holiday focus;

---

Consumers, particularly millennials are trending towards products which provide an 'experience' recent studies have shown beach breaks are being overtaken by wildlife and walking holidays<sup>8</sup>. Consumers show increased awareness for environmentally friendly practises, sustainable living and mental wellbeing, partly resulting from government initiatives such as the 'UK Clean Growth Strategy' this trend is likely to significantly increase in the short term<sup>9</sup>.

The countryside has become increasingly important for maintaining mental wellbeing and helping those with mental health issues<sup>10</sup>, with mental health being one of the main disease burdens within the UK affecting 1 in 6 adults<sup>11</sup> there is an opportunity to focus the diversification on a mental 'Well-being' experience.

### 3.0.3 Tourist trends in Shropshire;

---

Shropshire attracted more international visitors than ever in 2018 adding to the 11 million visitors per year spending more than £500 million<sup>12</sup>. Significant investment from the council has promoted tourism in the area through LEADER funding and 'Love Shropshire' initiatives, as well as the aesthetic value of the county matching consumer trends.

The core market is 40-64 year olds taking short breaks<sup>13</sup>. On average people are willing to travel 180 miles<sup>14</sup> to UK holiday destinations, leaving Rowton Grange with a large catchment range, especially if those with limited transport are targeted through options such as train station pick up and drop off.

From reviewing the trends above the demand for holiday breaks in the area is likely to increase further, especially for rural experience based holidays.

## 3.1 Competitors

---

Competitors within a 10 mile radius have been identified and reviewed to help determine the success of the project and indicate potential opportunities for self-catered accommodation within the area (See appendix 1 and 2). Over 120 self-catering units have been found with the majority currently offering 3 star accommodation for 2-4 people predominantly in towns.

---

<sup>7</sup> (Boumphrey and Brehmer, 2017)

<sup>8</sup> (Standerd, 2018)

<sup>9</sup> (Mintel, 2018).

<sup>10</sup> (Chappnell, not dated)

<sup>11</sup> (Mental health foundation, not dated)

<sup>12</sup> (Shropshire council, 2018)

<sup>13</sup> (Team, 2008)

<sup>14</sup> (Holmes, 2018)



The top five competitors have been reviewed in the table below.

**Table 2 Main competitors to the proposed project**

Competitor (Distance)	Size of holiday let (People)	Price per night (average per person)	Service offered	Star Quality rating (1*-5*)
Station inn, Marsh brook. (5 miles)	4/ 5	£65 (£13) Basic pods £170 (£42) High quality lodges	6 glamping pods, separate kitchen and bathroom. Hot tubs at an additional charge. Camping pitches also available, professional set up, with good reviews.	***
Bicton Lodge, Clun (5 miles)	4	£196 (£49)	Two bedroom, open plan wood log cabin. Hot tub, good views and affordable, good quality accommodation.	***
Walcott Hall, Lydbury North (4 miles)	2-8	£87.50 (£21)	A total of 24 glamping and holiday cottage accommodation ranging from 2 to 8 person, all of bespoke nature with great reviews. Also runs wedding business.	****
Shropshire glamping. Broome. (>1 mile)	6	£90 (£20)	1 yurt with hot tub. Within 1 mile of Rowton Grange. However restricted through scale due to land restrictions, proven successful with high occupancy rates.	***
Willow river lodges, Clunton. (5 miles)	4	£197 ( £49)	Group of 10, mobile 'log cabins' on a holiday park. Open plan modern appeal, affordable, quality, accommodation.	**

(Source: Adapted from Sykes 2019 and authors own, 2019)

Post BREXIT the NFU<sup>15</sup> have predicted 1 in 5 farms will diversify, with 20% planning into the holiday let industry, increasing the risk of other competitors further for the project. When looking into the wider market, indirect competitors such as city and beach breaks are still the most popular holiday destination in the UK, with London hotels showing exceptional growth rates at 5.6% in 2017.<sup>16</sup>

From market analysis there is opportunity for larger (6 people plus), higher quality, accommodation units in a rural setting, (see appendix 2). The key reasons for this is the area showing a large number of smaller units offering affordable accommodation e.g. 1/2 bedroom unit at 3 stars for £250 per week and with friends and families trending towards "Staycation" holidays there is an increasing demand for group accommodation within the UK<sup>17</sup>.

### 3.3 Proposed diversification

Based on internal and external factors and consumer trends it has been agreed with Mr. Morgan to set up two bespoke 6 person self-catered log cabins on farm. The two lodges will allow a greater market presence and fixed costs to be shared.

<sup>15</sup> (NFU, 2018)

<sup>16</sup> (RG group, 2018).

<sup>17</sup> (Mintel, 2018).

There will be a strong focus on promoting a unique eco-friendly, farm stay experience and high quality accommodation from the proposed budget at **£105,000** Inc. Grant funding, personal finance and loans (Expanded in appendix 15 and 16).

Appendix 3 reviews and budgets a range of potential holiday units, assessing the suitability to the proposed diversification on a scale of 1 to 10.

From this 'The Tapnell' lodge has been chosen as most suitable, based short payback period, close manufacturing site, sleeping capacity including bathroom and environmentally friendly deluxe design offering a personalised finish.<sup>18</sup>Below shows a sample image.

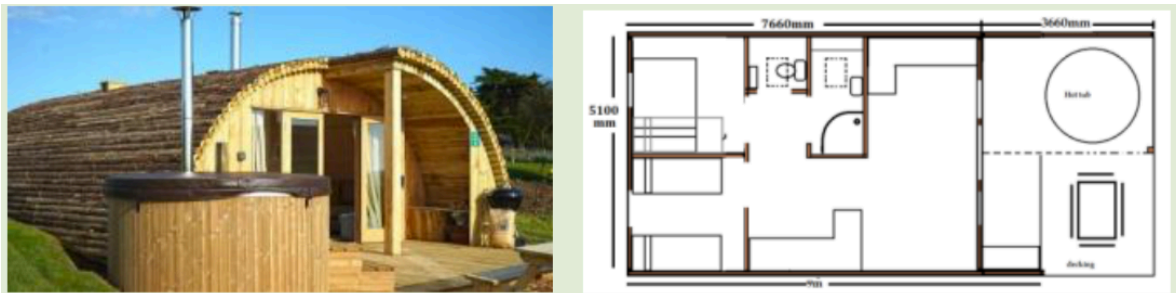


Figure 3: Modulog cabin plan and dimensions for The Tapnell lodge (Modulog, 2019)

### 3.4 Location

Figure 3 shows the proposed area of land for the project, chosen due to good access and close location to utilities, and minimum effect on farming practises. The location offers exceptional scenery across the rolling Shropshire hills.

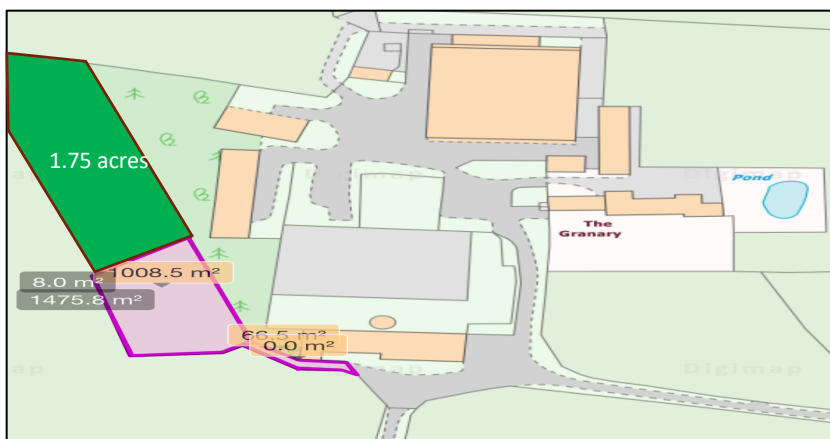


Figure 4 Proposed location for the lodges (Digimaps, 2019)

Key	Area (acres)
Building plot (Purple outline)	0.25
Landscaping and petting area (Dark green)	1.75
Total area	2

### 4.0 Marketing mix

The projects aims to provide an exemplary stay, gaining customer loyalty and high occupancy rates for a sustainable future. In order to do this the property needs to appeal to customers throughout the year and therefore a marketing strategy is essential.

#### 4.1 Consumer profile for the project

A consumer profile has been developed based on market prospects and consumer trends and likely future trends which align with Rowton Granges objectives stated in section 2.0.

<sup>18</sup> (Modulog, 2019).



Figure 5 Customer profile

(Authors own, 2019)

## 4.2 Product

See appendix 5 for further information on product design ideas.

The two lodges will be accompanied by bespoke landscaping and exceptional views adding value to the stay.

The following products aim to improve the attractiveness of the business:

- Farm stay experience (pick your own eggs, farm activities dependent on season e.g. lamb feeding, pony petting)
- Promoting a 'Well-being' and Eco – friendly holiday
- Train station pick up and drop off (Attracting those limited by transport)
- Bike hire
- BBQ, fire pit, Hot tub, decking area
- Renewable electric (Solar panels), Wi Fi and TV.
- Disabled access and facilities
- Farm animals area
- Personalised stay for visitors (Fresh flowers, hamper of 'Home essentials').
- Dog kennels provided, and dog care if required. (Dogs will also be allowed in accommodation)
- Farm walks interlinking with the local attractions and public walks (see appendix 4).

## 4.3 Price

The pricing and services of similar accommodation units to the project have been analysed (See appendix 1 and 2) allowing a comparative and competitive average price and sales to be established, taking account of seasonal sale variations.

From this an average of **£100/ night / lodge** for 6 people has been used. The popular tourist area, rural location and bespoke design has allowed a slightly higher price to be used. As the brand develops in the future there may be opportunities for prices to increase.



The pricing structure has been stress tested in section 7.5 showing the venture is still able to achieve targets with prices as low as £80 per night (Assuming 50% occupancy rates), proving resilience within the industry to external pressures.

#### Price list for extra activities

Craven arms / Broome train station pick up	£10 per booking
Bike hire	£10 / bike / day
Dog stay Inc. kennel use	Free of charge
Dog exercise and feeding	£15 / day / dog
Fire wood	£10 / bag

All booking will be paid for prior to the stay and taken through online bookings or via phone. A minimum of 3 nights on weekdays and 2 on weekends will be proposed to allow easier management.

### 4.4 Promotion

---

Appendix 6 provides references and data supporting the promotion plan below

#### 4.4.1 Brand loyalty

---

The aim of the marketing plan is to establish brand awareness, loyalty and credibility, promoting the business to reduce the effect of competitors and maximise occupancy rates.

Setting up a domain name for the business will help promote the company (Ensuring no copyright). Some suggested names include; 'Rowton Farm Lodges' or 'Shropshire Farm lodges'. It is recommended to consult the marketing agency to assist with a business name generation and brand logo.

The main features to promote the company been stated in section 4.2.

Other methods to consider to promote the brand includes;

- Charitable donations
- Friends and family discounts
- Promoting the story of the business of the farming and environment focus.
- Sponsoring events
- Experience offers and vouchers for the local area, if they promote the business
- Promoting key attractions in the area to enhance the local community
- Developing a 'winter attraction' for the holiday let

#### 4.4.2 Online marketing

---

A high quality, interactive and attractive webpage will promote the business and local area, using descriptive photos and videos along-side relevant text to promote bookings and recognition of the brand<sup>19</sup>. Search engine optimisation <sup>20</sup> will be used to ensure Rowton Grange comes above main competitors in the area.

---

<sup>19</sup> (Lakshmi *et al.*, 2017)

<sup>20</sup> (Gregorio, 2014).

There will be a substantial presence on e-platforms, with online sponsorship being considered as a marketing tool. There is also the option of entering a contract with companies including Sykes and Cottages.com, however this should only be used if occupancy rates are failing to meet targets due to the extra costs.

#### 4.4.3 Social media

---

A strong social media presence on networks Facebook, Instagram and twitter of the brand will be established through regular postings. The pages will include promotions of unique selling points of the business, services offered, pictures and videos of the lodge and surrounding area as well as links to the web page and booking process.

#### 4.4.4 Reviews

---

As 92% of customers look at reviews prior purchases gaining customer value / loyalty will be key focus for the business. This will be encouraged through offering a “value” for returning customers who leave reviews e.g. allowing them to reserve accommodation for the next year at a low deposit rate or provide a free hamper at their return visit.

