

**Leeds Community
Homes
Business plan
2017-2019**

Business plan produced in October 2016

Executive Summary

Leeds Community Homes has been established as a community benefit society with the primary aim of taking a community-led approach to creating more affordable homes in our city. Our long-term goal is to be involved in the creation of 1000 affordable homes in Leeds over the next ten years – contributing towards the target of 66,000 new homes that has been identified for the city. Our Rules allow us to act as a Community Land Trust for Leeds.

Our initial focus is the launch of a community share offer, which seeks to raise a minimum of £200,000 and a maximum of £360,000. The offer, which will launch in October 2016, is primarily focused on supporting us to purchase 16 permanently affordable flats on a city-centre development. The flats are available for us to purchase through a Section 106 agreement.

We will purchase nine flats, at approximately 21% of open market value, which we will retain for affordable rental. We will also purchase and then sell on nine flats, which will be available for people to purchase at an “intermediate” price, which is approximately 60% of open market value. The flats will be available to be occupied in two phases, with completion on the first phase due in January 2018, and the second phase January 2019.

The rental flats will be available at an affordable, social rent, to people on the council’s housing waiting list. We will work with community-led housing providers in Leeds, to identify people to live in the flats. The flats for re-sale will be available to people who can demonstrate that they can afford a mortgage for the flats, but whose household income would be insufficient for purchasing the flat at open market value.

Our business model for the acquisition of the flats is based around the rental income that the flats will generate. The income from the flats will cover our costs, which will include the cost of a full management service (provided by local social enterprise Gipsil) and the cost of a long-term loan. If we achieve our minimum target of £200,000, we will require a loan of £158,675¹. If we raise above this target, the requirement for long-term borrowing will reduce accordingly.

Over the next two years we will also undertake development work to develop a pipeline of community-led housing projects, which will help us to make progress towards our long-term target of being involved in the creation of 1000 affordable homes. We will allocate one day of staff time per week, funded by the share offer, to this development work. Shareholder funds will also contribute towards our overheads during this period.

¹ This loan is rounded up to £160,000 throughout the rest of this document.

Purpose of the Society

Leeds Community Homes has been established as a community benefit society with the primary aim of taking a community-led approach to creating more affordable homes in our city. Our long-term goal is to be involved in the creation of 1000 affordable homes in Leeds over the next ten years – contributing towards the target of 66,000 new homes that has been identified for the city.

Vision, Mission, Objectives, Values

Vision

Leeds is a city where it feels realistic for citizens to work together to create environmentally sustainable homes which are affordable in perpetuity.

Mission

As a Community Land Trust, we create more affordable, sustainable housing, by building or purchasing new homes and refurbishing empty properties. We create housing ourselves, and support others to do the same – with the aim of being involved in purchasing, building or refurbishing 1000 homes in Leeds by 2027.

Primary objectives

1. Act as a Community Land Trust for Leeds, buying land and buildings to create homes for affordable rental and sale.
2. Support other people and organisations to create community-led housing in Leeds.
3. Through community share offers and other means, raise finance for community-led housing in Leeds.

Secondary objectives

4. Promote Leeds Community Homes, and the benefits of a community-led approach to creating housing in Leeds.
5. Engage the people of Leeds in how to create housing which makes the city a better place to live, for all of us.
6. Work at a strategic level to facilitate the development of community-led housing in Leeds.
7. Run Leeds Community Homes as a successful, sustainable social enterprise.

Values

We are community-led. We get behind people in Leeds to help them to create affordable, sustainable homes.

We are enterprising. We acknowledge how much of a challenge it is to create affordable, sustainable homes. We bring creativity and a can-do approach to tackling one of the defining social issues of our time.

We are co-operative. We work collaboratively, across the city, with people who share our vision for creating homes that are affordable in perpetuity, and which make Leeds a better place to live.

Target Community

Our primary target community is people in Leeds who are in need of more affordable homes. Through providing more affordable homes to rent and to buy, we will serve people who currently find it difficult to buy or rent a decent, affordable home in our city.

We plan to reach out to people who want to take action to meet their housing needs – and the needs of others. This, for us, is what it will mean to be community-led – we will listen to people who are currently not well served by the housing market – and work with them to create better, more affordable homes that they can live in. We will be *working with* people who are in housing need, not *providing for* them.

We are also targeting people in Leeds who recognise the negative impacts of a housing market which doesn't work for many of our citizens – and who want to play a part in creating a community-led solution. People who acknowledge the impact on fellow citizens – and on the city as a whole – if many people in Leeds are finding it increasingly difficult to afford a decent home to rent or buy. This is a much wider group than the group of people who are in housing need – and we envisage that the majority of our investors will come from this wider group of Leeds citizens.

We will also target a wider group of people across the UK who recognise the negative impacts of a housing market which doesn't work for increasing numbers of our citizens. We will seek to engage people who are keen to be part of a citizen-led approach to creating more affordable homes – and who will support our work through investing in our community share offer.

We anticipate that the majority of investment through this share offer will come from people in Leeds. We are confident that there are enough people in Leeds who are concerned about the issue of how we create affordable housing in our city, and who will invest in our community share offer. The community-led housing sector is well-established in Leeds, with organisations such as Latch and Canopy having a considerable impact in the city, and enjoying widespread support and recognition. The popularity of regular study visits and open days run by community-led housing groups in Leeds points to a significant level of interest in their work.

The pioneering LILAC cohousing scheme is similarly high profile, and other schemes such as Chapeltown Cohousing have been active for some years, gathering community support. Community share offers – such as the scheme run by Headingley Development Trust – point to an appetite for investment in projects that have a strong community benefit.

Community Engagement Plan

The main communities that we are seeking to target:

1. People in Leeds who are in housing need – who want to take action to meet their housing needs – plus people who want to be part of what we are doing but can't afford to invest.

2. People in Leeds who recognise the negative impacts of unaffordable housing on people in our city, who are prepared to get involved in developing a citizen-led solution – and who will invest.
3. People across the UK who recognise the negative impacts of unaffordable housing – and want to be part of a citizen-led movement to create more affordable housing in Leeds.

Our current focus is on raising a minimum of £200,000 and a maximum of £360,000 through the community share offer. We estimate that we will attract this investment as follows:

| Membership group | Number | % of investment | Total |
|---|--------|-----------------|-----------------|
| People in Leeds in housing need, plus other £1 memberships/small donations | 100 | <1% | £1000 |
| People in Leeds who want to support a citizen-led solution and who can afford to buy shares | 1300 | 64% | £234,000 |
| People across the UK who want to support a citizen-led solution, through buying shares | 158 | 7% | £25,000 |
| Power To Change Booster Fund | 1 | 29% | £100,000 |
| Totals | 1559 | | £360,000 |

We estimate that we will reach our maximum target as follows:

| “Leeds concerned citizens” | | | |
|---------------------------------------|-----------------------------|---------------------|------------------|
| Investment level | Average investment | Number of investors | Total investment |
| £750+ | £1000 | 10 | £10,000 |
| £350+ | £500 | 40 | £20,000 |
| £200+ | £250 | 295 | £74,000 |
| £150+ | £175 | 455 | £80,000 |
| £100 minimum | £100 | 500 | £50,000 |
| | Totals | 1300 | £234,000 |
| “UK concerned citizens” | | | |
| Investment level | Average investment | | |
| £750+ | £1000 | 2 | £2,000 |
| £350+ | £500 | 5 | £2,500 |
| £200+ | £250 | 21 | £5,250 |
| £150+ | £175 | 30 | £5,250 |
| £100 minimum | £100 | 100 | £10,000 |
| | Totals | 158 | £25,000 |
| Power To Change | | | |
| Match investment | £100,000 | 1 | £100,000 |
| £1 memberships/small donations | | | |
| Membership | Average membership/donation | Number of people | Total |
| £1 memberships/small | £10 | 100 | £1,000 |

| | | | |
|-----------|---------------------|-------------|-----------------|
| donations | | | |
| | | | |
| | Grand totals | 1559 | £360,000 |

Power To Change have made a provisional offer to invest £100,000 into this share offer, if we are successful in raising the same amount or more from other members. We are currently working with a community shares practitioner, Andy Woodcock, to go through the Community Shares Standard Mark process. It is anticipated that Power To Change will confirm this investment once we have completed the Community Shares Standard Mark process. This is due to complete in October 2017, before the share offer launch.

Benefits of developing a broad membership

We will enjoy a range of benefits if we are successful in encouraging approximately 1500 people to become members of Leeds Community Homes. Their investment will provide us with an important, more affordable, source of patient capital. This is particularly important given the social issue that we are attempting to address – the provision of permanently affordable housing.

Whilst our business model is strong, we require a significant amount of capital to purchase the homes – and to undertake the required activities to develop future projects. Our main source of income – rent – is of course not immediately available to us. So a significant source of patient capital – members who believe in what we are doing, investing in community shares – is vital both to our ability to start-up – and to our long-term ambitions.

Investment from our members also gives us a greater ability to approach other investors and funders. Lenders prefer to be in a position where risk is shared – and where (in the case of property) they are able to lend at a lower loan to value ratio. Similarly, funders can be more likely to support a project which has managed to gather a significant amount of local community support.

However, developing a strong membership base isn't only about the investment we can raise. To be effective as a Community Land Trust we need to be connected to the community that we serve – and one important way to do that is to encourage people to become members. Whilst we wish to encourage people to invest a minimum of £100, people can also become members of Leeds Community Homes by paying £1. We hope that this opportunity will be taken up by people who support our aims, who may well be in housing need, but who are unable to invest at this time.

Developing a strong membership base will also give us a greater opportunity to engage members in setting future priorities and seeking opportunities to create more housing – vital if we are to reach our long-term target of involvement in 1000 homes. Similarly, a strong membership base will facilitate our efforts to prove to key stakeholders – such as the local authority – that a community-led approach to creating housing in the city should be seen as an important way of building a significant percentage of the homes we need in our city.

We will seek to engage members in our work through providing regular updates on our work through social media and an e-newsletter. We will also offer, where appropriate, site visits and other opportunities to engage more closely with our work. All members are eligible to stand for election to our Board, and we will also seek to engage people who have skills to offer, but who would prefer not to be Board members. We would also hope that members

can help us to identify opportunities – and develop opportunities themselves. If we develop a community of our own, it will help us to develop a range of community-led schemes over the coming years.

As a new provider of affordable housing, we are starting with no capital of our own. In order for us to invest the capital needed to create more affordable homes we have to raise finance. The cost of this finance is the biggest barrier to us creating more affordable homes. Your support in providing us with capital at a reduced cost will increase our competitiveness with other developers who already have capital. This will enable us to build more affordable homes for the people of Leeds.

Engagement strategy to attract 1500 members – investing £260,000

We are working with Chris Smith, from PR agency Swarm Communications, and with the marketing agency Let’s Dance, to implement a communications strategy for the community share offer. Our main activities are summarized below.

| | |
|-----------------------------------|---|
| Website | Further development of www.leedscommunityhomes.org.uk to include information about the share offer, a link to the share platform (Ethex) and further background information about LCH, including business plan, rules etc |
| e-newsletter | Continue to encourage people to sign up for our e-newsletter – sign up form on our website. |
| Social media – Twitter & Facebook | <p>We are active on both and social media will form a key part of our strategy. We are building a campaign around the hashtag #peoplepoweredhomes – to get across the idea that this is a citizen-led movement to create affordable homes in our city. We will continue to pay for geographically-focused adverts on Facebook, to reach more people in Leeds.</p> <p>Our primary aim will be to let people know about the share offer – and to point them to more information – and the share application platform. But we will also attempt to engage people in wider conversations about the problem we are trying to tackle – the lack of availability of affordable housing in Leeds. We don’t want to just spend three months saying the same thing – “invest in our share offer”. We need to be having conversations with people – some of which will lead to people investing.</p> |
| Share offer platform | We are likely to use www.ethex.org.uk to promote and administer the share offer. Ethex is a high-profile site with an extensive database of people who are interested in supporting “positive investment”. |
| Short films, and an animation | Let’s Dance will produce a short (up to 2 minute) animation which we can use online (with shorter excerpts for social media) – to generate interest in our share offer. We will also work with them to produce a series of short films (30seconds) on the theme of #peoplepoweredhomes – short interviews with people who are supporting the share offer – explaining why they have chosen to support us. |
| PR with local media | We have engaged Swarm Communications to help us to secure local media coverage during for the launch of the share offer. |
| Engaging our networks | The LCH Board are well connected locally – and we will tap into our personal and professional networks to encourage people to become members and to invest in Leeds Community Homes. |
| Launch event | Our launch event, at Leeds Kirkgate Market’s new event space, aims to attract 150 people – people who we hope will invest, and who are well placed to tell others about our share offer. Speakers at the launch event include the leader of Leeds City Council. |
| Event programme | We acknowledge that there is a risk that after the initial surge of interest, we will struggle to maintain interest in our share offer. One way we will tackle this is by developing a programme of events throughout the three-month offer period – to include talks and visits to community-led housing schemes. |

Market analysis – summary

The dysfunctional housing market

It is clear that finding affordable places for the people of our city to live in is one of the defining social issues of our time. Increasing numbers of people struggle to be able to afford to buy a home, whilst the supply of decent, affordable rental accommodation is also under severe pressure.

At the same time, current Government housing policy is making it more difficult for people to find affordable places to live. Extending the Right To Buy to housing association tenants, and funding the discounts through forcing councils to sell higher value homes, will result in fewer homes being available for affordable rent. Current evidence suggests that homes that are sold under Right To Buy are not being replaced on a one-for-one basis.

Current policy is focused on increasing levels of home ownership – but many people who rely on housing associations and councils to meet their housing needs will never be able to afford to buy a home – even with a Government funded discount.

In a low interest rate environment, housing is increasingly seen as an attractive investment. This has an impact on the ability of people – particularly first time buyers – to purchase an affordable home. More homes – particularly at auction – are purchased as buy-to-let investments. Whilst they provide more rental housing, they restrict the supply of more affordable homes for purchase, and help to push up the cost of homes for sale.

