



FC United Limited Individual Loan Stock Scheme

You could benefit from Social Investment Tax Relief of 30% !

In March 2014 FC United launched a Loan Stock Scheme for businesses and organisations as part of our capital fund raising for our community stadium and sports facilities due to open in Moston this autumn. That scheme raised £50,000 (with another £50,000 in the pipeline) and added to our ground-breaking Community Share Scheme, and support from funding partners. Despite this success, the Club are still short of the ambitious capital target that we set ourselves.

We are now launching a Loan Stock Scheme for individuals to help bridge that final gap.

An announcement by the Chancellor in this year's budget heralded the creation of a new Social Investment Tax Relief which came into force in August 2014. This has given us a new focus to complete our capital funding drive. FC United is now launching a Loan Stock Scheme for Individuals. This is a ground-breaking loan stock offer from FC United; the first of its kind to qualify for the new Social Investment Tax Relief (SITR). This means that subject to your own personal circumstances individuals that loan money to the club a minimum of 3 years can claim back 30% of their investment from their income tax liability for the year in which the investment is made.

The aim is to raise £200,000 from this scheme. The loan stock will be offered to investors as follows:

- A minimum investment of £10,000
- A maximum investment of £200,000
- An optional interest rate payment of 2%
- Full repayment (whether or not you opt to take the optional 2%) after 4 years – February 2019

Qualification of the scheme for Social Investment Tax Relief (SITR) means that, subject to personal circumstances, investors can recoup 30% of what they invest against their tax liability.

About FC United

FC United Limited is a leading, supporter-owned football club that is democratically run by its 3,000 members. It is currently building a new home ground and community facilities in Moston, north Manchester, which will deliver real and lasting benefit to the area, with new sports and non-sports community facilities. It will also provide a home ground with a 5,000 capacity that will ensure the club's sustainable future. The stadium is due to open in winter 2014.

Further details about the club and the development can be found at: www.fc-utd.co.uk

Invitation to Invest

FC United Limited are inviting individuals to lend money to the club to assist this development and help contribute to the significant community benefit outcomes the facility and the club will deliver.

FC United has already successfully raised £5.55m needed to build the new facility which has a total project cost of £6.011m.

The club's members have raised a phenomenal £1.9m in a landmark Community Share Scheme which qualified for the Enterprise Investment Scheme. The club have also raised over £300,000 in donations and fund raising and over £2.5m in grant funding from Sport England, Football Foundation, Social Investment Business and Manchester City Council. A table showing the funding breakdown is provided at the end of this document.

The Loan Stock offer is the last piece in the jigsaw, filling part of required shortfall shortfall in the capital funding target, aiming to raise £200,000:

- It will benefit the club by providing less expensive borrowing than other options
- It will benefit the community by allowing resources to be put into our community activities
- And it will benefit you - by borrowing from our own community, and by being eligible for the SITR, we can enable individuals to share in the success of the club.

Business Plan, Project Costs and Funding

Potential lenders are encouraged to read the club's Business Plan summary provided in this document and funding plan as at 31st October 2014. Further details are available on request.

What is Loan Stock?

As a Community Benefit Society (formerly known as Industrial and Provident Society), FC United is a one-member, one-vote organisation. It also has the power to borrow money, in this case in the form of Loan Stock, at a rate and under conditions agreed by its board.

The Board has decided to offer loan stock to individuals at an optional 2% interest a year over four years.

Other similar societies have raised and repaid loan stock in this way. For example, in 2008/9 Unicorn Grocery raised (and later repaid) around £200,000 loan stock towards buying their Chorlton premises and then their farming land. (More details about the principles of loan stock may be found on pages 38-39 of Simply Finance www.uk.coop/simplyfinance .)

What Can You Buy?

You can purchase between £10,000 and a maximum of £200,000 of FC United's Loan Stock.

Social Investment Tax Relief

Individuals making an eligible investment at any time after 6 April 2014 can deduct 30% of the cost of their investment from their income tax liability for 2014/15.

The minimum period of investment is 3 years.

To make sure new investment is directed to the organisations which need it most and to meet EU regulations, the investment and the organisation receiving it must meet certain criteria.

