

RADLEY VILLAGE SHOP

Dear member

Potential purchase of the shop premises by Radley Village Shop Association

Radley Village Shop Association has paid no rent for the shop premises for the last three years by courtesy of the leaseholder, who wishes to remain anonymous. Rent of £7000 per year becomes due from this April. Instead of taking this rent our benefactor is willing to sell the lease to Radley Village Shop Association for £90,000. This is the price paid for the lease originally and is non-negotiable. The lease is for 999 years from 2006.

The Management Committee considers this is an opportunity that should not be missed if at all possible. We have investigated ways of funding the purchase and established that a grant may be forthcoming from SEEDA (South East England Development Agency). Initial discussions with the SEEDA officer for Oxfordshire were encouraging as it appears we match several of the requirements for support. The possible grant might amount to £30,000. It would be necessary to raise the balance from our existing cash resources plus a loan. Such a loan would probably be from Community Co-operative Finance, which loaned us the money to fit out the shop (this loan will be paid off by April). The interest rate quoted on initial enquiry was 6%.

The Committee's opinion is that purchase of the lease would secure the long-term future of the shop as a vital village asset. Our current rental contract is for ten years, with no right of renewal and the possibility of a rent increase at the mid-term review. The shop's success over the last three years has proved its viability, demonstrating that it is well run and managed. It also has much value as a community facility which provides a focal point for the village and an opportunity for local people to get to know each other and to participate in its operation.

From April 2010 the Association becomes liable to pay rent of £7000 a year until the expiry of our sub-lease in April 2017. Our total liability to the landlord amounts to £49,000 plus any additional rent costs following the mid-term review. The Committee feels that this money could be better used to purchase the leasehold. An independent valuation last year assessed the value of the shop as commercial premises at £80,000. The Committee considers that acquiring the premises at the asking price is justified by the substantial benefits to the community and the current opportunity of a potential grant of £30,000 (which may not be available in the future).

If the grant application is successful there would be no difference to the cash flow from the business by purchasing the leasehold. If anything, the monthly loan repayments are likely to be less than the monthly rent. Indeed, it should still be possible to purchase the lease even if no grant was obtained. However, we are optimistic that the grant will be forthcoming and a good deal of work has already been done to make the case for it to be awarded.

The following proposals will be put to members at an Extraordinary General Meeting to be held in the New Pavilion, Radley College at 7.15 pm on Thursday 18th March 2010.

- That the Management Committee progress the application for a grant and purchase the lease for the shop unit at £90,000.
- That, should a grant not be approved or be less than one third of the asking price, the Committee proceed to investigate and progress a mortgage to purchase the lease for £90,000.

Yours sincerely,

Mike Sadler, Chairman
Radley Village Shop Association

24 February 2010

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