The housing market is dysfunctional in other ways, too. There is increasing evidence, for example, that the housing options available to “last-time buyers” – older people looking to purchase an appropriate home – are limited. This has an impact on them – and on wider society – as people in inappropriate accommodation can eventually end up requiring extra support to live independently in homes that are no longer appropriate for their needs.

The environmental impact of housing cannot be overlooked. 26% of the UK’s carbon emissions come from homes – and whilst there are innovative examples of low carbon housing (such as LILAC in Leeds), there is still much to do to improve the environmental performance of housing. And of course, homes that are more environmentally sound are also cheaper to heat – this could contribute to reducing the number of people currently living in fuel poverty in the UK – over 2 million people.

The way we house our population has an impact on the liveability of our towns and cities. Well-designed homes, in well-designed neighbourhoods are better places to live. When density is done well, more people can live nearer to more services – with clear benefits for the local economy. Better land use - for example building homes near to public transport links – can reduce urban sprawl and put less pressure on the greenbelt around our cities. It can also help to make homes more affordable – for example by using valuable land to house people, rather than cars.

Yet, of course, the reverse is also true – and there is significant pressure to build homes on greenfield sites on the edges of cities. This can result in a range of negative impacts – including increased congestion.

The Leeds context

Leeds is one of the fastest growing cities in the UK, with a relatively strong, and growing, economy. Over 750,000 people currently live in the city, in 320,000 households, and the council has recently approved plans for more than 66,000 new homes to be built by 2028.

The issues explored above are all relevant to Leeds. The City Council recognises the impact that unaffordable housing can have in the city. There is increasing pressure on social housing waiting lists, and concern about the quality of rented accommodation at the lower end of the housing market in Leeds. People who are already in poverty can be pushed further into poverty by living in poor quality, hard to heat homes.

A lack of affordable housing to rent and buy can also impact on the city's ability to attract and retain talented young people who will set up businesses and create employment in the city as Leeds grows. Access to affordable housing to rent and buy is crucial, if the city council is to achieve its ambition of creating a "Strong Economy, and a Compassionate City".

Locally, there is concern about the impact on the city of creating 66,000 more homes. Although the council is clear that it wants to see as much housing as possible built on brownfield sites, close to the city centre, there is concern that greenfield sites – and the greenbelt itself – will come under increasing pressure. Proposals to build new homes are often met with resistance – with local residents often citing concerns around the impact on the environment, local services and the local transport network.

How 66,000 homes are built, where they are built, and how affordable they are for local people are clearly issues that will have a massive impact on how attractive a city Leeds is to live in in 10 years time.

The need for affordable housing in Leeds

As in the much of the rest of the country, many people in Leeds are finding it increasingly difficult to find an affordable home to rent or buy. The issue is of course particularly acute for people on lower incomes. There is increasing pressure on the supply of council housing, with more than 20,000 people on council's housing waiting list. Although the council has built new homes in recent years, the supply of homes is being reduced by the Right To Buy programme, which has also recently been extended to Housing Association homes. Meanwhile there is increasing demand for rental homes in the private sector, which in turn has resulted in increased rents – with median rent in Leeds being £725pcm. Thus housing costs are taking up an increasing percentage of the income of many Leeds households.

The average house price in Leeds is £148,000 – and house purchase is beyond the means of many people, particularly young people and people on low incomes. House price inflation was 4.8% over the last 12 months, and as supply continues to not keep pace with demand, it is likely to continue to rise above local wage inflation. Schemes such as Help to Buy or shared ownership certainly help some, but leave many others with no realistic chance of purchasing a home.

Our focus on providing permanently affordable homes to rent and buy is a response to this situation. The rental homes on our first scheme will be available at an affordable, social rent to people on the local authority's housing waiting list. Meanwhile, our homes for intermediate sale will be available to buy at approximately 60% of open market value – and

will continue to remain affordable when they are re-sold in the future, and, importantly, have a continuing restriction on value so that they will always be affordable even when re-sold at any time in the future.

Community-led approaches to creating housing

Faced with the context identified above, there is increasing interest in how we can encourage more community-led approaches to creating homes. There is increasing evidence of the benefits that community-led approaches can bring – and the benefits that we could all enjoy if such approaches to building homes were able to expand beyond their current niche status.

Leeds has a strong community-led housing sector. Organisations such as Canopy and Latch have been renovating empty properties – to provide affordable homes for rent – for over 20 years. LILAC, in west Leeds, is a multi-award winning co-housing project – creating affordable, environmentally sustainable homes. Leeds is increasingly recognised for the strength of its community-led housing sector. Housing charity BSHF recently hosted an international study tour in Leeds, and Canopy have this year won the prestigious World Habitat Award.

At the same time, there is an increasing interest – in Leeds and elsewhere – in how people can work together to meet their housing needs. Co-housing, custom build, self-build, housing co-ops and Community Land Trusts are all enjoying increased interest. Recent Government policy, such as the Self Build and Custom Housing Act highlights this. Similarly, a new £60 million Government fund for Community Land Trusts suggests there is increasing recognition of the role that community-led housing providers can play.

Whilst it is clear that community-led housing is still a niche activity, there is evidence of increased interest and awareness amongst the wider population. Recently, for example, a co-housing community in London received widespread national news coverage, and London Community Land Trust achieved its ambitious target of raising over £350,000 through a community share offer.

The unaffordability of housing for rental and purchase is now firmly part of the national conversation – and, slowly, people are starting to ask the question “What could we do to meet our own housing needs?”

Whilst there is still a lot of work to do, in order to make community-led housing a realistic goal for many people, it is beginning to feel like an idea whose time has come. Leeds Community Homes has been set up to work with local people in Leeds to come up with community-led solutions to meeting the housing needs of people in our city.

Operational plan

The main things we aim to achieve are as follows:

Primary objectives

1. Act as a Community Land Trust for Leeds, buying land and buildings to create homes for affordable rental and sale.
2. Support other people and organisations to create community-led housing in Leeds.
3. Through community share offers and other means, raise finance for community-led housing in Leeds.

Secondary objectives

4. Promote Leeds Community Homes, and the benefits of a community-led approach to creating housing in Leeds.
5. Engage the people of Leeds in how to create housing which makes the city a better place to live, for all of us.
6. Work at a strategic level to facilitate the development of community-led housing in Leeds.
7. Run Leeds Community Homes as a successful, sustainable social enterprise.

Business model

Our business model for our initial share offer is based primarily around the purchase of sixteen 1 and 2 bedroom flats on the Low Fold development in the centre of Leeds, which forms part of the city's new Climate Innovation District. We will retain nine flats, and sell seven.

The flats will be built by Leeds-based developer Citu (www.citu.co.uk). Their recent developments have included Greenhouse (the conversion of an existing building into environmentally-sound flats in south Leeds) and the Little Kelham development in Sheffield.

The flats will be available to us to purchase at a significant discount, through a developer-financed Section 106 agreement – which allows for the provision of affordable housing. To purchase the homes, we need to be accepted onto the Council's Affordable Housing Register. We have applied to be on this Register and a final decision is expected by October 2016. The Council have made clear that they are keen for us to be accepted onto the Register.

The flats will be available to purchase in two phases. The first phase is due to complete in January 2018, with the flats in the second phase being ready for occupation in January 2019.

In phase 1 we will purchase five flats for affordable rental, and 2 flats for re-sale at an affordable price. In phase 2 we will purchase 4 flats for affordable rental, and five for affordable re-sale.

The Section 106 agreement stipulates that we will retain nine flats ourselves, all of which will be available at an affordable rent to people on the Local Authority's housing waiting list. We will purchase seven flats at a discounted "intermediate" price and then re-sell them at an

affordable price. These will be made available to people whose household income means that they would be unable to afford the flats at full market value.

The Section 106 agreement allows us to sell the intermediate flats at a 5% increase in value -
– to contribute towards our direct costs relating to their re-sale.

The flats for affordable rental are available to us at approximately 21% of open market value. The flats for intermediate re-sale are available to purchase at approximately 60% of open market value. A full schedule of the flats that we will purchase is included as an appendix in our business plan, which is available on our website www.leedscommunityhomes.org.uk.

As outlined above, we have worked closely with Leeds City Council since the opportunity to purchase homes at Low Fold emerged. In discussions with senior officers, it has been clear that the Council is very keen in principle for Leeds Community Homes to be part of the city's Affordable Housing Framework – and thus be able to partner with Citu as their Section 106 affordable housing partner on this development. However, at the time of writing this plan, a final decision has not been taken by the Council with regards to our application. A decision is due to be taken in October 2016.

If, during the share offer period, our application proved to be unsuccessful, we would first of all challenge the decision – in particular by pointing to similar arrangements with Community Land Trusts elsewhere in the country. However, if it became clear that it was not possible for us to be on the Affordable Housing Framework, we would no longer be in a position to purchase the homes at Low Fold. In this case, we would not proceed with this share offer – and we would return to investors all money pledged by that date.

Similarly, if, for whatever reason, circumstances changed during the share offer period and it became impossible to reach a final agreement with Citu on the purchase of the sixteen homes, we would not proceed with the share offer. Any money pledged by investors up to the closure of the share offer would be returned to them.

It is unlikely that we will exchange contracts with Low Fold's developer, Citu, before the end of the share offer period. This is largely because deposits on the first Phase of the development are not due until July 2017. Given the time that we have each invested in developing the partnership so far, and the level of detail we have gone into, we do not expect there to be any problems with regards to successfully exchanging contracts. However, if, for whatever reason, circumstances were to change and we were unable to proceed with purchasing the homes at Low Fold, we would offer to return funds to shareholders, less the costs that we have incurred during the period between the closure of the share offer, and the decision not to proceed.

As a Community Land Trust, we will ensure that the flats that we retain for rental are available at affordable rents to people in housing need, in perpetuity. A clause in the sale agreements for the "intermediate" homes will ensure that these homes must be resold at below open-market value – thus ensuring they remain affordable in perpetuity.

We are currently taking legal advice from our solicitors, Wrigleys, on the most appropriate mechanism for ensuring that the flats that we sell remain affordable in the long-term. The main options we are considering are:

- setting the future value of the homes to be in line with local wage inflation

- setting the future value of the homes at the same level of discount (in relation to market value) as at their original sale date.

A decision on which mechanism to adopt will be taken by the Leeds Community Homes Board by November 2017.

A 10% deposit is payable on the flats in phase 1 of the development, and this is due in July 2017. A 10% for the flats in phase 2 is due in July 2018. In each phase, the remainder is payable on completion – which is due to be January 2018 for Phase 1, and January 2019 for Phase 2.

We have budgeted for one day per week of Leeds Community Homes staff time to be allocated to Low Fold from 2017 until the final flats are sold – which is due to be by April 2019. This time will be required for a range of activities relating to the successful delivery of the project, such as arranging the marketing of the properties for rental and sale. We have also allocated resources to engage a project manager with extensive experience of construction projects, who will take the lead on liaison with the developers to ensure that the flats that we purchase are to the standards and specification that we require.

Once the flats are occupied, they will be managed by local social enterprise GIPSIL. They have extensive experience of managing tenancies and providing a maintenance service on rental properties. They will provide a full management service – including collection of rent, bad debt, coverage of void periods and a responsive repairs service for a fee equivalent to 25% of rent and service charge. They will also pay the rent during any periods that the flats are unoccupied.

We have agreed to an open-book review of this arrangement after 12 months, with a view to reducing the fee if it becomes clear that they are able to successfully provide a high quality service to tenants at a lower price. We have budgeted for a reduction in the fee to 20% in 2020.

The flats that we own will be available at an affordable, social rent. They will be made available exclusively to people in housing need who are on the local authority's housing waiting list. We will draw up a Housing Allocation Policy to ensure this. We anticipate that the majority of tenants will come to us via other community-led housing organisations in the city – primarily Latch, Canopy and Gipsil.

The arrangement to work with Latch, Canopy and Gipsil to identify tenants for the properties will bring a range of benefits. It will help each of the organisations to provide appropriate, high quality "move-on" accommodation for tenants – which is often in short supply. This will free up their current supply of homes – so that they can continue to serve greater numbers of people in housing need. Tenants will have access to high quality accommodation near to job opportunities in the centre of Leeds. Meanwhile, as a new organisation, Leeds Community Homes will benefit from finding tenants who have previously been provided with tenancy support services from Latch, Canopy and Gipsil – such as support on how to maintain a tenancy, how to manage the payment of bills etc.

A service charge, to be paid by the tenants, will be payable – to cover costs such as the maintenance of common areas. Day-to-day maintenance of the properties will be covered through the management agreement with Gipsil. As the properties are new-build, we do not anticipate having to do any major works on the flats – such as renewal of kitchens and

bathrooms, until approximately 2027-2031. We will re-finance at this time, to undertake these major works.

The “intermediate” flats will be promoted for sale to people who are in a position to buy a home but whose household income is insufficient to purchase a home on the Low Fold development at full market value. We will establish an application process for the homes, through which people will demonstrate that their income is sufficient to afford to purchase a home at the intermediate value (approximately 60% of open market value) but not at the full value. We anticipate that we will market the properties to “key workers” – particularly people who work locally – eg at the school and college that have recently opened within walking distance of the development. The detail of the application process, and our approach to marketing the properties, will be drawn up by March 2017.

Once the homes are occupied, the flats will generate income for Leeds Community Homes through rent – and this rental income will be our major source of income for covering our costs, and, over time, recovering the costs incurred during the development period. The rents are set by Government, and are currently £81.29 per week for a 1 bed flat, and £97.92 per week for a 2 bed flat. We have budgeted for the 1% decrease in rent proposed by Government, in the next three years, and a CPI +1% increase from April 2021.

Once the flats are occupied, the majority of our income will be rental income – and our long-term business model is based on costs relating to Low Fold being covered by this rental income. The yearly operating profit that we generate from 2019 will over time recoup the losses that are incurred during the development period. Our financial projections suggest that we will be in a positive accumulated profit and loss position in 2027.