Organisations must have a defined and regulated social purpose. Charities, community interest companies or community benefit societies carrying out a qualifying trade, with fewer than 500 employees and gross assets of no more than £15 million may be eligible. FC United meets these criteria.

Individual investors can invest up to £1,000,000 and can invest in more than one social enterprise. This is independent of any investments under Seed Enterprise Investment Scheme and Enterprise Investment Scheme which are subject to their own annual investment limits.

It should be noted that:

- It is possible to claim SISR on this investment even if you have claimed Enterprise Investment Scheme (EIS) tax relief on investment in the FC United Community Shares Scheme.
- Your ability to claim SISR will be down to your own personal circumstances and FC United cannot comment on your eligibility
- Further information about SISR is available here:
<https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet>

A Financial and Social Return - Why You Should Consider Buying FC United Loan Stock

If you have savings in a bank or building society account, it is unlikely that you are earning much more than 1% interest; and even in an ISA it is not likely to exceed 2.5%.

If you buy FC United Loan Stock, you will can earn interest AND possibly qualify for SISR which will give you a 30% return against your tax liability.

Unlike savings in most banks, you can be assured that FC United is 100% democratically owned by its members. Its constitution specifies that it must deliver benefit to its communities, an obligation directors and members take very seriously.

By investing in this scheme you will be supporting a development in an area of North Manchester that is in dire need of new facilities and the work of FC United in the local area to deliver sporting, education, employment and environmental benefit.

The Loan Stock offer is based on a robust business plan – this has been the basis of FC United's Community Share Scheme, over £2.5m of grant funding and Manchester City

Council's support of the project. A summary business plan showing repayment of this Loan Stock Offer is attached to this document.

Remember – you can claim SITR tax relief on this Loan Stock Offer even if you have already claimed EIS on the FCUM Share Scheme (subject to personal circumstances).

Risks and Contingencies

The Society and the Board accept responsibility for the information contained in this document. To the best of the knowledge of the Society and the Board (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its substance.

Prospective investors should read the whole text of this document and should be aware that the intended outcomes of an investment in the Society are speculative and involve significant risk.

Our Loan Stock offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman. A community benefit society is registered with but not authorised by the Financial Services Authority and therefore the money you lend in this scheme is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the whole of your investment could carry a risk, please consider it carefully in the context of the complete share offer document, and if needed seek independent advice.

This document contains some forward-looking statements that are subject to certain risks and uncertainties. FC United has an obligation to create social dividends and community benefit as well as run sustainably. Its business planning has been undertaken prudently - the robust business plan has been the basis of FC United's Community Share Scheme, over £2.5m of grant funding and Manchester City Council's support of the project.

However, the amount of loan stock purchased, and any interest on the loan stock, is not be secured on any assets of FC United. In the event of the social enterprise winding up, you may lose all the money you pay for the loan stock and we may not be able to pay interest on the loan stock purchased.

The directors are committed to the prudent financial management of FC's affairs. However you should buy loan stock only with money you can afford to have tied up and without the prospect of any increase in value for several years or longer.

The Loan Stock offered ranks below other debts of the enterprise, except other unsecured debt, in the event of the enterprise winding up. The Loan Stock offered ranks equally with the Capital Funding shares issued by FC United of Manchester in the event of the enterprise winding up. This means that the investors in the Loan Stock offered cannot be guaranteed to get their money back before the holders of the Capital Funding Shares or other lenders, as far as is possible, if the social enterprise falls into difficulty or fails.

How Do You Buy Loan Stock?

- To benefit from FC's loan stock, you simply need to fill in the attached Application Form
- For any questions or clarifications, please do not hesitate to contact Amanda Tudor FC United's Business Development Manager - amandatudor@fc-utd.co.uk
- If you require further information about the club, please contact Andy Walsh, General Manager, or Adam Brown, Board Member, at office@fc-utd.co.uk.
- You can buy between a minimum of £10,000 and a maximum of £200,000 of Loan Stock.
- Applications must be received between 15th October 2014 and February 28th 2015.
- A separate Loan Stock Scheme exists if you want to purchase on behalf of an organisation – please contact Amanda Tudor: amandatudor@fc-utd.co.uk
- Loan stock must be repaid to the lender, in full when it falls due.
- FC United is not taking money on deposit. Loan stock is not regulated nor guaranteed by the government.