### 5.0 Considerations for the project

---

#### 5.1 Physical impacts on the core business

---

The project aims to have minimal impact on the farming operations and community, with the 2 acres required to be taken out of less productive arable land.

The location of the lodges will be separate from the main farming area, reducing concerns relating to vehicle traffic and farm safety. Ample parking and appropriate signs will to reduce unnecessary traffic around the working farm.

#### 5.2 Financial effect on the core business

---

Balance sheet analysis expanded in appendix 7.

**Table 3 Proposed effect on the balance sheet**

	<b>2017</b>	<b>Year 1 diversification</b>	<b>Year 2 diversification</b>	<b>Target</b>
<b>Business equity (%)</b>	85%	85%	85.5%	>66% (owner occupier)
<b>Gearing (Liabilities: assets)</b>	0.18	0.18	0.18	< 0.5:1
<b>Liquidity (Current assets: Current Liabilities)</b>	1.98	1.99	2.17	> 2:1

(Source: Authors own, 2019)

After the first year of trading the project proves to benefit the core businesses balance sheet, particularly improving the liquidity (Table 2).

During the first 10 years profit generated from the project will be prioritised to help reduce the borrowings and interest charges for the core business.

Personal drawings will be taken from the core business, maximising the performance of the farming activities will therefore be vital. This might mean bringing in a consultant to help focus on improving financial performance of the business.

A suitable overdraft facility, small loan and opening balance of £10,000 will be required to mitigate the risk of financial exposure to the business especially during the first year of trading.

Profit and loss analysis is expanded in appendix 8.

**Table 4 Diversifications effect on the core businesses profit and loss accounts**

<b>Impact on Profit and loss accounts</b>	<b>2018 £'000</b>	<b>2019 £'000 (5% increase of core business)</b>	<b>Year 1 diversification £'000 (predicted)</b>	<b>Year 2 diversification £'000 (predicted)</b>	<b>Year 3 diversification £'000 (predicted)</b>
<b>Profit retained farm plus diversification</b>	11.8	13.2	13.8	29.4	32.2

(Source: Authors own, 2019)

The increase in retained profit from the diversification will be crucial to further improving the balance sheet of the core business and remaining sustainable in the future.

### 5.3 Human resources impact on the core business

The project will follow the same management structure as the current farm business, utilising the experience and reliable networks Mr. Morgan already holds for the farm and holiday let (e.g. cleaners, builders and accountants).

His daughter Sarah will also be home to help manage the lettings and is likely to form a partnership in the future.

A simple and effective management structure will be implemented involving all stakeholders in the complete running of the project, ensuring they have developed the skills to run the business individually if necessary. This will also motivate all family members involved to add value to customer's experience, if extra help is required this will be sourced from within the local area.

It is recommended that all involved stakeholders carry out training for dealing with customer complaints and ensuring the best customer care is achieved for the project, maximising a customer experience and satisfaction focus.

## 6.0 Other considerations

### 6.1 Insurance

See appendix 9.

Insurance will be purchased to reduce risks to the business<sup>21</sup> and enhance the chances of securing a loan. A quote from Significant insurance brokers has been acquired at £500 per year per pod. A

<sup>21</sup> (Simply business, not dated)

combined liability policy will be used, covering public liability, employers liability and building cover against accidental tenant damage and external damage<sup>22</sup>.

A deposit of 10% and advanced payment will be taken from all bookings to reduce risk of cancelled budgets effecting cash flow projections. A minimum booking of two nights is also recommended based on UK benchmarks for minimum stay requirements<sup>23</sup>, to reduce change over costs and therefore variable costs to the business.

## 6.2 Safety requirements

---

It is recommended to acquire the following licences to reduce the liability of the business (Expanded in appendix 10);

- Gas safety certificate, if gas fittings are present<sup>24</sup>
- Electrical fitting certificate (BS 7671)<sup>25</sup>
- Fire risk assessment<sup>26</sup>
- General risk assessment (Inc. all risks)
- Health and safety procedures (e.g. Fire exists and meeting points)

## 6.3 Business rates and tax

---

The business will be eligible to claim Small Business Rate Relief currently at a 100% threshold, as the holiday lets rateable value is unlikely to meet the VAT threshold, requiring back to back bookings for 52 weeks or charge over £1,500 per week.<sup>27</sup>

For the purpose of this business plan a 20% basic rate tax deduction has been applied to income where profit generated is over £11, 850<sup>28</sup>.

## 6.4 Planning history of farm

---

The project is dependent on approval of full planning permission from Shropshire Council. This requires a pre – application for planning followed by a full planning application and discharge of conditions application to be sent to Shropshire Council (Expanded in appendix 11)<sup>29</sup>.

From reviewing the recent planning history of Rowton Grange there has been no recent applications prior a ménage in 2007 which was approved with no issues, therefore permitted development rights are still available for the farm to use if needed.<sup>30</sup>

The relevant planning policies include the following key documents;

- National Planning Policy Framework (NPPF)
- Shropshire core strategy, Development Plan Document from Shropshire Council<sup>31</sup>

---

<sup>22</sup> (Pers. Comms. Significant insurance brockers)

<sup>23</sup> (Intel, 2018)

<sup>24</sup> (HSE, not dated)

<sup>25</sup> (Sykses, not dated)

<sup>26</sup> (Gov, 2012).

<sup>27</sup> (GOV, not dated).

<sup>28</sup> (GOV, 2018).

<sup>29</sup> (Shropshire council, 2018).

<sup>30</sup> (Shropshire council, 2019).

<sup>31</sup> (Shropshire council, 2011)

- Site Allocations and Management of Development Adopted Plan (SAMDev) from Clungunford parish council.<sup>32</sup>

The above policies have shown to support diversification within South Shropshire, other planning policies and key policy statements to consider for the project have been stated and expanded in appendix 11.

Access and parking are unlikely to be an issue also due to the low traffic flow and close location to the B4367 (Less than 2 miles).

## 6.5 Planning considerations for the holding

---

The Agricultural Land Classification (ALC)<sup>33</sup> classes Rowton Grange as good to moderate farming land and outside any areas of specified interest (AONB, Green belt areas, SSI).

The site is within the water catchment area of the River Clun Special Area of Conservation (SAC), which is currently failing its water quality targets, therefore new developments in the area must not threaten the situation. A Habitat Regulations Assessment (HRA), may also be required. See appendix 11 for further details<sup>34</sup>.

## 6.6 Sourcing and manufacturing products

---

The lodges will be sourced from Builth Wells, Wales, 37 miles from the farm and the closest manufacturer of the desired design. Contractors (Inc. Electricians, builders, cleaners and accountants) and products (Inc. food products and landscaping equipment etc.) will be sourced within a 20 mile radius of the project to promote the local economy in the area.

## 6.7 Environment and local area

---

Rowton Grange already proves significant investment into the environment, with designated wild bird covers, managed woodlands and meadows managed for increased biodiversity.

The solar powered lodges will be centred around an eco- friendly, sustainable project with the project maintaining a key focus on enhancing the biodiversity of plants and animals. Dependent on environmental policies post BREXIT, there is potential to extend the HLS (Higher Level Stewardship) scheme around the lodges.

A low carbon approach will be utilised during the project, adopting to use solar panels not only promoting the projects ethos but also satisfying government goals and policies.<sup>35</sup>

A suitable waste disposal unit to minimise environmental effects has been chosen at 4,350 litres for 12 people (expanded in appendix 12).

## 6.8 Future proofing the business

---

---

<sup>32</sup> (Shropshire council, 2015)

<sup>33</sup> (Natural England, 2010)

<sup>34</sup> (JNCC, not dated).

<sup>35</sup> (Carbon trust, not dated).

Continued management and adaption of the business to external trends (E.g. consumer trends, policy changes) will be vital to remain competitive in the saturated market. This will involve continued marketing as well as predicted and monitored financial management.

The main threats to overcome include current and future competitors, failure of planning permission and security of finance. With the main opportunity being the nature of the location and current trends of increasing UK based holidays.

A further analysis of the main threats and opportunities are shown in appendix 13, as well as a potential exit strategy.

## 7.0 Financial Viability

---

### 7.1 Sales forecast

---

Within the budget forecasts there is a risk that sales will be inaccurate, threatening the viability of the business, using varying occupancy rates, sensitivity analysis and extensive market research this risk has been reduced.

Expected occupancy rates have been averaged from Statista and England occupancy survey<sup>36</sup> for self-catered holiday accommodation in 2016. It has been assumed a 58% average occupancy rate (at £100/night /lodge) will be achieved during the second year taking account of seasonal variations, time for brand development and allowing two weeks holiday per year for the Morgan family.

A % increase in sales per year for occupancy rates have been assumed and forecasted due to the high market presence and focus on maximising occupancy rates through a well-managed marketing strategy for the project. An assumed percent of increased costs has also been accounted for in financial forecasts for factors such as inflation and increased cost of goods (Inc. increase electricity, water and labour costs).

The build time for the project has been predicted at 6 months, see appendix 14 for the predicted time frame.

The first 6 months of trading is likely to see a lag in sales, therefore reduced income of 20% for August, 15% September and 10% October have been budgeted, after this point it is expected sales will reach predicted levels.

### 7.2 Finance required

---

**Total project cost: £105,000** allowing an extra 5% for unforeseen costs. The capital cost calculations and assumptions have been expanded in appendix 16, 17 and 21.

Understanding there are limited cash reserve for the project, some funding has been outsourced from AMC. In total it is predicted £80,000 for the project will be sourced from private capital and grants and the remaining £25,000 outsourced as a long term loan from AMC.

#### Break down of finance:

---

<sup>36</sup> (Visit Britain, 2018)

Personal finance: £40,000 (Morgan family willing to invest £40,000, sourced from personal savings)  
 LEADER grants funding: £40,000 (See appendix 15)  
 Long term loan: £25, 001 @3.36% interest and 15 year repayment period, sourced from AMC <sup>37</sup>(See appendix 16)

Prior to the funding of the loan being transferred the business will have to fund all the capital, this has been discussed with Mr. Morgan where he is happy to provide the additional start-up costs.

**Excluding grant funding is not secured:**

£40,000 personal finance  
 £65,000 long term loan (Payback £4,333 per year over 15 years plus £2,625 interest charges per year).

As funding is not 100% secured the capital requirements without the loan have been analysed.

If a larger loan cannot be sourced there is the option to reduce the project size to one lodge reducing initial investment costs.

Capital will be strategically injected throughout the first year to maintain a controlled cash flow, minimising negative balances (Appendix 23).

### 7.3 Account analysis

See appendix 18, 19, 22 and 23 for breakdowns of fixed and variable costs, profit and loss and balance sheet.

**Table 5 Summary of profit and loss accounts**

	Year 1	Year 2	Year 3	Year 4	Year 10	Target
<b>Gross margin £</b>	18, 964	34, 866	37, 587	39, 875	45, 902	-
<b>Retained profit after tax £</b>	-765	14, 617	16, 793	18, 550	23, 298	>12, 000 (Owners objectives)
<b>Opening balance £</b>	10,000	9, 093	16, 668	24, 919	82, 679	-
<b>Gross profit %</b>	84	83	84	85	87	>20
<b>Net profit margin %</b>	0	34	37	39	43	>25

(Source: Authors own, 2019 and adapted from Trend Share, 2019)

Gross margin at 84% showing the business is robust against significant losses during periods of reduced sales, this is high when compared to similar B and Bs predominantly due to the reduced fixed and variable costs compared to larger, more permanent buildings. Margins are dependent on occupancy rate and payment per night being achieved. The sensitivity analysis (Section 7.5) has shown the robustness against these factors.

The first year of trading has a high capital expenditure cost due to the investment into the materials and setting up of the project. Costs then remain relatively low, with fixed costs accounting for 16 % in subsequent years before income tax, depreciation and repayments of loans. This results in the business being significantly robust against reduced future sales and fixed cost increases.

**Table 6 Analysis of return on investment**

	Year 1	Year 2	Year 3	Year 4	Year 10	Target
<b>Return on Investment (Before tax and inflation) %</b>	0	13.9	15.9	17.6	22	>10

<sup>37</sup> (AMC, 2019)

<b>Return on Equity %</b>	0	40	37.8	38.6	22.6	>10
<b>Owner equity %</b>	66.7	85	100	100	100	> 66

(Source: Authors own, 2019)

Payback period has been estimated at 5.8 years based on assumptions and first 4 years of trading predictions (Appendix 22).