Creation of a pipeline of future projects

The majority of shareholder funds will be devoted to the successful completion of the project to purchase 16 flats on the Low Fold development – with nine retained by Leeds Community Homes, and seven re-sold. Funds will be allocated towards the purchase of the flats, and will also cover other costs that Leeds Community Homes incurs during the period.

We will also allocate a small amount of shareholder funds to the development of schemes which will create the pipeline of projects necessary for us to achieve our long-term goal of being involved in the creation of 1000 community-led homes in Leeds.

During 2017 and 2018, we plan to explore and make progress on opportunities including those listed below – with a view to seeking further finance to progress them during 2019 and beyond – including through an open share offer.

- As a Community Land Trust, identifying land for permanently affordable housing as part of Leeds’ proposed South Bank development – with purchase forming part of a future share offer
- Identify small parcels of land to build environmentally-sustainable, affordable homes – with purchase forming part of a future share offer
- Identify opportunities to partner with developers to build permanently affordable homes on sites they are developing
- Work towards establishing a student housing co-op in Leeds

- Support emerging co-housing projects in Leeds
- Work with other community-led housing organisations to develop programmes for purchasing and renovating long-term empty homes.
- Offer support to community-led housing groups in Leeds to explore opportunities and to build their capacity to build affordable homes in Leeds
- Exploring how to establish a loan fund to provide finance – in particular early-stage finance – for community-led housing projects in Leeds.

These are all projects that we have already identified that we wish to explore further. Which of these we progress will depend upon early feasibility studies. We will also be actively seeking out other opportunities that we are not currently aware of. We also plan to engage fully with Leeds Community Homes' members – so that they can inform our future priorities, and the opportunities we seek to take up.

During 2017 and 2018, we will allocate shareholder funds so that we can employ a member of staff for one day per week to develop this pipeline of future projects. We recognise that housing projects typically have long lead-in times. To ensure that we are able to make progress towards our long term goal of 1000 homes, it is important that we begin to establish a pipeline of projects immediately.

The delivery of the projects themselves will be funded by a future share offer and other sources of finance, including borrowing against properties that we will by then own at Low Fold. It is anticipated that these projects will provide a return on the funds invested and so will eventually recoup this investment in development time.

The primary aim of our first share offer is to raise finance. However we also seek to confirm that there is an appetite locally for supporting community-led approaches to creating housing in Leeds. If, through this share offer, we are successful in building an organisation with hundreds of members – all of whom have committed to backing our approach – we believe that this can help us to build our case for further support for community-led housing in Leeds.

Longer-term development

Leeds Community Homes intends to follow the first development at Low Fold with subsequent projects over time to reach our target of 1000 affordable homes over 10 years. The financial projections associated with the Low Fold development demonstrate that the Society could afford for some members to apply for a limited amount of share withdrawal from year 4.

However we expect that further projects will have been developed by that time and that we would then propose, in 2019 or soon after, either to launch another project specific offer or move to a rolling "open share offer" where existing and new investors will be asked to invest in further developments. Either of these alternatives could also therefore accommodate some of the original investors to withdraw their shares. Members will be regularly updated as to progress and Society Directors will present future plans (including allocations of surpluses to allow for share interest to be paid and the amount available for share withdrawals) to members at the Annual General meeting at which all members have voting rights.

Directors hope and expect that this first share offer will be the first of a rolling programme of share offers by LCH to achieve its longer term goals.

Please note that although shares are withdrawable, this is subject to three months' notice, and is at the discretion of the Directors, especially if there are insufficient funds to make repayments. The Directors have decided that no investment can be withdrawn for the first three years, in order to give Leeds Community Homes the opportunity to establish itself and to give our first projects the greatest chance of success.

Directors hope and expect that this first share offer will be the first of a rolling programme of share offers by LCH to achieve its longer-term goals. However potential investors should be aware that our ability to repay more than a small amount of shareholder funds each year relies on us being able to successfully launch future share offers. Ideally these share offers will enable us to develop future community led housing projects, however if we can't identify future projects we will launch an open share offer to create a fund to allow for the withdrawal of original investors shares.

It is for this reason that we will begin work to identify future projects in 2017 – rather than waiting until 2019. In this way we give ourselves every chance of launching an open share offer in 2019 – to raise further capital and to provide greater liquidity – and thus begin to repay shareholders who wish to be repaid.

Investors should also be aware that we may also be required to suspend share withdrawal in the future to provide finance for a future project. However, as stated above, we will seek to move to an open share offer from 2019 in order to increase the liquidity of members' shares.

We strongly encourage investors to consider their investment to be a long-term commitment to the development of a community-led approach to creating affordable housing in Leeds. An investment in Leeds Community Homes should be considered as a long-term investment, which may generate some financial benefits, whilst providing a range of social benefits to people in Leeds who will be able to access permanently affordable housing.

Returning Capital

As stated above, we anticipate that capital will begin to be returned to investors from 2020, with a limited number of shares being bought back gradually over time. We have budgeted for returning £2500 of shares per year from 2020. However this is not guaranteed and the decision to return capital will be made by the Directors. Members of Leeds Community Homes will be consulted at the time.

Operational plan – purchase, rental, sale and management of 16 flats on the Low Fold development

Our primary focus during 2017 and 2018 – and the focus of our first community share offer – will be the purchase of 16 affordable flats on the Low Fold development by Leeds-based developer Citu.

Seven flats will be available to live in in January 2018, with a further nine available in January 2019. The flats are available to us at a significant discount, through a developer-funded Section 106 agreement. We plan to retain 9 flats for affordable rental, and will sell 7 flats at an affordable sale price. On future resale, the flats will continue to be affordable as a clause in the sale agreement will stipulate that they must be re-sold at below market value. We are currently taking legal advice on the best mechanism to ensure that the flats remain affordable in perpetuity.

The following are attached as appendices to this plan:

- Full details of the flats we will purchase – including purchase price, square footage, proposed dates for payment of a deposit and completion/move-in dates
- Full financial projections for the purchase and management of the flats

Full financial projections are included as an appendix to this plan. Below we have summarized key milestones for the Low Fold project

| Milestone | Date |
|--|----------------|
| Leeds City Council agree to LCH being Section 106 partner | October 2016 |
| LCH agrees mechanism for ensuring long-term affordability of flats for rental and sale | November 2017 |
| Pre-contract discussions with Citu completed | February 2017 |
| LCH agrees process and criteria for allocating flats for sale/rental | February 2017 |
| Deposits paid on Phase 1 flats | July 2017 |
| Management agreement with Gipsil signed | July 2017 |
| LCH begins to market flats for sale and rental | July 2017 |
| Phase 1 flats completed. Purchases completed with shareholder funds and bridging loan | January 2018 |
| First tenants move in to flats retained by LCH for rental | Jan 2018 |
| Gipsil take on management of Phase 1 rental flats in stage 2 | January 2018 |
| Flats for intermediate rental sold | Jan-Mar 2018 |
| Stage 2 deposit paid | July 2018 |
| LCH markets flats for sale and rental | July 2018 |
| Phase 2 flats completed. Purchases completed with shareholder funds and bridging loan | January 2019 |
| Gipsil manage rental flats | January 2019 |
| Flats for resale are sold | Jan – Mar 2019 |
| Bridging loan converted to 25 year mortgage | April 2019 |

We expect to engage the following companies to help us to provide 16 affordable homes at Low Fold:

- Wrigleys Solicitors: **Legal advice** – relating to long-term affordability clauses, rental agreements, sale agreements and any other legal requirements relating to the development.
- Wrigleys Solicitors: **Conveyancing**: for the purchase and re-sale of flats.
- **Marketing** of the flats for sale: the seven flats we will sell-on will be sold at an “intermediate” price. The price is stipulated in the Section 106 agreement and is, approximately, 60% of the full open market value of each property. Properties for intermediate sale can be sold to people whose household income is deemed sufficient for purchasing the property at the intermediate price, but who would be unable to afford a mortgage to purchase the home at the full value.
- We are currently exploring options that are available to us for marketing and selling these properties. Options include:
 - working with Citu to identify people who want to live on the Low Fold development but who would otherwise be unable to afford to live there
 - working with local employers to identify members of staff who would like to purchase a home close to where they work (eg schoolteachers or other key-workers)
 - Engaging a local housing association which currently promotes the sale of homes through the Help to Buy scheme
- A final decision on how to market the flats for sale will be taken by the Leeds Community Homes Board by February 2017.

Plan for managing the rental flats

Marketing the flats for rental

Leeds Community Homes will retain 9 flats for rental – to be rented at an affordable, social rent (this is set at £81.29 per week in 2017 for a 1 bed flat and £97.92 per week for a 2 bed flat).

As part of the agreement for us to be an Affordable Housing Provider – through the Section 106 agreement – we are required to draw up an allocations procedure. This outlines the criteria for offering the flats to people in housing need.

We are currently taking advice in order to develop these criteria. However it is our intention to work closely with community-led housing providers in Leeds – in particular Latch, Canopy and Gipsil, to provide “move-on” accommodation for current tenants who wish to move home.

We believe that working with Latch, Canopy and Gipsil in this way offers a range of benefits:

- People are able to move to a home which is of a similar high quality to where they live currently – and of a better standard than much of what is available in the private rented sector.
- Latch, Canopy and Gipsil tenants were housed by the organisations because they were in housing need, at a difficult time of their lives. Moving to similarly high-quality housing can help people to continue to enjoy the stability that high quality housing can offer.
- Latch, Canopy and Gipsil all struggle to “move on” their current tenants – as people are understandably reluctant to move into lower quality accommodation in the private rented sector. This means that they are unable to help as many vulnerable people as they would like to – as their supply of housing is limited as current tenants stay longer. The flats at Low Fold will provide high quality housing that current Latch, Canopy and Gipsil tenants will be happy to move to – thus freeing up current accommodation for people in greater housing need.
- By working closely with Latch, Canopy and Gipsil, Leeds Community Homes will be able to reach people who are in housing need and who are currently on the Council’s housing waiting list. However, as a new organization, we will benefit from the fact that our tenants will come to us having been through a support programme which has enabled people develop the skills to live independently – such as budgeting for paying rent and other bills. This helps to manage the risk for Leeds Community Homes.

Management of the rental flats

We have come to an arrangement with local social enterprise Gipsil, who will provide a management service for the flats that we own at Low Fold, managed through their wholly-owned subsidiary Elevate.

We have agreed that Gipsil will manage the flats for an initial period of 12 months, for a fee equivalent to 25% of the rental income (plus service charge) from the flats. This equates to an initial monthly cost of £576, rising to £984 once the Phase 2 flats are occupied.

For this 25% fee Gipsil will provide a full management service, including administering rental agreements, collecting rent, managing any bad debt, plus a responsive repairs and maintenance service. They will also cover the cost of periods when homes are empty, between tenancies.

The arrangement will be reviewed after 12 months, in January 2019. Gipsil have agreed to work with us on an “open-book” basis – sharing information about income and expenditure during the first year – so that we can review the arrangement if required. Clearly it is in our interests to reduce the management fee if possible – whilst recognizing the importance of providing a high quality service to tenants. Working with Gipsil with this “open book” approach will help us to review how the situation after 12 months, and revise accordingly.

A service charge will also be payable to Citu on each flat. This has been estimated at £15 per week per 1 bed flat and £21 per week per two bed flat – a more accurate cost will be available by July 2017. This charge will be payable by tenants – and will be collected by Gipsil along with the rent.

Finance requirements

A schedule of the sixteen flats we will purchase – nine to retain, seven to sell-on – is included at Appendix 2.

The finance requirements of Leeds Community Homes during the period 2017-2019 can currently be summarized as follows:

Purchase of flats for affordable rental on the Low Fold development.

We will require finance to fund the purchase of nine 1 and 2 bedroom flats on the Low Fold development, which we will retain for affordable rental. We plan to purchase five flats in January 2018, with a 10% deposit of £16,312 being due in July 2017, with the balance of £146,812 due on completion in January 2018. The flats are available to us at approximately 21% of market value, through a developer funded Section 106 agreement. The total purchase price of the five flats we will retain in Phase 1 is £163,124.

We will purchase a further four flats, to be retained for affordable rental, in January 2019 – with a 10% deposit of £10,270 being due in July 2018, and the remainder - £92,430 - payable on completion in January 2019. The total purchase price of the flats we will retain in Phase 2 is £102,700.

| | |
|--|-----------|
| Purchase of nine homes for affordable rental | £265, 824 |
|--|-----------|

Direct costs relating to the purchase, rental and re-sale of sixteen homes

We will incur a range of costs during the period 2017-2019 as we acquire, rent out and sell the flats on the Low Fold development. To complete the purchase, rental and resale of sixteen homes, we will incur direct costs totaling £54,216, which include:

| | |
|---|---------|
| Legal costs relating to purchase, rental and resale – including valuation fees, drawing up of sale and rental agreements, affordability in perpetuity clauses, Land Registry fees, and conveyancing | £24,798 |
| Stamp duty (at 1%) | £8,471 |
| Marketing of properties for rental and re-sale | £7,324 |
| Engagement of a Project Manager on a part-time basis to oversee the successful completion of the acquisition of 16 homes | £10,165 |
| Service charges payable during the period between purchasing and re-selling intermediate flats | £858 |
| Council Tax payable during period between purchasing and re-selling intermediate flats | £1200 |
| Landlord insurance | £1400 |
| Total | £54,216 |

Note on Stamp Duty

As this transaction consists of the purchase of multiple homes, we will apply Stamp Duty Land Tax Multiple Dwellings Relief on the purchase. This averages the values of the purchased properties and applies SDLT at the appropriate band for the average price, rather than the band for the total value of all 16 purchases which would be a much higher level. As this would bring them all below the minimum threshold for SDLT, the minimum level of 1% (while using this form of relief) is applicable. (Reference HMRC SDLT manual ref SDLTM29900)

Purchase of flats for affordable sale on the Low Fold development.

We require finance to fund the purchase and re-sale of seven affordable 1 and 2 bedroom flats on the Low Fold development. These flats are available to us at a significant discount through a Section 106 agreement. The homes will be available for re-sale by us at an “intermediate” price - approximately 60% of the full market value. They will remain affordable in perpetuity as a clause in the sales agreement will stipulate that their future values will remain below market values. We are currently taking legal advice on the most appropriate mechanism to enable this and plan to have this mechanism agreed by November 2017.