What Happens After You Apply

- FC United Limited will receive your application.
- We will only take payment once your application has been accepted.
 - You will be issued with a Loan Stock certificate.

For further information or to discuss the FC United Individual Loan Stock Offer, please contact Amanda Tudor: amandatudor@fc-utd.co.uk

Five Year Forecast – P+L Summary and Balance Sheet, November 2014

| FC UNITED OF MANCHESTER FIVE YEAR ANNUAL FORECAST SUMMARY | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|------------------|------------------|------------------|------------------|------------------|
| PROFIT & LOSS ACCOUNTS | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| | £ | £ | £ | £ | £ |
| TURNOVER | <u>1,308,628</u> | <u>1,625,541</u> | <u>1,680,203</u> | <u>1,773,956</u> | <u>1,862,639</u> |
| Cost of Sales | 608,180 | 685,295 | 715,115 | 754,728 | 791,530 |
| GROSS PROFIT | <u>700,448</u> | <u>940,245</u> | <u>965,088</u> | <u>1,019,229</u> | <u>1,071,108</u> |
| GROSS MARGIN | 54% | 58% | 57% | 57% | 58% |
| Overheads (ex. Depn and g/will) | 523,272 | 655,447 | 677,193 | 699,683 | 723,234 |
| EBITDA | <u>177,176</u> | <u>284,798</u> | <u>287,895</u> | <u>319,546</u> | <u>347,874</u> |
| Depreciation | 76,520 | 133,814 | 129,701 | 128,241 | 128,241 |
| Goodwill amortisation | 127 | 127 | 127 | 127 | 127 |
| Grant amortisation | (24,759) | (49,519) | (49,519) | (49,519) | (49,519) |
| OPERATING PROFIT BEFORE EXCEPTIONAL ITEM | <u>125,288</u> | <u>200,376</u> | <u>207,586</u> | <u>240,696</u> | <u>269,025</u> |
| Exceptional Items - net of VAT | 0 | 0 | 0 | 0 | 0 |
| OPERATING PROFIT | <u>125,288</u> | <u>200,376</u> | <u>207,586</u> | <u>240,696</u> | <u>269,025</u> |
| Interest on MCC loan | 22,500 | 31,350 | 33,231 | 31,742 | 30,000 |
| Interest on loan stock | 2,375 | 3,000 | 2,750 | 625 | 0 |
| Interest on loan stock individual | 1,333 | 4,000 | 4,000 | 4,000 | 2,667 |
| Interest on community shares | 0 | 0 | 0 | 25,000 | 50,000 |
| Interest hire purchase | 711 | 446 | 708 | 708 | 0 |
| PRE-TAX PROFIT | <u>98,369</u> | <u>161,580</u> | <u>166,897</u> | <u>178,622</u> | <u>186,358</u> |
| Corporation tax * | 0 | 0 | 0 | 0 | 0 |
| POST-TAX PROFIT | <u>98,369</u> | <u>161,580</u> | <u>166,897</u> | <u>178,622</u> | <u>186,358</u> |
| Community share paybacks | 60,000 | 60,000 | 60,000 | 110,000 | 180,000 |
| Asset replacement accrual | 22,500 | 45,000 | 45,000 | 45,000 | 45,000 |
| RETAINED PROFIT | <u>15,869</u> | <u>56,580</u> | <u>61,897</u> | <u>23,622</u> | <u>(38,642)</u> |