Retained profit after repayments will be directed into the core business to contribute to capital repayment targets of the long term borrowings.

## 7.4 Cash flow

An opening balance of £10,000 (Capital injected from Mr. Morgan) has been implemented to account for negative bank balance during start up, minimising the risks of bank charges.

The graph below shows a summary of the cash flow for the first three years of operating, with a consistent positive increase of cash each year, supporting the venture as a viable project and allowing a cushion for unforeseen expenses.

Appendix 23 shows a detailed cash flow projection.

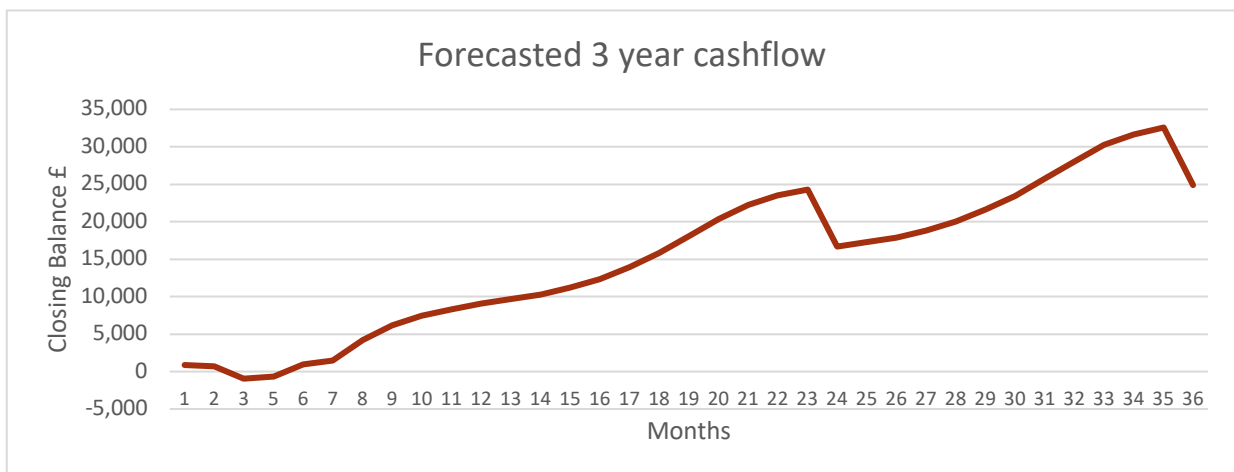


Figure 6 Cash flow projection for first three years

(Source: Authors own, 2019)

Variable costs have been distributed throughout the cash flow dependent on occupancy rates predicted (See appendix 20), and fixed costs estimated and distributed appropriately (See appendix 21 and 22).

Discounted cash flow has also been provided in appendix 22 showing the estimated present value of future (irregular) cash flow, at an estimated 10% discounted rate of interest. This proves continual adjustments to the pricing structure of the business will be required to ensure profits remain above the base rate of inflation.

Assumptions made from £100 per lodge per night charge and 58% occupancy rate.

## 7.5 Sensitivity analysis



A minimal net profit of **£12,900** will be required to meet capital repayments and objectives of the farm business of a >10% return on capital invested, which from costings below should be achievable (Shown by dashed line). Highlighted in green in figure 7 is the target based on predicted occupancy rates and achievable pricing structure for the business.

The two critical factors to success identified for the business include occupancy rate and price paid per night £.

Figure 7 Sensitivity analysis for the proposed project

		Sales price per night (£) based on TWO Lodges@ £100 per night								
		120	140	160	180	200	220	240	260	280
Occupancy rate (%)	10	-18,846	-18,116	-17,386	-16,656	-15,926	-15,196	-14,466	-13,736	-13,006
	20	-14,466	-13,006	-11,546	-10,086	-8,626	-7,166	-5,706	-4,246	-2,786
	30	-10,086	-7,896	-5,706	-3,516	-1,326	864	3,054	5,244	7,434
	40	-5,706	-2,786	134	3,054	5,974	8,894	11,814	14,734	17,654
	50	-1,326	2,324	5,974	9,624	13,274	16,924	20,574	24,224	27,874
	60	3,054	7,434	11,814	16,194	20,574	24,954	29,334	33,714	38,094
	70	7,434	12,544	17,654	22,764	27,874	32,984	38,094	43,204	48,314
	80	11,814	17,654	23,494	29,334	35,174	41,014	46,854	52,694	58,534
	90	16,194	22,764	29,334	35,904	42,474	49,044	55,614	62,184	68,754
	100	20,574	27,874	35,174	42,474	49,774	57,074	64,374	71,674	78,974

(Source: Authors own, 2019)

Overall a +/- 10% on occupancy rates will affect the net profits by +/- £3,650, where a +/- £20/night income for the two lodges will account to +/- £6570 on the net profits generated. Therefore the price received has proved nearly twice as important as occupancy rates for presumed figures.

The sensitivity analysis concludes that at a rate of £100/night/lodge a minimum occupancy of 50% per year is required to meet the minimal net profit required by the business objectives, however a profit can still be generated at £140 and 50% occupancy. See appendix 22 for costing breakdown. In order to break even a minimum of £10, 500 income is required to ensure all overhead costs are covered.

Assuming a 50% occupancy rates and charge of £200/night for the two lodges the table below shows the effect on net profit of increases in fixed costs. The shows the business is resilient to the risk of an increase in fixed costs in the future resulting from inflation and other unforeseen costs.

Table 7 Resilience of the profits to increased fixed costs

Cost increase %	0%	5%	10%	15%	20%
<b>Total cost</b>	£23,226	£24,387	£25,549	£26,710	£27,871
<b>Effect on net profit</b>	£20,574	£19,413	£18,251	£17,090	£15,929

(Source: Authors own, 2019)

## Conclusion

Overall the markets current and future demand for holiday accommodation within south Shropshire still holds opportunity for diversification into the sector, taking advantage of Rowton Granges physical

and human resources. The proposed project will have limited implications on the physical running of the core business, with the extra profit forecasted on average at £16, 500 per year contributing to the objectives of reducing long term borrowings. Risk has been mitigated for the project however is still dependent on the high quality running of the business to maximise performance.

## References

---

ABTA. 2018. *Holiday habits report*. [Online]. ABTA. Available from: <https://www.abta.com/sites/default/files/2018-10/Holiday%20Habits%20Report%202018%20011018.pdf> [Accessed 19 February 2019].

AECOM. 2018. *Infrastructure pricing*. [Online]. AECOM. Available from: [https://infrastructure.aecom.com/?utm\\_source=aecomcom&utm\\_medium=display&utm\\_campaign=foi2\\_global&utm\\_content=homepage%20&utm\\_term=smallarticlebanner&\\_ga=2.90891613.670139762.1550416044-727679413.1550416044](https://infrastructure.aecom.com/?utm_source=aecomcom&utm_medium=display&utm_campaign=foi2_global&utm_content=homepage%20&utm_term=smallarticlebanner&_ga=2.90891613.670139762.1550416044-727679413.1550416044) [Accessed 14 February 2019].

AMC. 2019. *Mortgage and loan calculator*. [Online]. AMC. Available from: <https://www.amconline.co.uk/borrow/calculate-interest/> [Accessed 20 January 2019].

Boumphrey, S. Brehmer, Z. 2017. *Mega trend analysis*. [Online]. Available from: <http://go.euromonitor.com/rs/805-KOK-719/images/wpMegatrendAnalysis.pdf> [Accessed 18 October 2018].

Carbon trust. Not dated. *Business model innovation*. [Online]. Carbon trust. Available from: <https://www.carbontrust.com/client-services/advice/business-innovation/> [Accessed 18 February 2019].

Cottages.com

DEFRA. 2017. *Areas eligible for LEADER funding in England*. [Online]. DEFRA. Available from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/587817/leader-funding-map.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/587817/leader-funding-map.pdf). [Accessed 15 February].

Digimaps. 2019. *OS Roam*. [Online]. Digimaps. Available from: <https://digimap.edina.ac.uk/roam/map/os>. [Accessed 25 January 2019].

Expert web design. 2019. *How much does it cost to set up a website in 2019?*. [Online]. Expert web design. Available from: <https://www.expertmarket.co.uk/web-design/how-much-does-website-cost> [Accessed 27 January 2019].

<sup>1</sup>Free map tools. 2018. *Find population on map*. [Online]. Free map tools. Available from: <https://www.freemaptools.com/find-population.htm> [Accessed 20 January 2019].

Google maps. 2019. *Google maps*. [Online]. Google. Available from: <https://www.google.com/maps/@52.4235646,-2.8629158,5536m/data=!3m1!1e3> [Accessed 22 January 2019].

GOV. 2012 a. *Fire safety risk assessment – sleeping accommodation*. [Online]. GOV. Available from: <https://www.gov.uk/government/publications/fire-safety-risk-assessment-sleeping-accommodation> [Accessed 14 February 2019].

GOV. 2012. *National planning policy framework*. [Online]. GOV. Available from: <https://www.gov.uk/government/publications/national-planning-policy-framework--2> [Accessed 22 January 2019].

GOV. not dated. *Business rates relief*. [Online]. GOV. available from: <https://www.gov.uk/apply-for-business-rate-relief/small-business-rate-relief> [Accessed 14 February 2019].

GOV. not dated a. *VAT*. [Online]. GOV. Available from: <https://www.gov.uk/topic/business-tax/vat> [Accessed 21 February 2019].

Gregorio, J. 2014. *8 reasons why SEO can contribute to business growth*. [Online]. Digital marketing. Available from: <http://cjdigitalmarketing.com/8-reasons-why-seo-can-contribute-to-business-growth-infographic/> [Accessed 10 February 2019].

Holmes, D. 2018. *An in depth review of the holiday let and staycation market in the UK*. [Online]. Sykses. Available from: <https://www.sykescottages.co.uk/blog/staycation-index-2018/> [Accessed 22 February 2019].

HSE. Not dated. *Gas safety - landlords and letting agents*. [Online]. GOV. Available from: <http://www.hse.gov.uk/gas/domestic/faqlandlord.htm> [Accessed 14 February 2019].

JNCC . Not dated. *Distribution of UK special areas of conservation*. [Online]. DEFRA. Available from: <http://jncc.defra.gov.uk/default.aspx?page=1515> [Accessed 22 January 2019].

Lakshmi, V., Mahboob, A and Choudhay, A. 2017. *International journal of science development and research*. A study of the impact of social media on small and medium enterprises. [Online]. Volume 2 (11).

Mintel. 2018. *Europe consumer trends*. [Online]. Mintel. Available from: [http://reports.mintel.com/static/trends/documents/European\\_Consumer\\_Trends.pdf](http://reports.mintel.com/static/trends/documents/European_Consumer_Trends.pdf) [Accessed 23 2018].

Modulog. 2019. *Pricing of pods*. [Online]. Modulog. Available from: <https://www.modulog.co.uk> [Accessed 20 February 2019].

Mental Health Foundation. Not dated. *Mental health statistics in the UK*. [Online]. Available from: <https://www.mentalhealth.org.uk/statistics/mental-health-statistics-uk-and-worldwide> [Accessed 2 March 2019].

Natural England. 2010. *Regional agricultural land classifications map*. [Online]. Natural England. Available from: <http://publications.naturalengland.org.uk/category/5954148537204736> [Accessed 10 January 2019].

NFU. 2019. *BREXIT news*. [Online]. Available from: <https://www.nfuonline.com/news/latest-news-rh-panel/eu-referendum/> [Accessed 10 January 2019].

Ordnance survey. 2019. *OS Maps*. [Online]. Ordnance survey. Available from: <https://osmaps.ordnancesurvey.co.uk/53.23782,-1.97139,8> [Accessed 4 November 2018]

RG Group. 2018. *What has been driving the UK hotel sector growth in recent years?*. [Online]. RG Group. Available from: <http://rg-group.co.uk/what-has-been-driving-the-uk-hotel-sector-growth-in-recent-years/> [Accessed 16 February 2019].

Shropshire council. 2015. *Local planning*. [Online]. Shropshire council. Available from: <https://shropshire.gov.uk/planning-policy/local-planning/> [Accessed 15 February 2019].