In July 2017, we will require finance of £20,856 to fund a 10% deposit on two flats which we will subsequently sell on, and we will require a further amount of £187,703 to pay the remaining balance in January 2018. It is anticipated that these flats will be re-sold within a three-month period, at a 5% increase in value (to cover our direct costs relating to the acquisition and resale of the flats). A bridging loan will be used to fund the period between purchase and resale. The total purchase price of these flats is £208,559.

In July 2018, we will require finance of £37,269 to fund a 10% deposit on the purchase of five flats, with the remaining balance of £335,421 payable on completion in January 2019. It is anticipated that these flats will be re-sold within a three-month period, at a 5% increase in value (to cover our direct costs relating to the purchase and resale).

The period between purchase and resale will be covered by a bridging loan, which is currently being negotiated with Ecology Building Society. The total purchase price for the five flats in Phase 2 of the development is £372,690.

| | |
|---|-----------|
| Total purchase price of the intermediate flats (which we will subsequently sell on) | £581, 249 |
|---|-----------|

Leeds Community Homes overhead costs – including cost of development of future projects

Throughout 2017 and 2018 Leeds Community Homes will work to make progress on a number of community-led housing schemes – with a view to launching more schemes – to be funded through an open share offer – in 2019. We will require one day per week of staff time for this work developing a pipeline of future projects. We will also require one day of staff time per week for work on Low Fold and running the organization. Total overhead costs during 2017 and 2018 are £39,294.

We have allocated half of these costs to tasks relating to Low Fold (a total of £19,647) and half to the development of future projects and tasks relating to managing the organization (£19,647).

| | |
|---|----------------|
| Leeds Community Homes staff time during 2017 and 2018 – one day per week on Low Fold, – one day per week on development of future projects and tasks relating to managing the Society. | £31,561 |
| Leeds Community Homes central overhead costs – including deskspace, marketing, member engagement, insurance – 2017 & 2018. Half allocated to Low Fold, half allocated to development of future projects/organizational tasks. | £5,333 |
| Accountancy | £2,400 |
| Total | £39,294 |

Finance costs during the acquisition period

We have budgeted for a cost of £4,125 to set up our borrowing arrangement with Ecology Building Society. This fee will cover the set up of the bridging loan and the long-term mortgage. We have budgeted for loan interest of £11,810 on the bridging loan.

| | |
|---|---------|
| Total finance costs during development period | £15,499 |
|---|---------|

Working capital

We have budgeted to retain a minimum balance equivalent to 12 months running costs, based on the highest annual total (Jan-Dec 2018). This figure consists of:

| | |
|---------------------------------------|----------------|
| Staff | £15,937 |
| Office and other administration costs | £2,693 |
| Contingency | £9,412 |
| Insurance | £500 |
| Accountancy | £1,800 |
| Total | £30,342 |

Capital requirements

The following table demonstrates the capital requirements for the project at the key development stages:

- July 17: Following set up costs and deposits on Phase 1 properties.
- January 18: Following the purchase of the Phase 1 properties and prior to disposal of the properties for resale.
- July 2018: Following disposal of the Phase 1 properties for resale and further deposits for the Phase 2 properties.
- January 19: Following the purchase of the Phase 2 properties and prior to disposal of the properties for resale.
- May 19: Following disposal of the Phase 2 properties for resale and the point at which the operating model becomes rental income and associated costs only.

The finance required to cover these capital requirements is demonstrated across the two scenarios of A: where the minimum share target of £200k is reached and B: where the maximum share target of £360k is reached.

| | Jul-17 | Jan-18 | Jul-18 | Jan-19 | May-19 |
|---|----------|---------|---------|---------|---------|
| Scenario A - minimum shareholder funds | | | | | |
| Capital requirements | | | | | |
| Intermediate flats for resale | 23,840 | 217,173 | 41,924 | 385,427 | 0 |
| Flats for affordable rental | 16,312 | 163,124 | 173,394 | 265,824 | 265,824 |
| Set up costs | 41,766 | 43,397 | 43,797 | 44,824 | 44,824 |
| Net operational cash (inflow) /outflow | (24,339) | (6,452) | (1,394) | 10,523 | 6,328 |
| Cash balances | 142,421 | 82,758 | 42,279 | 43,403 | 41,433 |
| | 200,000 | 500,000 | 300,000 | 750,000 | 358,409 |
| Finance | | | | | |
| Community shares | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Bridging loans | | 300,000 | 100,000 | 550,000 | |
| Mortgage | | | | | 158,409 |
| | 200,000 | 500,000 | 300,000 | 750,000 | 358,409 |
| Scenario B - maximum shareholder funds | | | | | |
| Capital requirements | | | | | |
| Intermediate flats for resale | 23,840 | 217,173 | 41,924 | 385,427 | 0 |
| Flats for affordable rental | 16,312 | 163,124 | 173,394 | 265,824 | 265,824 |
| Set up costs | 41,766 | 43,397 | 43,797 | 44,824 | 44,824 |
| Net operational cash (inflow) /outflow | (24,339) | (6,452) | (1,394) | 10,523 | 6,328 |
| Cash balances | 302,421 | 82,758 | 102,279 | 43,403 | 43,025 |
| | 360,000 | 500,000 | 360,000 | 750,000 | 360,000 |
| Finance | | | | | |
| Community shares | 360,000 | 360,000 | 360,000 | 360,000 | 360,000 |
| Bridging loans | | 140,000 | | 390,000 | |
| Mortgage | | | | | |
| | 360,000 | 500,000 | 360,000 | 750,000 | 360,000 |

Bridging loan and long-term mortgage

Shareholder funds will contribute to the costs of the deposit and purchase of the flats that we will retain for rental. If we secure our minimum shareholder investment of £200,000, we will cover the remaining cost through establishing a long-term borrowing facility with an ethical lender. We are currently in advanced negotiations with Ecology Building Society, to secure the required lending. We expect to take advantage of a bridging loan facility to cover the period until April 2019 – at which time we will take out a 25 year loan with Ecology of £158,675. We have budgeted for this loan to be at an initial rate of 5% - and have stress-tested our plans at interest rates of up to 8%.

Discussions with Ecology Building Society suggest that the initial interest rate could be around 4% - but we think it is prudent to budget for a higher rate, given that we will not be borrowing until 2018.

If we are successful in securing more than our minimum target of £200,000 in shareholder funds, we will be able to reduce our long-term borrowing accordingly. If we reach our maximum target of £360,000, we will not be required to take out any long-term finance. The impact of raising more than £200,000 in shares is illustrated later in this business plan.

We are in advanced negotiations to secure a bridging loan with Ecology Building Society for the period between completing the purchase the first flats, which is scheduled for January 2018, and the re-sale of the final intermediate flats, which is scheduled for April 2019. The bridging loan will provide us with the necessary cashflow to undertake the purchase of all the flats and the subsequent re-sale of the intermediate flats. We will draw down the bridging loan as required:

- Initial bridging loan, January 2018: £300,000
- Bridging Loan reduces to £100,000 in March 2018 after two intermediate flats are sold
- Bridging Loan increases by £450,000 to £550,000 in January 2019
- By April 2019 bridging loan decreases to £158,675 after sale of 5 intermediate flats
- In April 2019 the bridging Loan is converted to a 25 year mortgage of £158,675. We have budgeted for an interest rate of 5% on both the bridging loan and the mortgage in our financial forecasts.
- An initial fee – for arranging the bridging loan and mortgage – is budgeted at £4,125.

We have budgeted for an interest rate of 5% (although we believe that we may be able to secure a loan at an initial rate of nearer 4%) - and have stress-tested our plan at interest rates of up to 8%. We are confident that we could continue to pay our mortgage and other costs even if the interest rate were to rise to 8%, and have included figures illustrating the impact of an interest rate rise on our mortgage payments as an appendix to this plan.

What would be the impact of raising more than £200,000?

Any amount raised above our minimum share offer target will be used to reduce the amount of long-term borrowing that we require. Whilst we are confident that we can deliver on our plans with a mix of shareholder funds and long-term borrowing, it would clearly be beneficial to us if we can reduce our long-term borrowing requirements.

Understandably, the profit generated through providing affordable rental housing is limited. If the rent is not required to service a long-term debt, we are able to build up capital reserves more quickly, and be in a position to deliver on future projects more quickly. We would also become profitable more quickly, be in a position to pay interest on shares, and begin to return shareholder capital to those who request it.

The profit and loss summary below demonstrates how our financial position improves significantly if we are not required to take out long-term finance. If we reduce our long-term borrowing then we will reduce our monthly cash outflows. We will no longer need to pay interest on the loan nor will we have any capital to repay. This reduction in our cash outflows enables us to build up our cash reserves. This will then reduce the amount of external finance required for future projects.

Please note: if we reach our maximum target of £360,000, we will still require a bridging loan to cover the period between the purchase of the first flats and the sale of the final flats.

By reducing our initial borrowing, we would also give ourselves the opportunity, in the longer-term, to borrow against the properties that we own at Low Fold, in order to provide finance for future projects.

Different funding scenarios explained

The following table demonstrates the impact of us being able to reduce our amount of long-term borrowing – based on a total capital requirement of £360,000.

| At 5% interest | Interest payable in 2019 | Interest payable in 2020 | Interest payable in 2021 | Interest payable in 2022 | Interest payable in 2023 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| £200K in shares c£160K loan | £5250 | £7735 | £7561 | £7378 | £7186 |
| £250K in shares c£110K loan | £3596 | £5297 | £5178 | £5053 | £4922 |
| £300K in shares c£60K loan | £1941 | £2860 | £2796 | £2728 | £2657 |
| £360K in shares – no long-term loan | £0 | £0 | £0 | £0 | £0 |

Our long-term profitability would improve as the amount of income required to service our long-term debt reduces, or is eliminated entirely.

Cash flow statement to 2021 – if we raise £360,000 through the community share offer

| Cash Flow Statement | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------------|------------------|------------------|------------------|----------------|---------------|
| Operating Activities | | | | | | |
| Loss / profit Before Tax | 841 - | 22,562 - | 18,554 | 7,075 | 12,943 | 15,246 |
| Finance Expense | - | - | 5,794 | 5,579 | 7,200 | 7,294 |
| EBITDA | 841 - | 22,562 - | 12,760 | 12,654 | 20,143 | 22,540 |
| (Increase)/Decrease in WIP | - | 23,840 - | 18,084 | 41,924 | - | - |
| (Increase)/Decrease in Other Receivables and prepayments | - | 4,088 | 165 | 165 | 165 | 165 |
| Corporation Tax Paid | - | 168 | 3,362 | 3,591 - | 44 - | 2,450 |
| Interest Paid | - | - | 5,794 - | 5,579 | - | - |
| Net Cash Generated from Operating Activities | 841 - | 50,658 - | 33,111 | 52,755 | 20,264 | 20,255 |
| Investing Activities | | | | | | |
| Purchase of residential property | - | 22,812 - | 159,113 - | 93,457 | - | - |
| Proceeds from sale of Property, Plant and Equipment | - | - | - | - | - | - |
| Net Cash Flow From Investing Activities | - - | 22,812 - | 159,113 - | 93,457 | - | - |
| Financing Activities | | | | | | |
| Introduction of bank loans | - | - | 300,000 | 291,325 | - | - |
| Repayment of bank loans | - | - | 200,000 - | 391,325 | - | - |
| Dividends Paid | - | - | - | - | - | - |
| Issue / (repayment) of share capital | - | 360,000 | - | - | 2,500 - | 2,500 |
| Net Cash Flow from Financing Activities | - | 360,000 | 100,000 - | 100,000 - | 2,500 - | 2,500 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 841 | 286,530 - | 92,224 - | 140,702 | 17,764 | 17,755 |
| Opening Cash Balance | - | 841 | 287,371 | 195,147 | 54,445 | 72,209 |
| Closing Cash Balance | 841 | 287,371 | 195,147 | 54,445 | 72,209 | 89,964 |
| Closing Cash Balance | 841 | 287,371 | 195,147 | 205,699 | 213,043 | 221,021 |

Cashflow statement for period 2016-2021 – with £200,000 in community shares and £160,000 in long-term loan.

| Cash Flow Statement | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------------|------------------|------------------|-----------------|----------------|---------------|
| Operating Activities | | | | | | |
| Loss / profit Before Tax | 841 - | 22,562 - | 18,554 | 1,818 | 8,394 | 10,935 |
| Finance Expense | - | - | 5,794 | 10,837 | 11,749 | 11,606 |
| EBITDA | 841 - | 22,562 - | 12,760 | 12,654 | 20,143 | 22,540 |
| (Increase)/Decrease in WIP | - - | 23,840 - | 18,084 | 41,924 | - | - |
| (Increase)/Decrease in Other Receivables and prepayments | - - | 4,088 | 165 | 165 | 165 | 165 |
| Corporation Tax Paid | - - | 168 | 3,362 | 3,591 | 667 - | 1,557 |
| Interest Paid | - | - | 5,794 - | 10,837 - | 7,749 - | 7,576 |
| Net Cash Generated from Operating Activities | 841 - | 50,658 - | 33,111 | 47,497 | 13,226 | 13,573 |
| Investing Activities | | | | | | |
| Purchase of residential property | - - | 22,812 - | 159,113 - | 93,457 | - | - |
| Proceeds from sale of Property, Plant and Equipment | - | - | - | - | - | - |
| Net Cash Flow From Investing Activities | - - | 22,812 - | 159,113 - | 93,457 | - | - |
| Financing Activities | | | | | | |
| Introduction of bank loans | - | - | 300,000 | 450,000 | - | - |
| Repayment of bank loans | - | - | 200,000 - | 393,488 - | 3,382 - | 3,555 |
| Dividends Paid | - | - | - | - | - | - |
| Issue / (repayment) of share capital | - | 200,000 | - | - | 2,500 - | 2,500 |
| Net Cash Flow from Financing Activities | - | 200,000 | 100,000 | 56,512 - | 5,882 - | 6,055 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 841 | 126,530 - | 92,224 | 10,552 | 7,344 | 7,517 |
| Opening Cash Balance | - | 841 | 127,371 | 35,147 | 45,699 | 53,043 |
| Closing Cash Balance | 841 | 127,371 | 35,147 | 45,699 | 53,043 | 60,560 |

The tables below summarise our profit and loss position, comparing the scenarios where we raise £200,000 through community shares, and £360,000.