FC UNITED OF MANCHESTER
FIVE YEAR ANNUAL FORECAST SUMMARY

BALANCE SHEETS

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible | 6,276,360 | 6,235,990 | 6,106,289 | 5,978,048 | 5,849,807 |
| Intangible | 1,897 | 1,770 | 1,643 | 1,517 | 1,390 |
| | <u>6,278,257</u> | <u>6,237,760</u> | <u>6,107,933</u> | <u>5,979,565</u> | <u>5,851,197</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 20,625 | 20,625 | 20,625 | 20,625 | 20,625 |
| Trade debtors | 110,641 | 148,029 | 186,051 | 226,055 | 267,961 |
| Other debtors | 86,407 | 86,407 | 86,407 | 86,407 | 86,407 |
| Prepayments | 0 | 0 | 0 | 0 | 0 |
| Cash | 17,831 | 153,804 | 380,846 | 304,189 | 215,739 |
| | <u>235,503</u> | <u>408,865</u> | <u>673,929</u> | <u>637,276</u> | <u>590,733</u> |
| LIABILITIES (EX. FINANCING) | | | | | |
| Trade creditors | 113,410 | 174,177 | 237,749 | 304,811 | 375,152 |
| Other creditors | 178,083 | 153,475 | 132,901 | 112,996 | 110,296 |
| Deferred grants | 2,496,316 | 2,405,131 | 2,352,141 | 2,302,622 | 2,253,104 |
| Accruals | 18,130 | 17,929 | 17,865 | 18,504 | 19,112 |
| Corporation tax * | 0 | 0 | 0 | 0 | 0 |
| | <u>2,805,939</u> | <u>2,750,712</u> | <u>2,740,656</u> | <u>2,738,933</u> | <u>2,757,663</u> |
| FINANCING LIABILITIES | | | | | |
| Overdraft | 0 | 0 | 0 | 0 | 0 |
| Invoice discounter | 0 | 0 | 0 | 0 | 0 |
| Hire Purchase | 14,513 | 9,675 | 4,839 | | |
| MCC | 522,500 | 553,850 | 587,081 | 500,000 | 500,000 |
| Loan stock | 100,000 | 100,000 | 50,000 | 0 | 0 |
| Loan stock individual | 200,000 | 200,000 | 200,000 | 200,000 | 0 |
| | <u>837,013</u> | <u>863,525</u> | <u>841,920</u> | <u>700,000</u> | <u>500,000</u> |
| NET ASSETS | <u>2,870,808</u> | <u>3,032,389</u> | <u>3,199,286</u> | <u>3,177,908</u> | <u>3,184,266</u> |
| SHARE CAPITAL & RESERVES | | | | | |
| Ordinary share capital | 3,500 | 3,900 | 4,400 | 4,700 | 5,200 |
| Community share | 2,000,000 | 2,000,000 | 2,000,000 | 1,800,000 | 1,620,000 |
| Community share withdrawal | 60,000 | 120,000 | 180,000 | 90,000 | 90,000 |
| Sinking fund reserve | 22,500 | 67,500 | 112,500 | 157,500 | 202,500 |
| Retained profit | 784,808 | 840,989 | 902,386 | 1,125,708 | 1,266,566 |
| Shareholders funds | <u>2,870,808</u> | <u>3,032,389</u> | <u>3,199,286</u> | <u>3,177,908</u> | <u>3,184,266</u> |

* No corporation tax liable due to capital allowances

Funding Plan Table

| FUNDING | Oct-14 Actual £ | Oct-14 Target £ | To be raised £ |
|-------------------------------|-----------------------|-----------------------|----------------------|
| Community Shares | 1,923,126 | 2,000,000 | 76,874 |
| Development Fund | 311,660 | 466,730 | 155,070 |
| Sport England | 918,000 | 918,000 | 0 |
| FF FSIF | 150,000 | 150,000 | 0 |
| FF Community | 500,000 | 500,000 | 0 |
| Manchester City Council Grant | 550,000 | 550,000 | 0 |
| Manchester College 1 | 150,000 | 150,000 | 0 |
| Manchester College 2 | 150,000 | 200,000 | 50,000 |
| MCC Loan | 500,000 | 500,000 | 0 |
| SIB | 303,000 | 303,000 | 0 |
| Viridor | 90,000 | 90,000 | 0 |
| Loan Stock Organisations | 50,000 | 100,000 | 50,000 |
| Loan Stock Individuals | | 200,000 | 200,000 |
| | <u>5,595,786</u> | <u>6,127,730</u> | <u>531,944</u> |