Shropshire council. 2018. *Invest in Shropshire*. [Online]. Shropshire council. Available from: <http://www.investinshropshire.co.uk/relocate-to-shropshire/shropshire-at-a-glance/> [Accessed 22 February 2019].

Shropshire council. 2019. *Search for planning applications*. [Online]. Shropshire council. Available from: <https://pa.shropshire.gov.uk/online-applications/> [Accessed 10 February 2019].

Shropshire council. Not dated. *LEADER programme funding*. [Online]. Available from: <https://shropshire.gov.uk/funding-opportunities/leader-programme-funding/> [Accessed 22 January 2019].

Shropshire council. Not dated. *Policies map*. [Online]. Shropshire council. Available from: <https://shropshire.maps.arcgis.com/apps/webappviewer/index.html?id=9f89026cc3bf4e64a91536b60130e7db> [Accessed 22 January 2019].

Shropshire hills AONB. 2018. *Shropshire Hills sustainable tourist strategy 2018-23*. [Online]. Shropshire hills AONB. Available from: <http://www.shropshirehillsaonb.co.uk/wp-content/uploads/2015/09/Shropshire-Hills-Sustainable-Tourism-Strategy-2018-2023-final.pdf> [Accessed 15 February 2019].

Simply business. Not dated. *Is building insurance a legal requirement?*. [Online]. Simply business. Available from: <https://www.simplybusiness.co.uk/landlord-insurance/faq/is-buildings-insurance-a-legal-requirement/> [Accessed 22 January 2019].

Small business. 2017. *The importance of online reviews for SME's*. [Online]. Small business. Available from: <https://smallbusiness.co.uk/importance-online-reviews-smes-2536787/> [Accessed 10 January 2019].

Standard. 2018. *The biggest travel trends and predictions for 2018 – according to the experts*. [Online]. Standard. Available from : <https://www.standard.co.uk/lifestyle/travel/travel-trends-predictions-2018-a3733006.html> [Accessed 22 February 2019].

Statista. 2016. *Guesthouse room occupancy rate in the United Kingdom (UK) from 2011 to 2016*. [Online]. Statista. Available from: <https://www.statista.com/statistics/301474/guesthouse-room-occupancy-rate-in-the-united-kingdom-by-country/> [Accessed 16 February 2019].

Sykes. Not dated. *Legal regulations for holiday lets*. [Online]. Sykes. Available from: [https://www.sykescottages.co.uk/letyourcottage/legal-regulations-for-holiday-lets/?&rfr=10068&mkwid=s\\_dc&pclid=269050210245&pkw=%2Brequirements%20%2Bholiday%20%2Blet&pmt=b&slid=&gclid=EAIaIQobChMIhOjquK684AIVw7ztCh2hgANnEAAAYASAAEgKcE\\_D\\_BwE](https://www.sykescottages.co.uk/letyourcottage/legal-regulations-for-holiday-lets/?&rfr=10068&mkwid=s_dc&pclid=269050210245&pkw=%2Brequirements%20%2Bholiday%20%2Blet&pmt=b&slid=&gclid=EAIaIQobChMIhOjquK684AIVw7ztCh2hgANnEAAAYASAAEgKcE_D_BwE) [Accessed 14 February 2019].

Sykes. 2018. *Holiday cottages South Shropshire*. [Online]. Sykes. Available from: [https://www.sykescottages.co.uk/?&rfr=10198&pmt=b&slid=&gclid=EAIaIQobChMIhqXTofTQ3gIVCrXtCh2tNgphEAAAYASAAEgL49PD\\_BwE](https://www.sykescottages.co.uk/?&rfr=10198&pmt=b&slid=&gclid=EAIaIQobChMIhqXTofTQ3gIVCrXtCh2tNgphEAAAYASAAEgL49PD_BwE) [Accessed 1 November 2018].

Team. 2008. *Shropshire tourism market review*. [Online]. Shropshire council. Available from: [http://www.stmem.com/downloads/Shropshire%20Markets%20review%20-%20Updated%20final%20\\_Sept%202008\\_.pdf](http://www.stmem.com/downloads/Shropshire%20Markets%20review%20-%20Updated%20final%20_Sept%202008_.pdf) [Accessed 30 October 2018].

Trend Share. 2019. *What is a good annual rate of return*. [Online]. Available from: <https://trendshare.org/how-to-invest/what-is-a-good-annual-rate-of-return> [Accessed 10 February 2019].

Visit Britain. 2018. *Accommodation occupancy: Latest results*. [Online]. Visit Britain. Available from: <https://www.visitbritain.org/accommodation-occupancy-latest-results> [Accessed 22 January 2019].

Visit Shropshire. 2019. *Shropshire hills and Ludlow*. [Online]. Visit Shropshire. Available from <https://www.visitshropshirehills.co.uk> [Accessed 22 January 2019].

Chappell, K. Not dated. *Peace of mind*. [Online]. Campaign to protect rural England. Available from: <https://www.cpre.org.uk/magazine/out-and-about/item/4855-peace-of-mind> [Accessed 10 March 2019].

## Appendices

---

### Appendix 1: Physical resources of Rowton Grange, competitors within a 10 mile radius

---

#### *Physical Resources*

---



1. Disused piggery, with gravel farm track, has approximately 0.25 acres of level concrete. (Circled pink on map).
2. Two underutilised outbuildings in good condition, potential for residential development through the Class Q route<sup>38</sup>.
3. Five stables, 25x60m arena with show jumps and small grass paddocks surrounding the house.
4. Six Bedroom farmhouse, currently only two are occupied, Family are open to renting out the main house, and downscaling if required.
5. Workshop has seven bays, currently used for storage and maintenance of machinery.
6. Grain store will need major maintenance within the next ten years, if the arable enterprise requires. The area is currently used for grain storage, milling and fertiliser storage.
7. 25 acres of mature predominantly beach woodland situated on Goat hill (Figure one). varies footpaths interlink through the woodland, some sections are in need of felling.



Figure 8 Map of Rowton Grange farm, main physical resources shown  
(Source: Ordnance survey, 2018)

### *Key competitors in the local area*

#### **Rural leisure/ Recreation**

- Acton Scott<sup>39</sup>, 19<sup>th</sup> century based historic working farm, visitor attraction and event centre.
- Mickey millers<sup>40</sup> family soft play barn, Craven arms.

<sup>38</sup> (GOV, 2015)

<sup>40</sup> <https://mickeymillersfamilyplaybarn.wordpress.com>

- Oaker Wood leisure<sup>41</sup> outdoor activity centre, glamping and group accommodation.
- Manor adventure<sup>42</sup> outdoor activity centre with group accommodation.
- Brockton Gun club, clay pigeon shooting.
- Froggets fishing ponds<sup>43</sup>.
- Wheely wonderful cycling<sup>44</sup>, offers accommodation, luggage transfers and map.

#### **Farm shops**

- Ludlow food centre<sup>45</sup> is a major success, investing into other side businesses including a cafe, garden centre, bike shop and post office.
- Strefford Hall Farm shop<sup>46</sup>, smaller scale farm shop.
- Froggatt's tea rooms and vintage shop.

#### **Retail**

- Edgton Christmas trees<sup>47</sup>, trees direct<sup>48</sup> and Evergreen Christmas trees<sup>49</sup>
- Livery yards: Walcot riding stables<sup>50</sup> and Bow house equestrian<sup>51</sup> offer riding lessons and other facilities.
- Boarding kennels and catteries, Wild meadow boarding kennel<sup>52</sup>, Stoney Bridge farm<sup>53</sup>
- Shropshire woodland remembrance park<sup>54</sup>, burial site set in woodlands.

#### **Wedding venues**

- The haybarn<sup>55</sup> outdoor farm based wedding venue and accommodation.

#### **Food and drinks**

- Chilton damson Gin<sup>56</sup>
- Radnor Hills mineral water<sup>57</sup> and Wenlock spring water<sup>58</sup>
- Shropshire country oils
- Appleteme<sup>59</sup>, hand pressed apple juice.
- Clun valley organic meats<sup>60</sup>
- Rhos market garden<sup>61</sup>, organic produce

#### **Accommodation**

- 29 camping and glamping businesses<sup>62</sup> the size and quality varies significantly, majority have high occupancy rates during the busy periods of the year. Range from simple site spot (Wayside touring park) to upscale yurts and apartments (Walcot hall farm).

<sup>41</sup> <https://www.oakerwoodleisure.co.uk>

<sup>42</sup> <https://www.manoradventure.com/culmington-manor.php>

<sup>43</sup> <https://www.froggatts.org.uk>

<sup>44</sup> <https://www.wheelywonderfulcycling.co.uk/cyclehire>

<sup>45</sup> [www.ludlowfoodcentre.co.uk](http://www.ludlowfoodcentre.co.uk)

<sup>46</sup> [www.streffordhallfarmshop.co.uk/](http://www.streffordhallfarmshop.co.uk/)

<sup>47</sup> <https://www.edgtonfarm.co.uk>

<sup>48</sup> <https://www.treesdirect.co.uk>

<sup>49</sup> <https://www.evergreen-christmastrees.co.uk>

<sup>50</sup> <http://www.walcotstables.co.uk>

<sup>51</sup> <http://www.bowhousefarm.co.uk>

<sup>52</sup> <https://www.wildmeadowboardingkennels.com>

<sup>53</sup> <http://www.stoneybridgefarm.co.uk>

<sup>54</sup> <https://www.shropshirewoodlandburial.co.uk>

<sup>55</sup> <https://www.thehaybarn-weddingvenue.co.uk>

<sup>56</sup> <https://www.chiltonliqueurs.co.uk>

<sup>57</sup> <https://www.radnorhills.co.uk>

<sup>58</sup> <https://www.wenlockspring.co.uk>

<sup>59</sup> <http://www.appleteme.com>

<sup>60</sup> <http://www.clunvalleyorganics.co.uk>

<sup>61</sup> <http://www.rhosorganic.co.uk>

<sup>62</sup> <https://coolcamping.com/glamping/uk/england/west-midlands/shropshire>



-Different scales from Ludlow touring park offers 5\* sites with over 115 sites, and Wheat hill only offering 11 quiet pitches.

- 127 holiday lets within a 10 mile radius of the farm, this is only considering the ones advertised on Sykes<sup>63</sup> and Cottage.com<sup>64</sup>, some may not be direct farm diversifications.

There is a significant variation with over 100 suitable for 2 people, but only 4 available for 12+ parties. The majority range from 3 to 4 star, offering similar experiences for example walking trails, close proximity to tourist towns and the ability to bring pets.

### *Key competitors in the local area for the tourist accommodation sector*

**Table 1 Self-catering accommodation within a 10 mile radius of Rowton Grange**

Similar businesses (within 10 miles)	Size of holiday let	Price per night (per person) Based on July prices throughout the year.	Service offered
Station inn 5 miles	5 person pods and 4 person lodges	£65 (£13) pods £170 (£42) lodges	6 glamping pods holding up to 5 people each. Separate kitchen and bathroom. 3 lodges hot tubs at an additional charge. Kitchen and toilet area included. Camping pitches also available.
Bicton Lodge 5 miles	4 person	£196 (£49)	Two bedroom, open plan wood log cabin. Sleeps four. Hot tub and good views. Clun. Affordable, good quality accommodation.
Walcott Hall 4 miles	Varying 2 to 8 person.	£87.50 (£21) average for 6 person accommodation.	A total of 24 glamping and holiday cottage accommodation ranging from 2 to 8 person. Includes yurts, caravans and shepherds huts all of bespoke nature. Also runs wedding business and own webpage.
Shropshire glamping >1 mile	6 person	£90 (£20)	1 yurt with hot tub. Within 1 mile of Rowton Grange. However restricted through scale due to land restrictions and aimed at more 'adventurous' holiday makers.
Willow river lodges 5 miles	4 person	£197 (£49)	Two bedroom. Group of 10, mobile 'log cabins'. Sleeps four per cabin. Open plan modern appeal. Clunton. Affordable accommodation of average quality, holiday park appeal.
The log Cabin (Portable cabin)	4 person	£106 (£26)	Sleeps four. mobile 'log cabin', small garden and off road parking.