Profit and loss forecast to 2021: £200,000 raised in community shares, £160,000 loan

| | FY 2016 BUDGET | FY 2017 BUDGET | FY 2018 BUDGET | FY 2019 BUDGET | FY 2020 BUDGET | FY 2021 BUDGET |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Profit and Loss Account | | | | | | |
| Income | - | - | - | - | - | - |
| Grant Income | 34,107 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Sponsorship | 2,000 | - | - | - | - | - |
| Sale of Low Fold flats | - | - | 218,987 | 391,325 | - | - |
| Rental income from Low Fold Flats | - | - | 21,574 | 38,535 | 39,531 | 40,022 |
| Low Fold service charge to tenants | - | - | 4,433 | 7,696 | 8,102 | 8,264 |
| Total Sales | 36,107 | 10,000 | 254,994 | 447,555 | 57,632 | 58,286 |
| Purchase of Low Fold Flats | - | - | 219,803 | 390,122 | - | - |
| Management fee for Low Fold flats | - | - | 6,502 | 11,558 | 11,908 | 9,657 |
| Service charges on retained Low Fold flats | - | - | 4,433 | 7,696 | 8,102 | 8,264 |
| Services charges on unsold Low Fold Flats | - | - | 273 | 585 | - | - |
| Total Cost of Sales | - | - | 231,011 | 409,961 | 20,010 | 17,921 |
| Gross Profit | 36,107 | 10,000 | 23,983 | 37,595 | 37,622 | 40,365 |
| Fixed cost base | | | | | | |
| Start up costs | 28,766 | - | - | - | - | - |
| Ethex set up fee | 6,500 | - | - | - | - | - |
| LCH staff costs | - | 15,624 | 15,937 | 14,562 | 12,435 | 12,684 |
| LCH office costs | - | 1,440 | 1,469 | 1,327 | 1,133 | 1,156 |
| LCH other costs marketing etc | - | 1,200 | 1,224 | 1,118 | 955 | 974 |
| Landlord Ins | - | - | 500 | 900 | 918 | 936 |
| Accountancy | - | 600 | 1,800 | 1,836 | 1,873 | 1,910 |
| Other operating costs | - | 9,412 | 9,412 | 2,353 | - | - |
| Council Tax on unsold flats | - | - | 300 | 900 | - | - |
| Valuation costs on Low Fold flats | - | 1,200 | 600 | - | - | - |
| Professional project management fees | - | 3,049 | 5,337 | 1,779 | - | - |
| Ecology Finance Arrangement Fee | - | 37 | 165 | 165 | 165 | 165 |
| Total Overheads | 35,266 | 32,562 | 36,743 | 24,940 | 17,479 | 17,825 |
| EBITDA | 841 | - | 12,760 | 12,654 | 20,143 | 22,540 |
| Depreciation | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - |
| Total Depreciation & Amortisation | - | - | - | - | - | - |
| EBIT | 841 | - | 12,760 | 12,654 | 20,143 | 22,540 |
| <i>Margin Percentage</i> | <i>2%</i> | <i>-226%</i> | <i>-5%</i> | <i>3%</i> | <i>35%</i> | <i>39%</i> |
| Interest income | - | - | - | - | - | - |
| Finance Expense | - | - | 5,794 | 10,837 | 7,749 | 7,576 |
| Shareholder Interest | - | - | - | - | 4,000 | 4,030 |
| Taxation | 168 | - | 4,356 | - | 798 | 1,231 |
| Dividends | - | - | - | - | - | - |
| Retained profit | 673 | - | 15,132 | 1,490 | 7,596 | 9,704 |

Profit and Loss forecast – for scenario where we raise £360,000 through community shares

| | FY 2016 BUDGET | FY 2017 BUDGET | FY 2018 BUDGET | FY 2019 BUDGET | FY 2020 BUDGET | FY 2021 BUDGET |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Profit and Loss Account | | | | | | |
| Income | - | - | - | - | - | - |
| Grant Income | 34,107 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Sponsorship | 2,000 | - | - | - | - | - |
| Sale of Low Fold flats | - | - | 218,987 | 391,325 | - | - |
| Rental income from Low Fold Flats | - | - | 21,574 | 38,535 | 39,531 | 40,022 |
| Low Fold service charge to tenants | - | - | 4,433 | 7,696 | 8,102 | 8,264 |
| | - | - | - | - | - | - |
| Total Sales | 36,107 | 10,000 | 254,994 | 447,555 | 57,632 | 58,286 |
| Purchase of Low Fold Flats | - | - | 219,803 | 390,122 | - | - |
| Management fee for Low Fold flats | - | - | 6,502 | 11,558 | 11,908 | 9,657 |
| Service charges on retained Low Fold flats | - | - | 4,433 | 7,696 | 8,102 | 8,264 |
| Services charges on unsold Low Fold Flats | - | - | 273 | 585 | - | - |
| | - | - | - | - | - | - |
| Total Cost of Sales | - | - | 231,011 | 409,961 | 20,010 | 17,921 |
| Gross Profit | 36,107 | 10,000 | 23,983 | 37,595 | 37,622 | 40,365 |
| Fixed cost base | | | | | | |
| Start up costs | 28,766 | - | - | - | - | - |
| Ethex set up fee | 6,500 | - | - | - | - | - |
| LCH staff costs | - | 15,624 | 15,937 | 14,562 | 12,435 | 12,684 |
| LCH office costs | - | 1,440 | 1,469 | 1,327 | 1,133 | 1,156 |
| LCH other costs marketing etc | - | 1,200 | 1,224 | 1,118 | 955 | 974 |
| Landlord Ins | - | - | 500 | 900 | 918 | 936 |
| Accountancy | - | 600 | 1,800 | 1,836 | 1,873 | 1,910 |
| Other operating costs | - | 9,412 | 9,412 | 2,353 | - | - |
| Council Tax on unsold flats | - | - | 300 | 900 | - | - |
| Valuation costs on Low Fold flats | - | 1,200 | 600 | - | - | - |
| Professional project management fees | - | 3,049 | 5,337 | 1,779 | - | - |
| Ecology Finance Arrangement Fee | - | 37 | 165 | 165 | 165 | 165 |
| | - | - | - | - | - | - |
| Total Overheads | 35,266 | 32,562 | 36,743 | 24,940 | 17,479 | 17,825 |
| EBITDA | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 |
| Depreciation | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - |
| Total Depreciation & Amortisation | - | - | - | - | - | - |
| EBIT | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 |
| <i>Margin Percentage</i> | 2% | -226% | -5% | 3% | 35% | 39% |
| Interest income | - | - | - | - | - | - |
| Finance Expense | - | - | 5,794 | 10,837 | 7,749 | 7,576 |
| Shareholder Interest | - | - | - | - | 7,200 | 7,294 |
| Taxation | 168 | 4,356 | 3,422 | 327 | 253 | 167 |
| Dividends | - | - | - | - | - | - |
| Retained profit | 673 | 18,206 | 15,132 | 1,490 | 5,447 | 7,503 |

The two sets of balance sheets below – for 2020 and 2030 – demonstrate the long-term impact of not being required to take out a loan – compared to the scenario where we raise £200,000 in shares, and take out a £160,000 loan.

Balance sheets for 2020 and 2030 – in scenario where we raise £360,000 through community shares

| Balance Sheet | 2020 | 2030 |
|---|--------------------|----------------|
| <u>Non-current Assets</u> | | |
| Residential Property | 275,382 | 275,382 |
| Property, Plant and Equipment | - | - |
| Total Non-current Assets | 275,382 | 275,382 |
| <u>Current Assets</u> | | |
| Cash and Cash Equivalents | 213,043 | 269,550 |
| WIP | - | - |
| Other Receivables | - | - |
| Prepayments | 3,593 | 1,943 |
| Total Other Receivables | 3,593 | 1,943 |
| Total Current Assets | 216,636 | 271,494 |
| Total Assets | 492,018 | 546,876 |
| <u>Current Liabilities</u> | | |
| Corporation Tax | 84 - | 1,240 |
| Total Other Payables | 84 - | 1,240 |
| Total Current Liabilities | 84 - | 1,240 |
| <u>Non-current Liabilities</u> | | |
| Bank loans/mortgage | - 153,130 - | 108,123 |
| Deferred Tax | - | - |
| Total Non-current Liabilities | - 153,130 - | 108,123 |
| Total Liabilities | - 153,046 - | 109,363 |
| Net Assets / Liabilities | 338,972 | 437,513 |
| <u>Equity attributable to the owners</u> | | |
| Community Shares | 357,500 | 332,500 |
| Shareholder interest | 7,200 | 84,693 |
| Retained Earnings | - 31,175 | 14,267 |
| P&L this Year | 5,447 | 6,053 |
| Total Equity attributable to the owners | 338,972 | 437,513 |
| Total Equity | 338,972 | 437,513 |

Balance sheets for 2020 and 2030 – in the scenario where we raise £200,000 through community shares, and take out a loan of £160,000.

| Balance Sheet | 2020 | 2030 |
|--|-----------------------|-----------------------|
| Non-current Assets | | |
| Residential Property | 275,382 | 275,382 |
| Property, Plant and Equipment | - | - |
| Total Non-current Assets | <u>275,382</u> | <u>275,382</u> |
| Current Assets | | |
| Cash and Cash Equivalents | 53,043 | 102,578 |
| WIP | - | - |
| Other Receivables | - | - |
| Prepayments | 3,593 | 1,943 |
| Total Other Receivables | <u>3,593</u> | <u>1,943</u> |
| Total Current Assets | <u>56,636</u> | <u>104,522</u> |
| Total Assets | 332,018 | 379,904 |
| Current Liabilities | | |
| Corporation Tax | - 967 | - 1,903 |
| Total Other Payables | <u>- 967</u> | <u>- 1,903</u> |
| Total Current Liabilities | <u>- 967</u> | <u>- 1,903</u> |
| Non-current Liabilities | | |
| Bank loans/mortgage | - 153,130 | - 108,123 |
| Deferred Tax | - | - |
| Total Non-current Liabilities | <u>- 153,130</u> | <u>- 108,123</u> |
| Total Liabilities | <u>- 154,096</u> | <u>- 110,026</u> |
| Net Assets / Liabilities | <u><u>177,922</u></u> | <u><u>269,878</u></u> |
| Equity attributable to the owners | | |
| Community Shares | 197,500 | 172,500 |
| Shareholder interest | 4,000 | 45,753 |
| Retained Earnings | - 31,175 | 42,334 |
| P&L this Year | 7,596 | 9,291 |
| Total Equity attributable to the owners | 177,922 | 269,878 |
| Total Equity | <u><u>177,922</u></u> | <u><u>269,878</u></u> |

This profit and loss summary for the years 2016-2021 explains our financial position during this period – based on the scenario where we raise £200,000 through community shares.

| | FY 2016 BUDGET | FY 2017 BUDGET | FY 2018 BUDGET | FY 2019 BUDGET | FY 2020 BUDGET | FY 2021 BUDGET |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Profit and Loss Account | | | | | | |
| Income | - | - | - | - | - | - |
| Grant Income | 34,107 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Sponsorship | 2,000 | - | - | - | - | - |
| Sale of Low Fold flats | - | - | 218,987 | 391,325 | - | - |
| Rental income from Low Fold Flats | - | - | 21,574 | 38,535 | 39,531 | 40,022 |
| Low Fold service charge to tenants | - | - | 4,433 | 7,696 | 8,102 | 8,264 |
| Total Sales | 36,107 | 10,000 | 254,994 | 447,555 | 57,632 | 58,286 |
| Purchase of Low Fold Flats | - | - | 219,803 | 390,122 | - | - |
| Management fee for Low Fold flats | - | - | 6,502 | 11,558 | 11,908 | 9,657 |
| Service charges on retained Low Fold flats | - | - | 4,433 | 7,696 | 8,102 | 8,264 |
| Services charges on unsold Low Fold Flats | - | - | 273 | 585 | - | - |
| Total Cost of Sales | - | - | 231,011 | 409,961 | 20,010 | 17,921 |
| Gross Profit | 36,107 | 10,000 | 23,983 | 37,595 | 37,622 | 40,365 |
| Fixed cost base | | | | | | |
| Start up costs | 28,766 | - | - | - | - | - |
| Ethex set up fee | 6,500 | - | - | - | - | - |
| LCH staff costs | - | 15,624 | 15,937 | 14,562 | 12,435 | 12,684 |
| LCH office costs | - | 1,440 | 1,469 | 1,327 | 1,133 | 1,156 |
| LCH other costs marketing etc | - | 1,200 | 1,224 | 1,118 | 955 | 974 |
| Landlord Ins | - | - | 500 | 900 | 918 | 936 |
| Accountancy | - | 600 | 1,800 | 1,836 | 1,873 | 1,910 |
| Other operating costs | - | 9,412 | 9,412 | 2,353 | - | - |
| Council Tax on unsold flats | - | - | 300 | 900 | - | - |
| Valuation costs on Low Fold flats | - | 1,200 | 600 | - | - | - |
| Professional project management fees | - | 3,049 | 5,337 | 1,779 | - | - |
| Ecology Finance Arrangement Fee | - | 37 | 165 | 165 | 165 | 165 |
| Total Overheads | 35,266 | 32,562 | 36,743 | 24,940 | 17,479 | 17,825 |
| EBITDA | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 |
| Depreciation | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - |
| Total Depreciation & Amortisation | - | - | - | - | - | - |
| EBIT | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 |
| <i>Margin Percentage</i> | 2% | -226% | -5% | 3% | 35% | 39% |
| Interest income | - | - | - | - | - | - |
| Finance Expense | - | - | 5,794 | 10,837 | 7,749 | 7,576 |
| Shareholder Interest | - | - | - | - | 4,000 | 4,030 |
| Taxation | 168 | 4,356 | 3,422 | 327 | 798 | 1,231 |
| Dividends | - | - | - | - | - | - |
| Retained profit | 673 | 18,206 | 15,132 | 1,490 | 7,596 | 9,704 |

Full financial projections for these scenarios are available in Appendices 1, 3 and 5.

Narrative summary of business model

Our business model is based primarily around rental income from the nine flats that we will retain on the Low Fold development. The flats will be rented at an affordable, social rent, a rent that is agreed as part of the Section 106 agreement. The initial weekly rent for a one-bed flat is £81.29, and for a two-bed flat is £97.92. This is budgeted to reduce by 1% in 2019 and 2020 and then increase by CPI +1% from April 2021. We have budgeted for annual 2% increases from that date.

Once all of the nine flats that we will retain are occupied, our annual rental income will total approximately £40,000. We also attract £10,000 of grant income per year. The fee we will pay to GIPSIL to manage the flats equates to approximately £11,500 per year. This leaves us with an annual gross profit of approximately £38,500, with which we cover overheads of approximately £18,000. These overheads include Leeds Community Homes staff time, premises, administration, accountancy and other business costs.

In addition, mortgage interest is approximately £8,000 per year. Corporation Tax typically accounts for around £1000. From 2020 we will pay 2% interest on shares, which will accrue to shareholders accounts. This leaves around £7,500 retained profit each year, from 2020.

We have also budgeted for a small amount of grant income - £10,000 - for each of the five years from 2017. Given our success in attracting a larger amount of grant income in 2016, we are confident that we will continue to be able to attract a smaller amount of grant in the five years that follow.

In January 2018 we will acquire 2 one-bed flats and 3 two-bed flats. The total weekly rental income from these five flats is budgeted at £456.34. In January 2019 we will acquire another four 1 bedroom flats. The additional weekly rental income for these flats is £321.91 (allowing for the 1% drop in rent). Total weekly rental income, when all flats are occupied in January 2019, will be £769.16 (allowing for the 1% rent cut).

We have engaged local social enterprise GIPSIL to provide a full management service on the flats that we own, to include rent and service charge collection, provision of a responsive repairs service, bad debt and coverage of costs during any void periods. GIPSIL will charge a fee of 25% of the rent & plus service charge. They have agreed to work with us on an open-book basis, and we will review the cost of delivering the service after 12 months – with a view to reducing the charge to 20% in 2020.

We will also incur central Leeds Community Homes overhead costs. We plan to employ an Executive Director for 2 days per week – one day to work on Low Fold, and one day to work on developing a pipeline of future projects, and to undertake tasks relating to the running of the Society. Other office and admin costs, including marketing, insurance and accountancy will also be incurred.

We will also engage a professional project manager, until the completion of all the flats, to ensure that the flats on Low Fold are built to our requirements. We also allowed for a contingency of 2% of the total project cost – in recognition of the fact that projects to develop homes can sometimes incur unexpected costs/suffer from delays.

We also have finance costs, including an initial set up fee for the lending facility. We will then incur monthly interest payments on the bridging loan, which will be in place until the last intermediate flat is sold (and which will reduce each time we sell one of those flats). Finally, the remaining balance on the bridging loan will transfer to a 25 year loan with Ecology Building Society.

We make a loss in 2017 and 2018 because of the range of one-off costs of that we incur during the Low Fold development period, and because we do not begin to generate any rental income until January 2018 (and at that stage it is only from the 5 flats in Phase 1, not nine). We are budgeted to generate rental income from nine flats from January 2019.

From this time, our income covers our costs, and we begin to make a yearly operating profit. We make a small operating profit in 2019, and this profit increases in 2020. It is in 2020 that we expect to begin to pay interest on shares – with 2% interest due to accrue to members' share accounts from 2020.

As a result of the profits that we generate each year from 2019, we will return to a positive accumulated profit position in 2025.

Explanation of figures

Grant income

Grants were received during 2016 from funders including BSHF, Power To Change, UnLtd and the Community Land Trust Network, totaling approximately £50,000.

We have budgeted for a modest amount of ongoing grant income - £10,000 per year – during the years 2017-2021.

Sponsorship

Sponsorship income for our share offer launch event

Sale of Low Fold flats

Income from the sale of seven flats at Low Fold, sold on at an “intermediate” price as part of the Section 106 agreement. Two are sold in 2018, and five in 2019. As part of the Section 106 agreement, we can add 5% to the price we paid for the flats, to contribute to our costs.

Rental income from Low Fold flats

Rental income from the nine flats that we will retain for affordable rental. Five available to rent in 2018, and four more in 2019. Six one-bed and three two-bed flats. Initial weekly rental income is £81.29 for a one bed flat, and £97.92 for a two-bed flat.

Low Fold service charge to tenants

This is an estimate of the service charge payable for maintenance of common areas etc in the Low Fold development. Estimated at £15 per week per 1 bed flat, and £21 per week per two bed flat. This will be payable by tenants alongside the rent, and collected by the managing agent we are using – Gipsil.

Purchase of Low Fold flats

The total purchase price of the nine flats that we will retain is £265,824.

The total purchase price of the seven flats that we will re-sell is £581,249.

These figures do not include on-costs relating to their purchase – such as stamp duty.

Management fee for Low Fold flats

This is the fee payable to Gipsil, who are providing the management service for our rental flats. It equals 25% of rent + service charge. It is budgeted to reduce to 20% in 2021

Service charges on retained Low Fold flats

This is the service charge – payable by tenants – referred to above

Service charges on unsold Low Fold flats

These are service charges that we will be liable for during the period between purchasing the intermediate flats, prior to their re-sale.

Start-up costs

These are costs relating to the set-up of Leeds Community Homes, and the preparation of the share offer. Grants were received to cover these costs.

Ethex set up fee

This is the cost of our share offer platform - £5,000 set up fee, plus transaction fees.

LCH staff costs

Two days per week of Executive Director time, at £35,000 pro rata. Of these two days, one day per week will be allocated to Low Fold until completion of the project in 2019, and one day per week will be allocated to development of future projects, and running the Society.

LCH office costs

Rental of desk space at a community-led housing organization, plus other administrative costs

LCH other costs – marketing etc

Other costs incurred by Leeds Community Homes – in delivering Low Fold and other activities of the Society

Landlord insurance

Estimated at £100 pa per flat – with 2% annual increase

Accountancy

Estimate of cost of preparing annual accounts

Other operating costs

We have budgeted for contingency costs at 2% of the total project cost. Whilst we are confident that we have developed our financial projections in great detail, housing projects can present unexpected costs, or experience delays, which can increase costs. We think it is prudent to allow for this contingency in our budget, whilst obviously hoping that it won't be required.

Council Tax on unsold flats

Our liability during the period between purchasing seven intermediate flats, and their re-sale

Valuation costs on Low Fold flats

Estimate of the cost of valuing the flats that we will retain.

Professional Project Management Fees

Estimated at 1% of the total development cost, plus VAT, spread over the period until completion of the project.

Ecology Finance Arrangement Fee

Estimated at £4125.

Gearing

Gearing is the measure of the debt of an organisation relative to its assets.

There are various calculations for gearing and in the context of a property investment company one appropriate measure is the 'loan to value' ratio. This is the amount of loans expressed as a percentage of the value of the properties held.

One of the key features of the investment in LCH is the relatively low purchase price for the properties being retained for the rental business compared to the market value of the properties. This results in relatively low borrowing even based on the minimum fundraising target.

The properties are being purchased for £275,000 and the open market value is estimated to be in the region of £1,215,000. This will be the subject of formal valuations.

The 'loan to value' calculation can be considered in two separate scenarios:

Value for loan security: The full market value of the properties without the social housing restrictions are available to a lender in circumstances of default. The difference between the sale value and the bank lending at any point in time should be available to settle any other creditors and distribute to the community share investors. Based on the estimated market value of the properties of £1,215k this would put the maximum loan to value based on £160k loans necessary for the minimum fundraising target at 13%.

Value to the organisation: The forecast Balance Sheets show the properties at cost of £275k. As part of the process of valuing the properties for the lender, a valuation for the organisation will be obtained. This will recognise the fact that except in circumstances of bank default LCH will be restricted in selling the properties to a similarly constituted organisation that would itself be bound by the prescribed social rent levels. Taking into account these restrictions it is reasonable to assume this valuation process should result in a value far higher than cost. The revalued 'fair value' amount will be capable of being presented on the Balance Sheet of the society.

The associated 'loan to value' would therefore lie between the loan to value based on cost of 58%, (£160,000 loan, £275,000 value) and the loan to value based on market value of 13%.

The following documents are included in the appendix of this plan:

- Profit and Loss forecasts for the period 2017-2030
- Cashflow forecasts for the period 2017-2030
- Balance sheets for the years 2017 – 2030
- Schedule detailing timetable for purchase of flats, including cost of purchase

- Profit and Loss projections, Cashflow projections and Balance Sheets for scenario where we raise £360,000 in shares, and do not need a long-term loan.
- Profit and Loss projections, Cashflow projections and Balance Sheets for scenario where interest rates are 8% on a £160,000 loan.

Leeds Community Homes – staffing and governance

Leeds Community Homes - Staff

To date, the majority of tasks relating to initial set-up of Leeds Community Homes, and coordination of tasks relating to the preparation of the business plan & share offer document have been carried out by Social Business Brokers CIC. Leeds Community Homes directors Gill Coupland and Rob Greenland are also directors of Social Business Brokers CIC.

Social Business Brokers also undertook much of the work in relation to company set up in Autumn 2015 – but waived the fees for this piece of work.

In May 2016 Leeds Community Homes engaged Social Business Brokers CIC to provide a co-ordinating role for the development of Leeds Community Homes, particularly in relation to the launch of the community share offer. Through this arrangement Social Business Brokers provide a half-time co-ordinator role. The arrangement was for an initial six-month period, with the option to extend it, as funds allow, on a monthly basis after that.

Social Business Brokers will continue to provide this co-ordinating role during the share offer period, and for a period of up to 3 months following the share offer, up until the end of March 2017.

Gill Coupland and Rob Greenland have extensive expertise of setting up and running successful social enterprises. Through Social Business Brokers CIC they have developed and now deliver the Empty Homes Doctor service in Leeds. This service, delivered with £100,000 of support from Leeds City Council, has helped to bring back into use over 150 long-term empty homes since 2013.

Their expertise in starting-up and project managing successful social enterprises will be invaluable to Leeds Community Homes at this stage in our development. They bring specific skills relating to housing, alongside a broader range of skills which will be required over the next six months.

It is anticipated that after a successful share offer we will begin the process of recruiting an Executive Director for Leeds Community Homes. This is budgeted to be a part time (2 days per week, at a pro rata salary, benchmarked against similar roles, of £35,000) role with one day a week allocated to Low Fold, and one day per week allocated to development of future housing projects.

Leeds Community Homes Board

Leeds Community Homes is governed by a Board of Directors, who are all members of the society. The current Directors are:

Gill Coupland (secretary)
Rob Greenland (treasurer)
Paul Belbin
Paul Chatterton
Steve Hoey
Jonathan Lindh
Jimm Reed

All apart from Jimm have been involved since Autumn 2014, when they began to meet as a steering group to explore the idea of setting up what has since become Leeds Community Homes.

Each of the people on the Board is there in a personal capacity - although between them they have a wealth of relevant expertise through their work life and personal experience. Short biographies of each of the Board members are available as an appendix to this plan.

Leeds Community Homes' rules are that we have a minimum of three directors, and a maximum of twelve – of whom a maximum of four may be co-optees.

The Board acknowledges that as Leeds Community Homes develops, we will need to attract new people with a broad range of skills to the organisation. The Board will undertake a skills audit in February 2017, and will seek to recruit more Board members in time for the first AGM – which is due to be held in July 2017.

We anticipate that we will seek to recruit Board members with a range of skills in order to further strengthen the Board – in particular in relation to the financial expertise that we will require as the Society expands. We also acknowledge the need to recruit more people to the Board so that it better reflects the communities that we wish to serve, in terms of age, gender, ethnicity and first-hand experience of the impact of poor quality, unaffordable housing.

All members who join Leeds Community Homes are eligible to stand for election to the Board of Directors.

Our Rules – and our decision making processes

Leeds Community Homes Ltd is registered as a community benefit society under the Co-operative and Community Benefit Societies Act 2014. Our Registration Number is 7252, and we were registered on 30 November 2016.

Our Rules are available to be downloaded at www.leedscommunityhomes.org.uk

Our Rules allow for withdrawable share capital.

The Board of Directors currently meets on a monthly basis, with decisions also taken, where required, between meetings via our online project management system, email or conference call.

Day-to-day tasks are currently delegated to Rob Greenland and Gill Coupland, directors of Social Business Brokers CIC, who are providing a co-ordinating role on an interim basis. It is anticipated that we will recruit an Executive Director to undertake this co-ordinating role from April 2017.

As a community benefit society, all members have an equal say in the running of the society, regardless of their level of investment. Members will have the opportunity to vote on issues at our Annual General Meeting and at other Meetings as and when they are called. Members also have the opportunity to stand for election as directors of the society.

During 2017 we will seek to further develop our democratic processes so that members can engage in a range of ways in the running and future development of Leeds Community Homes. For example, we would like to explore, in the longer term, how members can share their views on proposed future Leeds Community Homes projects, so this can feed into the decision making process of the Board.