<sup>63</sup> <https://www.sykescottages.co.uk>

<sup>64</sup> <https://www.cottages.com>

4 miles			Adforton. Affordable accommodation of average quality, holiday park appeal.
Ashlea pools lodges 4 miles	4 person	£166 (£41)	Hopton Heath. Collection of mobile 'log cabins', good quality accommodation, more of a holiday park appeal.
Greenway touring and glamping park 3 miles	2 person	£45 (£22.50)	Adult only glamping site. Also on a camping site. Two person pods.
Wayside camping 2 miles	2 person	£50 (£25)	Aston on Clun, based on camping site. Separate toilets and kitchen facilities. Good quality accommodation.
Bitterly shepherds rest 5 miles	2 person	£120 (£60)	Shepherds hut, self contained. Of good quality.
<b>Average price</b>	<b>4 person</b>	<b>£125/ night for lodge accommodation £35 pp average</b>	+ £25/ night over average to account for 2 extra people

(65)

Overall within a 12 mile radius there are over 127 self-catering accommodation, but only 34 sites offering stays for parties of 6 people (including those above), of which the majority are 3 star and situated in towns, offering different experiences to the proposed diversification setting <sup>66</sup> and cottages.com.).

From analysis of competitor pricing there is a range from £250 per week for basic bungalow accommodation in a town to £1500 for a larger (8 people), higher star rating house also in a town situation. From reviewing feedback on similar holiday cottages the target market of competitors looks predominantly at couples holidays for those aged over 60, seeking 'a few days away', with the majority showing high occupancy rates.

## Appendix 2: Similar businesses to the proposed diversification

**Table 8 Analysis of similar competitors in the UK**

Business	Size	Price per night (mid-July)	Service offered
Forest holidays Large scale	Ranges from 2,4,6,8, and 10 bed.	£240 (£60) for a two bedroom chalet	Wheelchair adaptations, range of locations throughout the UK. All have hot tub and optional added services. Pet and pet free options.
Log house holidays	Ranges 4, 6, 8 and 11	£312 (£78)	Luxury log cabins, hot tub, Cotswolds. Total of 8 cabins. Eco friendly, luxury quality. Activities at extra costs lakeside views, boats available for hire.

<sup>65</sup> (Sykes, 2019), (Cottages.com, 2019)

<sup>66</sup> (Sykes, 2019)

Hidden river cabins	5 cabins sleeping 6 and 10 people.	£200 average for two people (£100)	Traditional log cabins, in lake district and private hot tubs.
Hazel wooden lodge	1 cabin sleeping 8	£326 (£40)	Pet friendly, hot tub, deluxe holiday lodge.
Ash holiday lodge	1 cabin sleeping 8.	£142 (£17)	Somerset, quality holiday lodge, hot tub, pets.
<b>Average price similar log cabins in UK</b>	<b>Average 8 person log cabin</b>	<b>£244 (£51)</b>	

(67)

### Appendix 3: Analysis of various options for the proposed diversification project

**Table 9 Capital budgets for different lodge options**

Cabin type Details referenced below	1	2	3	4	5	6	7
Sleeps	6	4	8	4	6	6	5
<b>Lodge costs</b>	<b>£49,000</b>	<b>£46,000</b>	<b>£190,000</b>	<b>£89,000</b>	<b>£9,400</b>	<b>£26,700</b>	<b>£18,260</b>
Sewage treatment, plant installation	£2,000	£1,500	£2,000	£1,500	£1,000	£1,000	£1,000
Risk cost ('sink fund') @ 5% build costs	£2,450	£2,300	£9,500	£4,450	£470	£1,335	£915
Legal Fees, Planning, Architectural Work, Surveys and Infrastructure Connections @ 10% Build Costs	£4,900	£4,600	£19,000	£8,900	£940	£2,670	£1,862
Depreciation (Capital cost - "scrap value")/Life expectancy per year	£4,900	£4,600	£19,000	£8,900	£900	£2,600	£1,800
Furnishings and foundation costs	£37,000	£27,000	£19,300	£10,380	£8,700	£10,380	£10,380
<b>Total investment</b>	<b>£100,250</b>	<b>£86,000</b>	<b>£258,800</b>	<b>£123,130</b>	<b>£21,410</b>	<b>£44,685</b>	<b>£34,217</b>
Receipts per year (Based on 58% occupancy and £25 / person/ night) Adjusted to quality	£31,755	£24,170	£42,340	£24,170	£25,170	£31,755	£27,500
Receipts per year (Based on 50% occupancy and £25 / person/ night)	£27,375	£18,250	£36,400	£18,250	£18,250	£27,375	£23,600
Fixed and variable costs average adapted for size of building and costs	£16,000	£12,000	£18,000	£12,000	£14,000	£15,000	£15,000
Return per year @ 58% occupancy (receipts - FC and VC)	£15,755	£12,170	£24,340	£12,170	£11,170	£16,755	£12,500
Return per year @ 50% occupancy (receipts - FC and VC)	£11,375	£6,250	£18,400	£6,250	£7,080	£12,360	£8,600
Payback (years) @ 58% occupancy	6.3	7.06	10.6	10.1	1.9	2.7	2.7
Return per year payback @ 50% occupancy	8.81	13.75	14.1	19	3.02	3.6	4.0

(Source: Authors own, 2019)

Table above is based set assumptions to allow a direct comparison of likely return, therefore further analysis of each will be required to accurate costings.

1. 3 bedroom deluxe log Cabin. Extra costs include delivery, foundations, furnishing, planning etc. Assumed 90% FC and VC due to scale. **6/10 suitability** due to the high investment costs associated.
2. 2 bedroom modern log cabin. Extra costs include delivery, foundations, furnishing, planning etc. Assumed 85% FC and VC. **6/10 suitability** due and smaller sized units not suited to six people, and higher payback time however would suit deluxe criteria.
3. 4 Bedroom luxury whole log cabin with turnkey finish. Assumed 100% FC and VC **5/10 suitability**, due to high investment cost unjustifiable for the business, and long payback period, however deluxe specifications would suit the project.
4. 2 bedroom, sealed shell log cabin. Assumed 85% FC and VC. **5/10 suitability** due to smaller unit and high investment cost. Specification is also lower than other proposed units.

<sup>67</sup> (Luxury cottages, 2019)

5. 6 person yurt, assumed 70% FC and VC. Furnishing and foundations, toilet and shower block @ £2500. **7/10 suitability**, due to low start-up costs and quick payback period however likely to hold lower occupancy rates during winter, higher maintenance and lower longevity as well as additional shower block required.
6. 6 person holiday lodge with bathroom. Assumed 80% FC and VC. Extra costs include foundations and furnishings. **9/10 suitability** due to affordable investment and bespoke design, short payback period
7. 5 person holiday lodge with bathroom. Assumed 80% FC and VC. Extra costs include foundations and furnishings. **8/10 suitability** due to affordable investment and bespoke design, short payback period, however smaller unit than desired<sup>68, 69</sup>

#### Appendix 4: Location and area of the project

---

Area required, based on data from<sup>70,71</sup>

The total area of the pod = 57.73 m<sup>2</sup>

Therefore two pods would require 116 m<sup>2</sup> of land (inc. decking)

Plus 740 m<sup>2</sup> for landscape area

Plus 150 m<sup>2</sup> for car park

Track = 67 m<sup>2</sup>

The location overlooks the Shropshire hills, sheltered by the small woodland and close to water and electricity supply, minimising the infrastructure for utilities required. Situated close to farm buildings to increase the chances of planning permission for the site.

Footpaths run closely to the proposed location as shown in the figure below (Rowton Grange outlined in Red). It is suggested to link the lodges up to these routes as they lead to local attractions such as Broome and Aston on Clun where pub food can be bought and public transport accessed (including buses and train routes). Various private footpaths are also present on the farm which should be mapped out to allow visitors to occupy.

---

<sup>68</sup> (British log cabins, 2018).

<sup>69</sup> (Mountain lodge, 2019).

<sup>70</sup> Modulodge (2019)

<sup>71</sup> (Digi maps, 2019)



Figure 9 Public footpaths around Rowton Grange <sup>(72)</sup>

### Appendix 5: Product design idea board

The project aims to promote a deluxe and personal experience with small touches including a welcome hamper and experiences such as ‘pick your own eggs’. The design ideas below is a sample and can be adapted to the businesses requirements.



73

<sup>72</sup> (Shropshire council, 2018).

<sup>73</sup> (Modulog, 2019)





74

Proposed site of project in the images below



75



Figure 10 Proposed design ideas for the proposed project<sup>76</sup>

## Appendix 6: Marketing approach

For a small business you can expect to pay between £400 and £1000 for a website depending on the specification, with some ongoing costs to also be considered (Expert web design, 2018), research has shown an effective personal website can increase revenue for a small business by up to 40%<sup>77</sup>.

<sup>74</sup> (Notgrove, 2018)

<sup>75</sup> (Authors own, 2019)

<sup>76</sup> (Google images, 2019)

<sup>77</sup> (Lakshmi *et al.*, 2017).

An advertisement and marketing budget has been added into the financial projections at £1,500 for the first year and £350 for the following years for the up keep of advertisement. Previous market research trends from assignment 1.

### Social media

92% of small businesses have stated social media as an effective marketing tool for the retention of previous customers and attracting new ones. <sup>78</sup>Through offering prizes for example a prize of a *free night in Shropshire lodge* if a photo/page link is liked and shared through social media can be a great form of showcasing services offered and advertising the companies name.

This is where Rowton Grange can take advantage of the unique selling points with the holiday letting including great views, farm location, local tourist towns and other added benefits through advertising through images.

### Reviews

Encouraging previous customers to leave reviews, online surveys have found 61% of customers look at online review before making a purchase. <sup>79</sup>Positive feedback is a great way of promoting customer satisfaction in the business, where negative feedback can also be used constructively to improve the performance of the company.

## Appendix 7: Predicted effect on the core business balance sheet

**Table 10 Effect of diversification on the core business balance sheet**

	<b>2016</b>	<b>2017</b>	<b>Year 1 diversification</b>	<b>Year 2 diversification</b>
	Actual £	Actual £	Predicted £	Predicted £
<b>Fixed assets</b>				
Rowton Grange **	450,000	450,000	450,000	450,000
Land (260 effective acres* £7,500) (40 acres woodland * £3000/acre)	1,950,000	2,070,000	2,070,000	2,070,000
Other properties	550,000	550,000	550,000	550,000
2 self-catering lodges	0	0	51, 700	48, 400
Plant and machinery	22,525	22,400	22,400	22,400
Fixtures and fittings	896	890	2,890	2,890
Motor vehicles	33,249	33,178	33,178	33,178
<b>Total Fixed assets</b>	<b>3,006,670</b>	<b>3,126,468</b>	<b>3,180, 168</b>	<b>3,176,868</b>
<b>Current assets</b>				

<sup>78</sup> (Lakshmi *et al.*, 2017).

<sup>79</sup> (Small business, 2017).