Risk analysis

| Risk | Likelihood | Impact | Mitigation | Retained risk |
|--|------------|--------|--|---------------|
| Financial | | | | |
| Share offer doesn't raise minimum amount | Possible | High | <p>Effective marketing and PR</p> <p>Power to Change Booster Fund Investment conditionally approved which will match fund shareholder funds raised to a maximum of £100k</p> <p>Accessible minimum share price of £100</p> <p>Relatively low minimum to be raised from individual investors (50% of minimum i.e £100K)</p> <p>Directors promote the share offer to all their networks and contacts</p> <p>Possible extension of share offer closing date</p> | Moderate |
| Unable to secure mortgage | Unlikely | High | <p>We are working closely with and have had a very positive response from Ecology Building Society from which we have received illustrations based on indicative terms at 3.85% variable rate.</p> <p>Based on Open Market Value the Loan to Value ratio of the mortgage is low.</p> <p>We have identified a lender - Ecology – who are particularly interested in the environmental credentials of the development and have indicated that they are keen to be involved in offering to lend to the purchasers of the flats we will sell on.</p> | Low |
| Mortgage interest rate rise | Likely | Medium | <p>We have set our maximum target at £360,000. If we achieve this target we should not be required to take out long-term borrowing.</p> <p>If we reach our minimum target, our borrowing requirement is approximately £160,000. We have been offered an interest rate of</p> | Low |

| | | | | |
|--|----------|--------|---|----------|
| | | | <p>3.85% but budgeted for a minimum interest rate of 5%.</p> <p>We have stress tested our plan at interest rates of up to 8% and confirmed that this is still affordable even at the minimum investment.</p> | |
| LCH can't cover its core costs beyond 2016 | Possible | Medium | <p>We have raised approx £50k funding in 2016 and more funding is available. We have budgeted for only £10k funding pa from 2017-2021 but anticipate that we will achieve higher levels which will contribute directly to LCH overhead costs.</p> <p>We will seek to secure other income generating projects for LCH which will contribute to general overhead.</p> | Low |
| Operational | | | | |
| Leeds City Council planning refuse our application to be S106 provider | Possible | High | <p>We have been in discussions with Leeds City Council for 6 months and the feedback has been very encouraging. We submitted a pre-application to be the S106 provider to the council which has been reviewed and commented on by them and we have now submitted a full application.</p> <p>We and the developer have had numerous meetings with the council on this point and it is clear that there is a readiness to give us the go ahead.</p> | Moderate |
| Developer Citu is unable to meet agreed build timescales | Possible | High | <p>Timescales for the development have already slipped by 6 months (current completion date for Ph 1 - Jan 2018 - is reflected in our plan). At the time of writing the developer is confident that this will be met or brought forward.</p> <p>We have budgeted to retain 12 months running costs throughout the development phase. We have also budgeted to retain a contingency fund in the development phase of 2.5% of the full purchase price which equates to over £20k.</p> <p>We have budgeted for a project manager at Low Fold who will be</p> | Moderate |

| | | | | |
|---|----------|------|--|-----|
| | | | involved throughout all key stages of the development phase and who will be alerted at the earliest opportunity if timescales are slipping. We will have time to adapt. | |
| Difficulty selling the affordable intermediate properties | Possible | High | <p>These will be desirable properties available at a significant discount c£109k for a 2 bed (OMV approx £165k) and c£78k for a 1 bed (OMV approx £120k).</p> <p>The site forms part of the new Leeds Climate Innovation District and the flats will be built to high environmental sustainability standards. The cost of utilities will be low.</p> <p>The developer Citu, is selling out well on the properties it is releasing currently close to Sheffield City Centre. They will help us to market our properties and we will engage the services of a successful city centre sales agent.</p> <p>We have budgeted that we will sell the properties within a period of 2 months after completion (Ph1) and 3 months after completion (Ph2). We anticipate that in reality we will have pre-sold at least some of the 7 flats – prior to completion of our purchase.</p> <p>Values of flats in the centre of Leeds increased by 5% in the year to end June 2016.</p> | Low |
| Difficulty finding tenants | Possible | High | <p>It is intended that the flats will provide 'move on accommodation' for LATCH, Canopy and Gipsil. Each of the organisations currently struggle to move tenants from their supported housing service into other social housing due to lack of availability and struggle moving them into private sector housing due to cost and quality.</p> <p>Each organisation will be promoting the flats to prospective tenants with a view to having tenants ready to move immediately on completion.</p> | Low |
| Difficulty | Possible | High | Gipsil will be our managing agent for the flats. They currently provide | Low |

| | | | | |
|---|----------|--------|--|--------|
| maintaining tenancies | | | <p>a fully supported housing service. Whilst this will not continue to the same extent, tenants will remain in contact with Gipsil and will have access to a broad range of advice, information and signposting from them.</p> <p>Tenants will also have access to the LCH network including LATCH and Canopy.</p> | |
| Void, damage and bad debt | Possible | High | <p>We have agreed to contract with Gipsil as our managing agent. They own and manage their own housing stock of over 40 properties and manage over 30 further properties for other housing providers.</p> <p>We have agreed that the management fee of 25% will include void, damage and bad debt and Gipsil are confident, based on experience, that they can manage it within this fee. This arrangement effectively totally de-risks void and bad debt for LCH.</p> | Medium |
| Reputational | | | | |
| Risk of partnering with Citu | Possible | High | We are doing formal due diligence on the company currently and have completed our own initial research of public documents which we are satisfied with. | Low |
| Reputational damage if we have to withdraw the share offer for any reason | Possible | High | We are doing pioneering work in the community led housing environment and this is always risky. We have always been very open about this and we have the support of our key partners and funders. | Low |
| Sector/policy environment | | | | |
| Policy environment for affordable housing becomes more hostile | Possible | Medium | We have developed LCH partly because the context for creating affordable homes is so challenging. We continue to take an enterprising approach to how we can create more affordable housing. We will continue to keep abreast of changes in the policy environment, and adapt accordingly. Future challenges, such as rent decreases, have been included in our plans. | Medium |

Appendices

1. Profit and Loss forecasts, cashflow forecasts and Balance Sheets for the period 2017-2030 – based on £200,000 share offer and £160,000 loan at 5%
2. Schedule detailing timetable for purchase of flats, including cost of purchase
3. Profit and Loss projections, Cashflow projections and Balance Sheets for scenario where we raise £360,000 in shares, and do not need a long-term loan.
4. Profit and Loss projections, Cashflow projections and Balance Sheets for scenario where interest rates are 8% on a £160,000 loan.
5. Director biographies

Appendix 1 Profit and Loss forecasts, cashflow forecasts and Balance Sheets for the period 2017-2030 – based on £200,000 share offer and £160,000 loan at 5%

| | FY 2016 BUDGET | FY 2017 BUDGET | FY 2018 BUDGET | FY 2019 BUDGET | FY 2020 BUDGET | FY 2021 BUDGET | Dec-22 BUDGET | Dec-23 BUDGET | Dec-24 BUDGET | Dec-25 BUDGET | Dec-26 BUDGET | Dec-27 BUDGET | Dec-28 BUDGET | Dec-29 BUDGET | Dec-30 BUDGET | Dec-31 BUDGET |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Profit and Loss Account | | | | | | | | | | | | | | | | |
| Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Grant Income | 34,107 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | - |
| Sponsorship | 2,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sale of Low Fold flats | - | - | 218,987 | 391,325 | - | - | - | - | - | - | - | - | - | - | - | - |
| Rental income from Low Fold Flats | - | - | 21,574 | 38,535 | 39,531 | 40,022 | 41,024 | 41,845 | 42,681 | 43,535 | 44,406 | 45,294 | 46,200 | 47,124 | 48,066 | 49,028 |
| Low Fold service charge to tenants | - | - | 4,433 | 7,696 | 8,102 | 8,264 | 8,443 | 8,612 | 8,784 | 8,960 | 9,139 | 9,322 | 9,508 | 9,698 | 9,892 | 10,090 |
| Total Sales | 36,107 | 10,000 | 254,994 | 447,555 | 57,632 | 58,286 | 49,467 | 50,456 | 51,465 | 52,495 | 53,545 | 54,616 | 55,708 | 56,822 | 57,958 | 59,118 |
| Purchase of Low Fold Flats | - | - | 219,803 | 390,122 | - | - | - | - | - | - | - | - | - | - | - | - |
| Management fee for Low Fold flats | - | - | 6,502 | 11,558 | 11,908 | 9,657 | 9,893 | 10,091 | 10,293 | 10,499 | 10,709 | 10,923 | 11,142 | 11,364 | 11,592 | 11,824 |
| Service charges on retained Low Fold flats | - | - | 4,433 | 7,696 | 8,102 | 8,264 | 8,443 | 8,612 | 8,784 | 8,960 | 9,139 | 9,322 | 9,508 | 9,698 | 9,892 | 10,090 |
| Services charges on unsold Low Fold Flats | - | - | 273 | 585 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Cost of Sales | - | - | 231,011 | 409,961 | 20,010 | 17,921 | 18,336 | 18,703 | 19,077 | 19,459 | 19,848 | 20,245 | 20,650 | 21,063 | 21,484 | 21,914 |
| Gross Profit | 36,107 | 10,000 | 23,983 | 37,595 | 37,622 | 40,365 | 31,131 | 31,753 | 32,388 | 33,036 | 33,697 | 34,371 | 35,058 | 35,759 | 36,474 | 37,204 |
| Fixed cost base | | | | | | | | | | | | | | | | 82,874 |
| Start up costs | 28,766 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ethex set up fee | 6,500 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| LCH staff costs | - | 15,624 | 15,937 | 14,562 | 12,435 | 12,684 | 8,625 | 8,798 | 8,974 | 9,153 | 9,336 | 9,523 | 9,713 | 9,908 | 10,106 | 10,308 |
| LCH office costs | - | 1,440 | 1,469 | 1,327 | 1,133 | 1,156 | 786 | 802 | 818 | 834 | 851 | 868 | 885 | 903 | 921 | 939 |
| LCH other costs marketing etc | - | 1,200 | 1,224 | 1,118 | 955 | 974 | 662 | 676 | 689 | 703 | 717 | 731 | 746 | 761 | 776 | 792 |
| Landlord Ins | - | - | 500 | 900 | 918 | 936 | 974 | 994 | 1,014 | 1,034 | 1,054 | 1,076 | 1,097 | 1,119 | 1,141 | 1,164 |
| Accountancy | - | 600 | 1,800 | 1,836 | 1,873 | 1,910 | 1,948 | 1,987 | 2,027 | 2,068 | 2,109 | 2,151 | 2,194 | 2,238 | 2,283 | 2,328 |
| Other operating costs | - | 9,412 | 9,412 | 2,353 | - | - | - | - | - | - | - | - | - | - | - | - |
| Council Tax on unsold flats | - | - | 300 | 900 | - | - | - | - | - | - | - | - | - | - | - | - |
| Valuation costs on Low Fold flats | - | 1,200 | 600 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Professional project management fees | - | 3,049 | 5,337 | 1,779 | - | - | - | - | - | - | - | - | - | - | - | - |
| Ecology Finance Arrangement Fee | - | 37 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Total Overheads | 35,266 | 32,562 | 36,743 | 24,940 | 17,479 | 17,825 | 13,161 | 13,421 | 13,686 | 13,957 | 14,232 | 14,514 | 14,801 | 15,093 | 15,392 | 15,696 |
| EBITDA | 841 - | 22,562 - | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Depreciation & Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBIT | 841 - | 22,562 - | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| <i>Margin Percentage</i> | 2% | -226% | -5% | 3% | 35% | 39% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Expense | - | - | 5,794 | 10,837 | 7,749 | 7,576 | 7,394 | 7,203 | 7,002 | 6,790 | 6,568 | 6,335 | 6,089 | 5,831 | 5,560 | 5,275 |
| Shareholder Interest | - | - | 4,000 | 4,030 | 4,061 | 4,092 | 4,124 | 4,156 | 4,189 | 4,223 | 4,257 | 4,293 | 4,328 | 4,365 | 4,401 | 4,438 |
| Taxation | 168 - | 4,356 - | 3,422 | 327 | 798 | 1,231 | 1,108 | 1,196 | 1,288 | 1,383 | 1,480 | 1,581 | 1,685 | 1,792 | 1,903 | 2,017 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retained profit | 673 - | 18,206 - | 15,132 | 1,490 | 7,596 | 9,704 | 5,408 | 5,841 | 6,289 | 6,750 | 7,227 | 7,718 | 8,226 | 8,750 | 9,291 | 9,850 |