Capital stocks	96,885	88,974	98,067	105,642
Trade debtors	12,416	14,819	14,819	15,200
Pre payments	2,533	2,788	2,788	2,889
<b>Total current assets</b>	<b>111,834</b>	<b>106,581</b>	<b>115,674</b>	<b>123,731</b>
<b>TOTAL ASSETS</b>	<b>3,118,504</b>	<b>3,233,049</b>	<b>3,295,842</b>	<b>3,300,599</b>
<b>Liabilities</b>				
Overdraft/ Current acc.	443,747	440,570	436,000	432,000
Bank loans	76,921	72,411	93,200	87,532
Current liabilities				
HP liabilities	440	140	130	240
<b>Trade creditors</b>	<b>55,984</b>	<b>53,294</b>	<b>53,294</b>	<b>53,294</b>
<b>Total liabilities</b>	<b>577,092</b>	<b>566,275</b>	<b>582,624</b>	<b>573,066</b>
<b>NET WORTH</b>	<b>2,541,412</b>	<b>2,666,770</b>	<b>2,713,218</b>	<b>2,727,533</b>

(80)

### Effect on the balance sheet analysis

Table 11 Balance sheet analysis for the core business and proposed project

BALANCE SHEET ANALYSIS	2017	Year 1 diversification	Year 2 diversification	Target
<b>Business equity (%)</b>	85%	85%	86%	>66% (owner occupier)
<b>gearing *Liabilities: assets</b>	0.18	0.18	0.18	< 0.5:1
<b>liquidity*Current assets: Current Liabilities</b>	1.98	1.99	2.17	> 2:1

(81)

### Appendix 8: Predicted effect of diversification on farm business profit and loss accounts

Table 12 Profit and loss account for core business and proposed diversification

Impact on Profit and loss accounts	2018 £'000	2019 £'000 (predicted)	Year 1 diversification £'000 (predicted)	Year 2 diversification £'000 (predicted)	Year 3 diversification £'000 (predicted)
Current farm income	145	147	149	153	154
Farm income plus predicted diversification income	145	147	148.2	151.3	170

<sup>80</sup> (Authors own, 2019)

<sup>81</sup> (Authors own, 2019)



Current farm COGS + Expenses	128.2	129.8	130.2	131.6	132.6
Farm expenses plus predicted diversification COGS + Expenses	128.2	129.8	153.4	154.8	155.8
Profit retained farm only	11.8	13.2	14.6	14.8	15.4
Profit retained farm plus retained from diversification	11.8	13.2	13.8	29.4	32.2

(82)

## Appendix 9: Insurance information

---

The quote has estimated at £500 / year for each pod, giving a total of £1,000 per year for both lodges and equipment included, assuming the pod is not in a flood risk area and valued at £24,000 per pod and Hot tubs at £3,500 (not including other capital investment)<sup>83</sup>

## Appendix 10: Safety requirements

---

Gas safety requirement at the costs of £75<sup>84</sup> will need to be required if the holiday cottages are implemented with gas fittings<sup>85</sup>

Electric fitting must meet all UK standards (BS 7671) and checked by a professional prior letting, despite a certificate not being a legal requirement.<sup>86</sup>

Fire risk assessment will also need to be carried out by the landowner prior to letting out accommodation and a meeting point established in the case of emergencies.<sup>87</sup>

## Appendix 11: Planning policy considerations

---

Berry's in Shrewsbury provided an estimate cost for the proposed project as follows;

Stage 1: Pre- application planning to Shropshire council at £200. Professional fees for pre application and site meeting at £500. Timescale 4 weeks turn around.

Stage 2: Full planning application to Shropshire council, plus discharge of conditions application. Planning fee at £462. Professional fees for preparation and management, including drawings and reports at £2, 500. Timescale 8 week's turnaround. External reports to follow the application at £1000.

Total cost for planning application at around £4, 500.

The last granted application for planning was a ménage in May 2007, and prior to this conversion of barns to residential accommodation in 1992.<sup>88</sup>

<sup>82</sup> (Authors own, 2019)

<sup>83</sup> (Pers. Comms. Significant insurance 2019)

<sup>84</sup> (Sykses, not dated)

<sup>85</sup> (HSE, not dated).

<sup>86</sup> (Sykses, not dated).

<sup>87</sup> (GOV, 2012).

<sup>88</sup> (Shropshire council, 2019).

The government planning policy statement (PPS) 7 states ‘diversification into non-agricultural activities is vital to the continuing viability of many farm enterprises’, local authorities therefore should offer support for ‘well-conceived’ diversification projects<sup>89</sup>. This indicates a self-catering accommodation is likely to be welcomed by the council if approached correctly. The other planning policies to consider for the project have been stated in Appendix 4.

Key policies relevant to the diversification include;

National Planning Policy Framework<sup>90</sup>

Part 3: Supporting a prosperous rural economy

Part 7: Requiring good design

Part 11: Conserving and enhancing the natural environment

Part 12: Conserving and enhancing the historic environment

Shropshire Local Development Framework Adopted Core Strategy Policies;<sup>91</sup>

CS5: Countryside and Green Belt

CS6: Sustainable Design and Development Principles

CS11: Type and Affordability of Housing

CS13: Economic Development, Enterprise and Employment

CS16: Tourism, Culture and Leisure

CS17: Environmental Networks

CS18: Sustainable Water Management

Local parish council plan (Clungunford) SAMDev Plan Policies<sup>92</sup>:

MD2: Sustainable Design

MD7a: Managing Housing Development in the Countryside

MD11: Tourism Facilities and Visitor Accommodation

MD12: Natural Environment

MD13: Historic Environment

Agricultural Land classification for Rowton Grange farm, classed as good/ moderate land.

---

<sup>89</sup> (GOV, 2012).

<sup>90</sup> (Gov, 2018)

<sup>91</sup> :{Shropshire council, 2011)

<sup>92</sup> (SAMDEV, 2018)



Figure 11 Agricultural land classification for Rowton Grange

(93)

Areas of significant interest (Rowton Grange placed outside AONB or SS)

Grade	Description
1	Excellent
2	Very Good
3	Good to Moderate
4	Poor
5	Very Poor
<b>Non-Agricultural Land</b>	
	Other land primarily in non-agricultural use
	Land predominantly in urban use

<sup>93</sup> (Natural England, 2010)

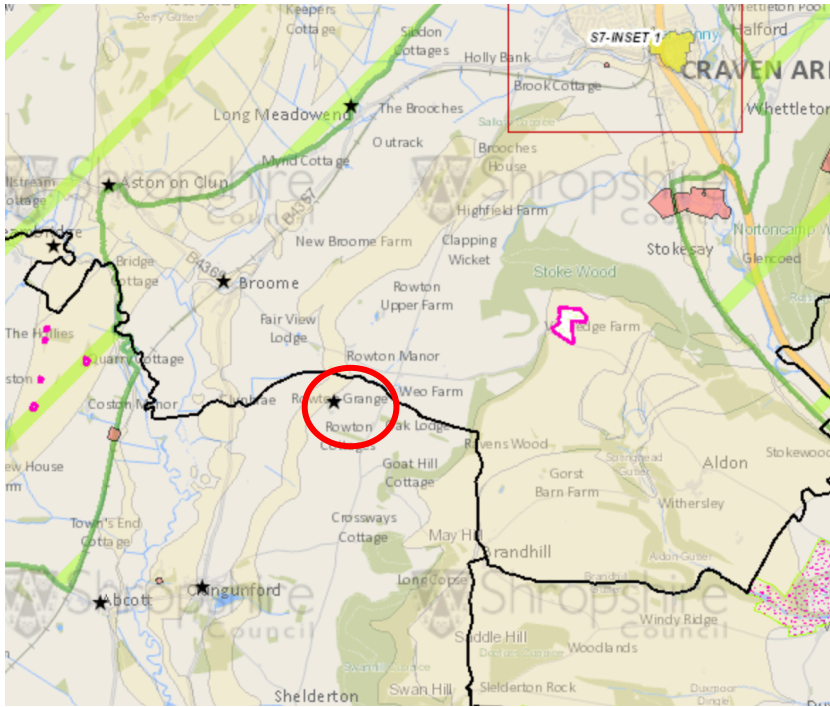


Figure 12: Areas of significant interest around Rowton Grange <sup>(94)</sup>

Map of the surrounding area of Rowton Grange, 10 mile radius.

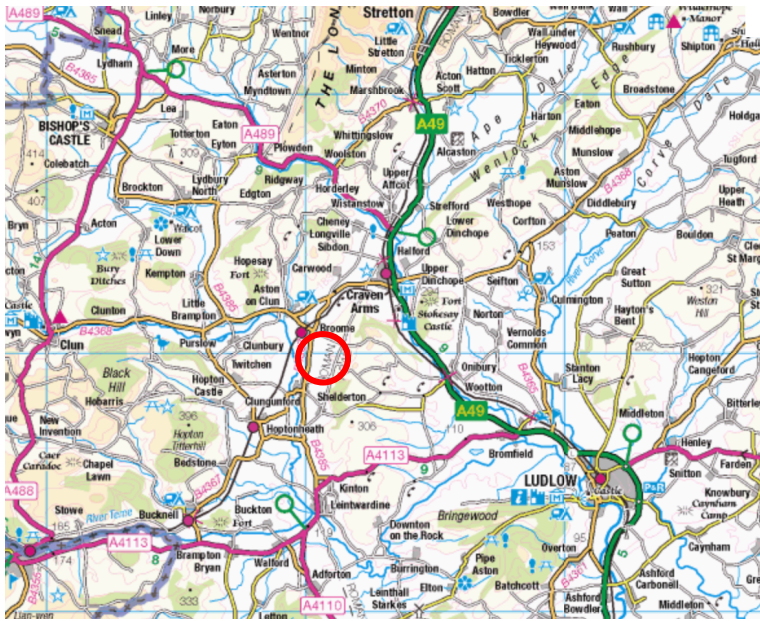


Figure 13: 10 mile radius of Rowton Grange <sup>(95)</sup>

<sup>94</sup> (Shropshire council, not dated)

<sup>95</sup> (OS maps, 2019)

## Appendix 12: Waste disposal

---

360 litres per person should be allocated for waste disposal<sup>96</sup>, therefore a tank size of 4,350 litres will be required for 12 people in both holiday lets. The system and any drainage will be located over 100 meters from watercourses, and will not affect any foot paths according to the councils HRA, where development could impact the SAC.

## Appendix 13: Future proofing the business

---

### Opportunities for expanding the business

- Post BREXIT policies may promote further investment into the tourist industry and environment, providing funding for expansion of the unit.
- As the brand develops further investments can be made inc. offering 'horse holidays', utilising the available stables and ménage.
- Expanding the business with the opportunity of an additional lodge, planning permitting.
- Depending on consumer a camping site could be implemented.

### Threats to the success of the business (1 highest threat, 10 lowest threat)

1. Increase in competitors could threaten occupancy rates. Methods to overcome this include monitoring consumer trends to offer desired services, as well as monitoring competitors services offered. However the sensitivity analysis have proven prices are flexible if reductions in price are required.
2. Refusal of planning permission, liaising of the proposed plans may be required.
3. Refusal of grant funding would require a larger loan to be taken out, however as should in section 7.2 this would be feasible for the project, but incur larger fixed costs to the business.
4. Acquirement of insurance will reduce a large amount of threats to the success of the business.
5. Restriction of the availability of human resources, this risk is minimised through the priority of the business to establish a simple management and running structure ensuring all stakeholders have the ability to run the business if required.

### Exit Strategy

---

The two holiday lodges could be converted into an increased focus customer market, increased specialism into disabled accommodation, or alternatively increase the marketing structure further to attract more international visitors. This would reduce the capital and redesign required for the change of proposed project.

Due to the practicality of the lodges there could be the option of letting them out on short term lets, however this will require further research as to the viability.

Dependent on the condition and time of sale the cabins could be resold on the market, although capital will be lost through this route a small income on sale is still likely. As well as items including the hot tub being easily marketable.

---

<sup>96</sup> (Shropshire council, 2018)

## Appendix 14: Gantt chart showing proposed timeframe of the project

Task	Weeks (Year 1)																							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Obtaining Full Planning Permission			█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█					
foundations and lodges								█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Website Design Stage														█	█	█	█	█						
Website Completion																		█	█	█				
Training Days																								
Sourcing Furnishings																						█	█	█
Furnishing Units																								
TV Licence																								
Obtaining Business Insurance						█	█	█																
Risk Assessment																						█	█	
Begin Trading																								█

Figure 14 Gantt chart for the proposed timings of the project

(Source: Authors own, 2019)

## Appendix 15: LEADER funding

RDPE growth programmes LEADER grant offers 40% of total cost.<sup>97</sup> South Shropshire as a county is eligible for the LEADER funding grant.

In order to become eligible for the grant full planning permission from Shropshire council must be approved and projects, which should be as of priority for the project.

Funding from personal finances must also be matched to those given by the fund. The planned diversification will follow priorities 2 and 3 to support small and micro businesses, farm diversifications and support rural tourism. It is planned that the entity of the loan potential to be sought after for the project, offering **£40,000** in funding for the project.<sup>98</sup>

## Appendix 16: Loan funding

A loan of **£25,001** will be applied for the project to provide for a positive cash flow and supply remaining finance. This will also take advantage of currently low interest rates.

Indicative monthly cost for a **15 year term** to reduce large financial outgoings during the start-up years.

Repayment capital and interest: **£181**

Repayment only: **£139 (£1,666 per year)**

Interest only @ 3.75% / year: **£62.5 month**

<sup>97</sup> (DEFRA, 2017).

<sup>98</sup> (Shropshire council, not dated).



Based on Bank of England Rate of 0.75% and a margin of 3% AMC, therefore a total of 3.75% fixed rate interest loan.<sup>99</sup>

**Table 13 Loan repayment over 25 years**

Total £25,000			
Year	Payback per year	Fixed Interest paid (3.36%/ year)	Outstanding loan
1	£ 1,668	£ 744	£ 23,332
2	£ 1,668	£ 744	£ 21,664
3	£ 1,668	£ 744	£ 19,996
4	£ 1,668	£ 744	£ 18,328
5	£ 1,668	£ 744	£ 16,660
6	£ 1,668	£ 744	£ 14,992
7	£ 1,668	£ 744	£ 13,324
8	£ 1,668	£ 744	£ 11,656
9	£ 1,668	£ 744	£ 9,988
10	£ 1,668	£ 744	£ 8,320
11	£ 1,668	£ 744	£ 6,652
12	£ 1,668	£ 744	£ 4,984
13	£ 1,668	£ 744	£ 3,316
14	£ 1,668	£ 744	£ 1,648
15	£ 1,668	£ 744	£ -

(100)

## Appendix 17: Capital expenditure required in year 1

**Table 14 Capital expenditure predicted**

Capital Expenditure updated	Estimated cost (£)
6 man glamping pod Tapnell model x 2	£53,400.00
Legal Fees, Planning, Architectural Work, Surveys and Infrastructure Connections @ 10% lodge costs	£5,400.00
Sewage Treatment Plant Installation	£2,000.00
Foundations and concrete pad	£3,000.00
Furnishings @ £10,380/unit*	£20,760.00
Additional costs and added extras total units (Inc. landscaping, extra building) * 2	£8,200.00
Risk Costs ('Rainy Day Fund') @ 5% Build Costs	£2,670
<b>Total capital Expenditure</b>	<b>£95,370.00</b>

(101)

\*Additional Furnishings

**Table 15 Breakdown of furnishing costs**

Furnishings	Estimated cost £
Fold down oak table	£ 265
Box seats inc. foam and cushioning x2	£ 715
12v solar electrical system (inc. battery, panel, socket)	£ 900
Bed frame single	£ 300
Bed frame double	£ 500
Kitchen units	£ 720
Shower room fitting	£ 1,200
Decking pm2	£ 85

<sup>99</sup> (AMC, 2019).

<sup>100</sup> (Authors own, 2019)

<sup>101</sup> (Authors own, 2019)

Insulation	£ 95
Furnishing (table wear, duvet sets etc. )	£ 500
Foundations	£ 1,000
<b>Total</b>	<b>£ 6,280</b>
<b>Other added costs</b>	<b>Cost (£)</b>
Wood fuelled hot tub	£ 2,500
Hire bikes	£ 400
Log burner	£ 500
Dog kennel and run	£ 200
Other extras	£ 500
<b>Additional costs</b>	<b>£ 4,100</b>
<b>Total additional costs</b>	<b>£ 10,380</b>
<b>Two holiday lets</b>	<b>£ 20,760</b>

(102)

### Depreciation calculation

The two holiday lettings and hot tubs have been depreciated over 15 years based on market research and quote from modulog on the life expectancy of the lodges. The straight line method has been used, based on fixed rate interest of 3.36% per year<sup>103</sup>.

Table 16 Depreciation calculation over 15 years

Year	Beginning Book Value	Depreciation Percent	Depreciation Amount	Accumulated Depreciation Amount £	Ending Book Value
1	£ 55,000.00	6.67%	£3,300	3,300	£ 51,700
2	£ 51,700.00	6.67%	£3,300	6,600	£ 48,400
3	£ 48,400.00	6.67%	£3,300	9,900	£ 45,100
4	£ 45,100.00	6.67%	£3,300	13,200	£ 41,800
5	£ 41,800.00	6.67%	£3,300	16,500	£ 38,500
6	£ 38,500.00	6.67%	£3,300	19,800	£ 35,200
7	£ 35,200.00	6.67%	£3,300	23,100	£ 31,900
8	£ 31,900.00	6.67%	£3,300	26,400	£ 28,600
9	£ 28,600.00	6.67%	£3,300	29,700	£ 25,300
10	£ 25,300.00	6.67%	£3,300	33,000	£ 22,000
11	£ 22,000.00	6.67%	£3,300	36,300	£ 18,700
12	£ 18,700.00	6.67%	£3,300	39,600	£ 15,400
13	£ 15,400.00	6.67%	£3,300	42,900	£ 12,100
14	£ 12,100.00	6.67%	£3,300	46,200	£ 8,800
15	£ 8,800.00	6.67%	£3,300	49,500	£ 5,500

(104)

### Appendix 18: Balance sheet for proposed diversification

Table 17 Proposed diversification balance sheet

Balance sheet	Year 1	Year 2	Year 3	Year 10
<b>Fixed assets</b>				
<b>Buildings (see appendix above)</b>	51,700	48,400	45,100	22,000
<b>Vehicles and fixtures</b>	2,000	2,100	2,100	3,000
<b>Total fixed assets</b>	<b>53,700</b>	<b>50,500</b>	<b>47,200</b>	<b>25,000</b>
<b>Current assets</b>				
<b>Cash in bank</b>	9,093	16,668	24,919	90,931

<sup>102</sup> (Adapted from AECOM, 2019)

<sup>103</sup> (AMC, 2019)

<sup>104</sup> (Authors own, 2019)



Total assets	56,993	62,368	68,419	104,431
Current liabilities				
Bank overdraft	0	0	0	0
Long term liabilities				
Bank loan	25,000	23,332	21,664	8,320
Total liabilities	25,000	23,332	21,664	8,320
Net assets	31,993	39,036	46,755	104,431
Predicted discounted assets @ 10% DROI	49,117	59,459	71,316	109,236
Fixed asset valuation	Capital value £			
2 Modulog lodges (accounting for depr. at purchase) (see appendix above)	51,700			
Hot tub * 2 (Accounting for depr. )	1500			
Furniture * 2 lodges	500			

(105)

### Appendix 19: Profit and loss for proposed diversification

Table 18 Profit and loss account for the proposed diversification

Sales for two lodges	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Goods sold Exc VAT (inc. % sales increase)	£22,642	£42,050	£44,759	£46,997	£47,937	£52,927
Other income (inc. extra service sales)	£400	£600	£700	£750	£800	1000
<b>Total income</b>	<b>£23,042</b>	<b>£42,650</b>	<b>£45,459</b>	<b>£47,747</b>	<b>£48,737</b>	<b>£53,927</b>
<b>Variable costs</b>	<b>£4,078</b>	<b>£7,784</b>	<b>£7,873</b>	<b>£7,873</b>	<b>£7,949</b>	<b>£8,024</b>
<b>Other</b>	£0	£0	£0	£0	£0	0
<b>Total costs</b>	<b>£4,078</b>	<b>£7,784</b>	<b>£7,873</b>	<b>£7,873</b>	<b>£7,949</b>	<b>£8,024</b>
<b>Gross Margin</b>	<b>£18,964</b>	<b>£34,866</b>	<b>£37,587</b>	<b>£39,875</b>	<b>£40,789</b>	<b>£45,902</b>
Operating Expenses						
<b>Labour/Administration</b>	£5,450	£4,680	£4,680	£4,725	£4,725	£4,770
<b>Electricity/Water</b>	£360	£1,414	£1,414	£1,428	£1,428	£1,442
<b>WiFi/ TV licence</b>	120	249.6	249.6	252	252	254.4
<b>Advertising and marketing</b>	£1,500	£364	£364	£368	£368	£371
<b>Business Supplies</b>	£200	£291	£291	£294	£294	£297
<b>Waste Disposal</b>	£0	£624	£624	£630	£630	£636
<b>Accounting/Prof fees/Licences</b>	£8,000	£832	£832	£840	£840	£848
<b>Sundries</b>	£140	£146	£146	£147	£147	£148
<b>Insurance</b>	£1,000	£1,040	£1,040	£1,050	£1,050	£1,060
<b>Interest on loan</b>	£558	£744	£744	£744	£744	£744
<b>Overdraft interest</b>	£0	£0	£0	£0	£0	£0
<b>Total Expenses</b>	<b>£17,328</b>	<b>£10,385</b>	<b>£10,385</b>	<b>£10,478</b>	<b>£10,478</b>	<b>£10,570</b>

<sup>105</sup> (Authors own, 2019)

Net Profit	<b>£1,636</b>	<b>£24,481</b>	<b>£27,202</b>	<b>£29,397</b>	<b>£30,311</b>	<b>£35,332</b>
<b>Depreciation</b>	£1,150	£3,300	£3,300	£3,300	£3,300	£3,300
Net profit after depreciation	£486	£21,181	£23,902	£26,097	£27,011	£32,032
Income Taxes @ 20%	£0	£4,896	£5,440	£5,879	£6,062	£7,066
Capital loan repayments	£ 1,251	£ 1,668	£ 1,668	£ 1,668	£ 1,668	£ 1,668
Retained profit	<b>-£765</b>	<b>£14,617</b>	<b>£16,793</b>	<b>£18,550</b>	<b>£19,281</b>	<b>£23,298</b>
Gross profit ratio %	84%	83%	84%	85%	85%	87%
Operating profit ratio %	7%	57%	60%	62%	62%	66%
Net profit ratio %	-3%	34%	37%	39%	40%	43%

(106)

## Appendix 20: Aligning costs to occupancy rates

**Table 19 Proposed occupancy rates aligned to variable and fixed costs**

Month for two lettings	Occupancy rates (average)	Days	Income (assuming £100 per night *2 lettings)	Variable costs associated @ 58% occupancy and £36/day costs for two lettings	Fixed costs for two lettings
Jan	42%	31	£ 2,604	£ 470	£ 1,140
Feb	42%	31	£ 2,604	£ 475	£ 1,140
Mar	48%	31	£ 2,976	£ 545	£ 1,140
Apr	55%	30	£ 3,300	£ 640	£ 1,140
May	62%	31	£ 3,844	£ 700	£ 1,140
Jun	68%	30	£ 4,080	£ 730	£ 1,140
Jul	75%	31	£ 4,650	£ 842	£ 1,140
Aug	75%	31	£ 4,650	£ 842	£ 1,140
Sept	70%	30	£ 4,200	£ 780	£ 1,140
Oct	55%	31	£ 3,410	£ 650	£ 1,140
Nov	48%	30	£ 2,880	£ 580	£ 1,140
Dec	46%	31	£ 2,852	£ 530	£ 1,140
<b>Average</b>	<b>58% (211 days)</b>	<b>365</b>	<b>£ 42,050</b>	<b>£ 7,784</b>	<b>£ 13,680</b>
<b>Average</b>	<b>50% (182 days)</b>	<b>365</b>	<b>£ 54,600</b>	<b>£ 7,162</b>	<b>£ 26,220</b>

(107)

## Appendix 21: Fixed and variable costs associated

Due to the project generating an income less than £85, 000 VAT has been exempt and does not need to register at HM Revenue and Customs<sup>108</sup>.

<sup>106</sup> (Authors own, 2019)

<sup>107</sup> (Authors own, 2019)

<sup>108</sup> (GOV, 2015)

**Table 20 Fixed and variable costs for the proposed diversification**

	Year 1	Two lettings Year 1	Cost per month (two lettings average)	Notes
<b>Variable costs £</b>				
<b>Cleaning costs</b>	-	4,234	353	Cleaning @ 220 hours per year £10/hour @ 58% occupancy rate * 2 buildings
<b>Guest amenities</b>	-	1,090	91	
<b>Logs</b>	-	600	50	Sourced on farm
<b>Gardening</b>	-	1,100	92	Supplies, labour done in hand.
<b>Laundry</b>	-	760	63	60p / wash / guest
<b>Total Variable costs</b>	-	<b>7,784</b>	<b>649</b>	£ 37 / day
<b>Fixed costs</b>				
<b>Electricity</b>	170	250	21	Solar panel, initial installation cost already accounted for. Small amount accounting for extra use during start up
<b>WiFi / TV subscriptions</b>	120	240	20	Quote acquired from current farm provider
<b>Water</b>	190	1,140	95	Connected to farm mains, installation cost
<b>Labour and administration</b>	5,450	4,680	390	Predominantly family labour use
<b>Advertisement</b>	1,500	350	29	Combinations of agency and on farm advertisement
<b>Waste disposal</b>	-	624	52	
<b>Sundries / business supplies</b>	160	291	24	
<b>Proff. legal Fees. Accounting @10% build costs 1st year</b>	8,000	800	67	Initially high during start up, quote acquired from current provider, includes planning proff. Fees.
<b>Insurance</b>	500	1,000	83	Quote <sup>109</sup>
<b>Depreciation</b>	1,650	3,300	275	Workings in appendix 17
<b>Property maintenance</b>	670	650	54	
<b>Interest not included in cashflow FC</b>	744	744	62	Workings in appendix 16
<b>Total Fixed costs</b>	<b>19,154</b>	<b>14,069</b>	<b>1,172</b>	
<b>Total Costs</b>	<b>19,154</b>	<b>21,853</b>	<b>1,821</b>	

(110)

<sup>109</sup> (Significant Pers. Comm., 2019)

<sup>110</sup> (GOV, not dated a)

## Appendix 22: Normalised budget

Table 21 Normalised budget for the proposed project

Year Ended	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2026/27	2027/28	2028/29	2029/30
<b>Cash receipts</b>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash sales Exc. VAT	£22,642	£42,050	£44,759	£46,997	£47,937	£48,896	£49,874	£50,871	£51,889	£52,927
Other income (sales of services)	£400	£600	£700	£750	£800	£816	£832	£948	£964	£1,000
Annual increase sales %		50%	5%	5%	2%	2%	2%	2%	2%	5%
Loan or other cash introduced	£89,500									
<b>Total cash inflow</b>	£112,542	£42,650	£45,459	£47,747	£48,737	£49,712	£50,706	£51,819	£52,853	£53,927
<b>Cash cost of sales</b>										
Purchases/Materials	£600	£600	£600	£600	£600	£600	£600	£600	£600	£600
Total cost of sales	£600	£600	£600	£600	£600	£600	£600	£600	£600	£600
<b>Cash expenditure</b>										
Conversion costs, assets purchased	£92,500	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>Trading payments</b>										
Variable costs	£4,078	£7,784	£7,873	£7,873	£7,949	£7,949	£7,949	£7,949	£8,024	£8,024
Fixed costs (Inc. interest and depr.)	£18,478	£13,685	£14,232	£14,801	£15,542	£16,319	£17,135	£17,991	£19,071	£20,215
Private expenditure	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Interest	£558	£744	£720	£720	£720	£720	£720	£720	£720	£720
<b>Total expenditure</b>	£110,598	£23,197	£24,025	£24,594	£25,410	£26,187	£27,003	£27,860	£29,015	£30,159
<b>Cash capital payments</b>										
Loan repayments	£1,251	£1,668	£1,668	£1,668	£1,668	£1,668	£1,668	£1,668	£1,668	£1,668
Drawings	£600	£600	£600	£650	£700	£750	£800	£850	£900	£600
Tax	£4,528	£8,530	£8,952	£9,399	£9,587	£9,779	£9,975	£10,174	£10,378	£81,303
<b>Total capital payments</b>	£1,851	£2,268	£2,268	£2,318	£2,368	£2,418	£2,468	£2,518	£2,568	£2,268
<b>Total cash outflow</b>	£8,230	£25,465	£25,465	£26,484	£27,808	£29,198	£30,658	£32,191	£34,122	£36,170
<b>Annual cost increase %</b>			4%	4%	5%	5%	5%	5%	6%	6%
<b>Opening balance</b>	£10,000	£9,093	£16,668	£24,919	£33,171	£41,422	£41,422	£66,176	£74,428	£82,679
<b>Net cash receipts/(expenditure)</b>										
<b>Closing balance</b>	£9,093	£16,668	£24,919	£33,171	£41,422	£49,674	£57,925	£74,428	£82,679	£90,931
<b>Discounted Cash Flow (Assuming 10% DROI)</b>	£8,265	£13,768	£18,714	£22,656	£25,723	£28,016	£29,715	£34,758	£35,056	£35,099
Difference	£827	£2,900	£6,205	£10,515	£15,699	£21,658	£28,209	£39,670	£47,623	£55,831

## Appendix 23: Cash flow years 1, 2, 3 and 10

Table 22 Projected cash flow year 1 – Set up

Year 1	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>Cash receipts</b>	£	£	£	£	£	£	£	£	£	£	£	£	£
Cash sales	0	0	0	0	0	0	4,650	4,650	4,200	3,410	2,880	2,852	22,642
Other private income													
Loan or other cash introduced	0	9,000	18,000	20,000	20,000	19,000	3,000	500	0	0	0	0	89,500
<b>Total cash inflow</b>	0	9,000	18,000	20,000	20,000	19,000	7,650	5,150	4,200	3,410	2,880	2,852	112,142
Cash cost of sales													
Purchases/Materials	50	50	50	50	50	50	50	50	50	50	50	50	600
<b>Total cost of sales</b>	50	50	50	50	50	50	50	50	50	50	50	50	600
Cash expenditure													
Conversion costs, assets purchased	8,000	8,000	18,500	18,500	18,500	16,000	5,000	0	0	0	0	0	92,500
<b>Trading payments</b>													
Variable costs	0	0	0	0	0	0	838	838	756	614	518	514	4,078
Fixed costs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,172	1,172	1,172	1,172	1,172	12,862
Private expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	62	62	62	62	62	62	62	62	62	558
<b>Total expenditure</b>	9,050	9,050	19,550	19,612	19,612	17,112	6,950	2,122	2,040	1,898	1,802	1,798	110,598
<b>Cash capital payments</b>													
Loan repayments				139	139	139	139	139	139	139	139	139	1,251
Private drawings	50	50	50	50	50	50	50	50	50	50	50	50	600
Tax (@20%)												4,528	4,528
Total capital payments	50	50	50	189	189	189	189	189	189	189	189	189	1,851
Total cash outflow	9,150	9,150	19,650	19,851	19,851	17,351	7,189	2,361	2,279	2,137	2,041	2,037	8,230
Opening balance	10,000	850	700	-950	-801	-652	997	1,458	4,247	6,167	7,440	8,278	
Net cash receipts/(expenditure)	-9,150	-150	-1,650	149	149	1,649	461	2,789	1,921	1,273	839	815	
Closing balance	850	700	-950	-801	-652	997	1,458	4,247	6,167	7,440	8,278	9,093	

**Table 23 Projected cash flow year 2**

<b>Year 2</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Total</b>
<b>Cash receipts</b>	£	£	£	£	£	£	£	£	£	£	£	£	£
Cash sales	2,604	2,604	2,976	3,300	3,844	4,080	4,650	4,650	4,200	3,410	2,880	2,852	42,050
Other private income	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan or other cash introduced	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total cash inflow</b>	2,604	2,604	2,976	3,300	3,844	4,080	4,650	4,650	4,200	3,410	2,880	2,852	42,050
<b>Cash cost of sales</b>													
Purchases/Materials	50	50	50	50	50	50	50	50	50	50	50	50	600
Total cost of sales	50	50	50	50	50	50	50	50	50	50	50	50	600
<b>Cash expenditure</b>													
Conversion costs, assets purchased	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Trading payments</b>													
Variable costs	470	475	545	640	700	730	842	842	780	650	580	530	7,784
Fixed costs (Inc. depr)	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	14,069
Private expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	62	62	62	62	62	62	62	62	62	62	62	62	744
<b>Total expenditure</b>	1,754	1,759	1,829	1,924	1,984	2,014	2,126	2,126	2,064	1,934	1,864	1,814	23,197
<b>Cash capital payments</b>													
Loan repayments	139	139	139	139	139	139	139	139	139	139	139	139	1,668
Tax (@20%)												8,410	8,410
Drawings	50	50	50	50	50	50	50	50	50	50	50	50	600
<b>Total capital payments</b>	189	189	189	189	189	189	189	189	189	189	189	8,599	10,678
<b>Total cash outflow</b>	1,993	1,998	2,068	2,163	2,223	2,253	2,365	2,365	2,303	2,173	2,103	10,463	21,356
Opening balance	9,093	9,704	10,309	11,217	12,353	13,974	15,800	18,085	20,370	22,266	23,503	24,279	
Net cash receipts/(expenditure)	611	606	908	1,137	1,621	1,827	2,285	2,285	1,897	1,237	777	-7,611	
Closing balance	9,704	10,309	11,217	12,353	13,974	15,800	18,085	20,370	22,266	23,503	24,279	16,668	

**Table 24 Projected cash flow year 3**

Year 3	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>Cash receipts</b>	£	£	£	£	£	£	£	£	£	£	£	£	£
Cash sales	2,604	2,604	2,976	3,300	3,844	4,080	4,650	4,670	4,500	3,500	3,000	2,900	42,628
Other private income	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan or other cash introduced	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total cash inflow</b>	2,604	2,604	2,976	3,300	3,844	4,080	4,650	4,670	4,500	3,500	3,000	2,900	42,628
Cash cost of sales													
Purchases/Materials	50	50	50	50	50	50	50	50	50	50	50	50	600
Total cost of sales	50	50	50	50	50	50	50	50	50	50	50	50	600
<b>Cash expenditure</b>													
Conversion costs, assets purchased	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Trading payments</b>													
Variable costs	468	468	536	594	692	734	838	838	756	614	518	514	7,570
Fixed costs	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	14,069
Private expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	62	62	62	62	62	62	62	62	62	62	62	62	744
<b>Total expenditure</b>	1,752	1,752	1,820	1,878	1,976	2,018	2,122	2,122	2,040	1,898	1,802	1,798	22,983
Cash capital payments													
Loan repayments	139	139	139	139	139	139	139	139	139	139	139	139	1,668
Tax (@20%)												8,526	8,526
Drawings	50	50	50	50	50	50	50	50	50	50	50	50	600
Total capital payments	189	189	189	189	189	189	189	189	189	189	189	8,715	10,794
Total cash outflow	1,991	1,991	2,059	2,117	2,215	2,257	2,361	2,361	2,279	2,137	2,041	10,563	33,777
Opening balance	16,668	17,281	17,893	18,810	19,992	21,621	23,443	25,732	28,041	30,261	31,624	32,582	
Net cash receipts/(expenditure)	613	613	917	1,183	1,629	1,823	2,289	2,309	2,221	1,363	959	-7,663	
Closing balance	17,281	17,893	18,810	19,992	21,621	23,443	25,732	28,041	30,261	31,624	32,582	24,919	

111

<sup>111</sup> (Authors own, 2019)

**Table 25 Projected cash flow year 10**

<b>Year 10</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Total</b>
<b>Cash receipts</b>	£	£	£	£	£	£	£	£	£	£	£	£	£
Cash sales	2,604	2,604	2,976	3,300	3,844	4,080	4,650	4,670	4,500	3,500	3,000	2,900	42,628
Other private income	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan or other cash introduced	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total cash inflow</b>	2,604	2,604	2,976	3,300	3,844	4,080	4,650	4,670	4,500	3,500	3,000	2,900	42,628
Cash cost of sales													
Purchases/Materials	50	50	50	50	50	50	50	50	50	50	50	50	600
Total cost of sales	50	50	50	50	50	50	50	50	50	50	50	50	600
<b>Cash expenditure</b>													
Conversion costs, assets purchased	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Trading payments</b>													
Variable costs	468	468	536	594	692	734	838	838	756	614	518	514	7,570
Fixed costs	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172	14,069
Private expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	62	62	62	62	62	62	62	62	62	62	62	62	744
<b>Total expenditure</b>	1,752	1,752	1,820	1,878	1,976	2,018	2,122	2,122	2,040	1,898	1,802	1,798	22,983
Cash capital payments													
Tax (@20%)												8,526	8,526
Loan repayments	139	139	139	139	139	139	139	139	139	139	139	139	1,668
Drawings	50	50	50	50	50	50	50	50	50	50	50	50	600
Total capital payments	189	189	189	189	189	189	189	189	189	189	189	8,715	10,794
Total cash outflow	1,991	1,991	2,059	2,117	2,215	2,257	2,361	2,361	2,279	2,137	2,041	10,563	33,777
Opening balance	82,679	83,292	83,904	84,821	86,003	87,632	89,455	91,743	94,052	96,272	97,635	98,594	
Net cash receipts/(expenditure)	613	613	917	1,183	1,629	1,823	2,289	2,309	2,221	1,363	959	-7,663	
<b>Closing balance</b>	83,292	83,904	84,821	86,003	87,632	89,455	91,743	94,052	96,272	97,635	98,594	90,931	