Balance Sheet

| | | | | | | | | | | | | | | | | |
|--|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Non-current Assets | | | | | | | | | | | | | | | | |
| Residential Property | - | 22,812 | 181,925 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 |
| Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-current Assets | - | 22,812 | 181,925 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 |
| Current Assets | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 841 | 127,371 | 35,147 | 45,699 | 53,043 | 60,560 | 64,418 | 68,171 | 72,206 | 76,527 | 81,137 | 86,043 | 91,249 | 96,759 | 102,578 | 108,712 |
| WIP | - | 23,840 | 41,924 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Receivables | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Prepayments | - | 4,088 | 3,923 | 3,758 | 3,593 | 3,428 | 3,263 | 3,098 | 2,933 | 2,768 | 2,603 | 2,438 | 2,273 | 2,108 | 1,943 | 1,778 |
| Total Other Receivables | - | 4,088 | 3,923 | 3,758 | 3,593 | 3,428 | 3,263 | 3,098 | 2,933 | 2,768 | 2,603 | 2,438 | 2,273 | 2,108 | 1,943 | 1,778 |
| Total Current Assets | 841 | 155,299 | 80,994 | 49,457 | 56,636 | 63,988 | 67,681 | 71,270 | 75,139 | 79,295 | 83,741 | 88,482 | 93,522 | 98,867 | 104,522 | 110,490 |
| Total Assets | 841 | 178,111 | 262,919 | 324,839 | 332,018 | 339,370 | 343,063 | 346,652 | 350,521 | 354,677 | 359,123 | 363,864 | 368,904 | 374,249 | 379,904 | 385,872 |
| Current Liabilities | | | | | | | | | | | | | | | | |
| Corporation Tax | - | 168 | 4,356 | 4,416 | 498 | 967 | 641 | 1,108 | 1,196 | 1,288 | 1,383 | 1,480 | 1,581 | 1,685 | 1,792 | 1,903 |
| Total Other Payables | - | 168 | 4,356 | 4,416 | 498 | 967 | 641 | 1,108 | 1,196 | 1,288 | 1,383 | 1,480 | 1,581 | 1,685 | 1,792 | 1,903 |
| Total Current Liabilities | - | 168 | 4,356 | 4,416 | 498 | 967 | 641 | 1,108 | 1,196 | 1,288 | 1,383 | 1,480 | 1,581 | 1,685 | 1,792 | 1,903 |
| Non-current Liabilities | | | | | | | | | | | | | | | | |
| Bank loans/mortgage | - | - | 100,000 | 156,512 | 153,130 | 149,574 | 145,832 | 141,899 | 137,764 | 133,419 | 128,851 | 124,050 | 119,003 | 113,699 | 108,123 | 102,262 |
| Deferred Tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-current Liabilities | - | - | 100,000 | 156,512 | 153,130 | 149,574 | 145,832 | 141,899 | 137,764 | 133,419 | 128,851 | 124,050 | 119,003 | 113,699 | 108,123 | 102,262 |
| Total Liabilities | - | 168 | 4,356 | 95,584 | 156,014 | 154,096 | 150,215 | 146,940 | 143,095 | 139,052 | 134,801 | 130,331 | 125,631 | 120,688 | 115,491 | 110,026 |
| Net Assets / Liabilities | 673 | 182,467 | 167,335 | 168,825 | 177,922 | 189,155 | 196,123 | 203,557 | 211,469 | 219,876 | 228,792 | 238,233 | 248,216 | 258,759 | 269,878 | 281,593 |
| Equity attributable to the owners | | | | | | | | | | | | | | | | |
| Community Shares | - | 200,000 | 200,000 | 200,000 | 197,500 | 195,000 | 192,500 | 190,000 | 187,500 | 185,000 | 182,500 | 180,000 | 177,500 | 175,000 | 172,500 | 170,000 |
| Shareholder interest | - | - | - | - | 4,000 | 8,030 | 12,091 | 16,182 | 20,306 | 24,462 | 28,651 | 32,874 | 37,132 | 41,425 | 45,753 | 50,118 |
| Retained Earnings | - | 673 | 17,533 | 32,665 | 31,175 | 23,578 | 13,875 | 8,467 | 2,626 | 3,663 | 10,414 | 17,640 | 25,359 | 33,584 | 42,334 | 51,625 |
| P&L this Year | 673 | 18,206 | 15,132 | 1,490 | 7,596 | 9,704 | 5,408 | 5,841 | 6,289 | 6,750 | 7,227 | 7,718 | 8,226 | 8,750 | 9,291 | 9,850 |
| Total Equity attributable to the owners | 673 | 182,467 | 167,335 | 168,825 | 177,922 | 189,155 | 196,123 | 203,557 | 211,469 | 219,876 | 228,792 | 238,233 | 248,216 | 258,759 | 269,878 | 281,593 |
| Total Equity | 673 | 182,467 | 167,335 | 168,825 | 177,922 | 189,155 | 196,123 | 203,557 | 211,469 | 219,876 | 228,792 | 238,233 | 248,216 | 258,759 | 269,878 | 281,593 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Cash Flow Statement

| | | | | | | | | | | | | | | | | | | |
|--|------------|----------|---------------|----------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Activities | | | | | | | | | | | | | | | | | | |
| Loss / profit Before Tax | 841 | - | 22,562 | - | 18,554 | 1,818 | 8,394 | 10,935 | 6,515 | 7,038 | 7,577 | 8,133 | 8,707 | 9,299 | 9,911 | 10,542 | 11,194 | 11,867 |
| Finance Expense | - | - | - | 5,794 | 10,837 | 11,749 | 11,606 | 11,454 | 11,294 | 11,125 | 10,946 | 10,758 | 10,558 | 10,347 | 10,124 | 9,889 | 9,640 | |
| EBITDA | 841 | - | 22,562 | - | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| (Increase)/Decrease in WIP | - | - | 23,840 | - | 18,084 | 41,924 | - | - | - | - | - | - | - | - | - | - | - | - |
| (Increase)/Decrease in Other Receivables and prepayments | - | - | 4,088 | - | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Corporation Tax Paid | - | - | 168 | - | 3,362 | 3,591 | 667 | 1,557 | 641 | 1,108 | 1,196 | 1,288 | 1,383 | 1,480 | 1,581 | 1,685 | 1,792 | 1,903 |
| Interest Paid | - | - | - | - | 5,794 | 10,837 | 7,749 | 7,576 | 7,394 | 7,203 | 7,002 | 6,790 | 6,568 | 6,335 | 6,089 | 5,831 | 5,560 | 5,275 |
| Net Cash Generated from Operating Activities | 841 | - | 50,658 | - | 33,111 | 47,497 | 13,226 | 13,573 | 10,100 | 10,187 | 10,669 | 11,166 | 11,679 | 12,207 | 12,752 | 13,315 | 13,895 | 14,494 |
| Investing Activities | | | | | | | | | | | | | | | | | | |
| Purchase of residential property | - | - | 22,812 | - | 159,113 | - | 93,457 | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from sale of Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Flow From Investing Activities | - | - | 22,812 | - | 159,113 | - | 93,457 | - | - | - | - | - | - | - | - | - | - | - |
| Financing Activities | | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|---|------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|-------|
| Introduction of bank loans | - | - | 300,000 | 450,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Repayment of bank loans | - | - | 200,000 | 393,488 | 3,382 | 3,555 | 3,742 | 3,933 | 4,134 | 4,346 | 4,568 | 4,801 | 5,047 | 5,305 | 5,576 | 5,861 | |
| Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issue / (repayment) of share capital | - | 200,000 | - | - | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Net Cash Flow from Financing Activities | - | 200,000 | 100,000 | 56,512 | 5,882 | 6,055 | 6,242 | 6,433 | 6,634 | 6,846 | 7,068 | 7,301 | 7,547 | 7,805 | 8,076 | 8,361 | |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 841 | 126,530 | 92,224 | 10,552 | 7,344 | 7,517 | 3,858 | 3,754 | 4,035 | 4,320 | 4,611 | 4,906 | 5,206 | 5,510 | 5,819 | 6,134 | |
| Opening Cash Balance | - | 841 | 127,371 | 35,147 | 45,699 | 53,043 | 60,560 | 64,418 | 68,171 | 72,206 | 76,527 | 81,137 | 86,043 | 91,249 | 96,759 | 102,578 | |
| Closing Cash Balance | 841 | 127,371 | 35,147 | 45,699 | 53,043 | 60,560 | 64,418 | 68,171 | 72,206 | 76,527 | 81,137 | 86,043 | 91,249 | 96,759 | 102,578 | 108,712 | |

Appendix 2 – Schedule of Flats

| Phase 1 | | | | | | |
|---------------------------------------|------------------------------|-----------------------|------------------------|-------------------|----------------|--------------------|
| Flats retained for affordable rent | Purchase £ Retained for rent | Purchase £ to re-sell | Sale price £ Cost + 5% | Open Market Value | OMV flats sold | OMV flats retained |
| 1 bed | 26,260 | | | 125,000 | | |
| 1 bed | 26,260 | | | 125,000 | | |
| 2 bed | 36,816 | | | 175,000 | | |
| 2 bed | 36,868 | | | 175,000 | | |
| 2 bed | 36,920 | | | 175,000 | | |
| SUB TOTAL | 163,124 | | | 775,000 | | 775,000 |
| Deposit 10% due July 2017 £16,312 | | | | | | |
| Completion due Jan 2018 £146,812 | | | | | | |
| Intermediate flats for re-sale | | | | | | |
| 2 bed | | 104,206 | 109,416 | 175,000 | | |
| 2 bed | | 104,353 | 109,571 | 175,000 | | |
| SUB TOTAL | | 208,559 | 218,987 | 350,000 | 350,000 | |
| Deposit 10% due July 2017 £20,856 | | | | | | |
| Completion due Jan 2018 £187,703 | | | | | | |
| Phase 2 | | | | | | |
| Flats retained for affordable rent | | | | | | |
| 1 bed | 26,052 | | | 125,000 | | |
| 1 bed | 26,052 | | | 125,000 | | |
| 1 bed | 26,052 | | | 125,000 | | |
| 1 bed | 24,544 | | | 125,000 | | |
| SUB TOTAL | 102,700 | | | 500,000 | | 500,000 |
| Deposit 10% due July 2018 £10,270 | | | | | | |
| Completion due Jan 2019 £92,430 | | | | | | |
| Intermediate flats for re-sale | | | | | | |
| 1 bed | | 74,538 | 78,265 | 125,000 | | |
| 1 bed | | 74,538 | 78,265 | 125,000 | | |

| | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| 1 bed | | 74,538 | 78,265 | 125,000 | | |
| 1 bed | | 74,538 | 78,265 | 125,000 | | |
| 1 bed | | 74,538 | 78,265 | 125,000 | | |
| SUB TOTAL | | 372,690 | 391,325 | 625,000 | 625,000 | |
| Deposit 10% due July 2018 £37,269 | | | | | | |
| Completion due Jan 2019 £335,421 | | | | | | |
| TOTAL | 265,825 | 581,249 | 610,312 | | 975,000 | 1,275,000 |

Appendix 3 – Financial Projections Illustrating Raising £360,000 through a share offer, with no long-term loan requirement

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Dec-28 | Dec-29 | Dec-30 | Dec-31 |
|--|---------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET |
| Profit and Loss Account | | | | | | | | | | | | | | | | |
| Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Grant income | 34,107 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | - |
| Sponsorship | 2,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sale of Low Fold flats | - | - | 218,987 | 391,325 | - | - | - | - | - | - | - | - | - | - | - | - |
| Rental income from Low Fold Flats | - | - | 21,574 | 38,535 | 39,531 | 40,022 | 41,024 | 41,845 | 42,681 | 43,535 | 44,406 | 45,294 | 46,200 | 47,124 | 48,066 | 49,028 |
| Low Fold service charge to tenants | - | - | 4,433 | 7,696 | 8,102 | 8,264 | 8,443 | 8,612 | 8,784 | 8,960 | 9,139 | 9,322 | 9,508 | 9,698 | 9,892 | 10,090 |
| Total Sales | 36,107 | 10,000 | 254,994 | 447,555 | 57,632 | 58,286 | 49,467 | 50,456 | 51,465 | 52,495 | 53,545 | 54,616 | 55,708 | 56,822 | 57,958 | 59,118 |
| Purchase of Low Fold Flats | - | - | 219,803 | 390,122 | - | - | - | - | - | - | - | - | - | - | - | - |
| Management fee for Low Fold flats | - | - | 6,502 | 11,558 | 11,908 | 9,657 | 9,893 | 10,091 | 10,293 | 10,499 | 10,709 | 10,923 | 11,142 | 11,364 | 11,592 | 11,824 |
| Service charges on retained Low Fold flats | - | - | 4,433 | 7,696 | 8,102 | 8,264 | 8,443 | 8,612 | 8,784 | 8,960 | 9,139 | 9,322 | 9,508 | 9,698 | 9,892 | 10,090 |
| Services charges on unsold Low Fold Flats | - | - | 273 | 585 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Cost of Sales | - | - | 231,011 | 409,961 | 20,010 | 17,921 | 18,336 | 18,703 | 19,077 | 19,459 | 19,848 | 20,245 | 20,650 | 21,063 | 21,484 | 21,914 |
| Gross Profit | 36,107 | 10,000 | 23,983 | 37,595 | 37,622 | 40,365 | 31,131 | 31,753 | 32,388 | 33,036 | 33,697 | 34,371 | 35,058 | 35,759 | 36,474 | 37,204 |
| Fixed cost base | | | | | | | | | | | | | | | | 82,874 |
| Start up costs | 28,766 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ethex set up fee | 6,500 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| LCH staff costs | - | 15,624 | 15,937 | 14,562 | 12,435 | 12,684 | 8,625 | 8,798 | 8,974 | 9,153 | 9,336 | 9,523 | 9,713 | 9,908 | 10,106 | 10,308 |
| LCH office costs | - | 1,440 | 1,469 | 1,227 | 1,133 | 1,156 | 786 | 802 | 818 | 834 | 851 | 868 | 885 | 903 | 921 | 939 |
| LCH other costs marketing etc | - | 1,200 | 1,224 | 1,118 | 955 | 974 | 662 | 676 | 689 | 703 | 717 | 731 | 746 | 761 | 776 | 792 |
| Landlord ins | - | - | 500 | 900 | 918 | 936 | 974 | 994 | 1,014 | 1,034 | 1,054 | 1,076 | 1,097 | 1,119 | 1,141 | 1,164 |
| Accountancy | - | 600 | 1,800 | 1,836 | 1,873 | 1,910 | 1,948 | 1,987 | 2,027 | 2,068 | 2,109 | 2,151 | 2,194 | 2,238 | 2,283 | 2,328 |
| Other operating costs | - | 9,412 | 9,412 | 2,353 | - | - | - | - | - | - | - | - | - | - | - | - |
| Council Tax on unsold flats | - | - | 300 | 900 | - | - | - | - | - | - | - | - | - | - | - | - |
| Valuation costs on Low Fold flats | - | 1,200 | 600 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Professional project management fees | - | 3,049 | 5,337 | 1,779 | - | - | - | - | - | - | - | - | - | - | - | - |
| Ecology Finance Arrangement Fee | - | 37 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Total Overheads | 35,266 | 32,562 | 36,743 | 24,940 | 17,479 | 17,825 | 13,161 | 13,421 | 13,686 | 13,957 | 14,232 | 14,514 | 14,801 | 15,093 | 15,392 | 15,696 |
| EBITDA | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Depreciation & Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBIT | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| <i>Margin Percentage</i> | <i>2%</i> | <i>-226%</i> | <i>-5%</i> | <i>3%</i> | <i>35%</i> | <i>39%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Expense | - | - | 5,794 | 5,579 | - | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholder Interest | - | - | - | - | 7,200 | 7,294 | 7390 | 7488 | 7587 | 7793 | 7899 | 8007 | 8117 | 8229 | 8344 | 8444 |
| Taxation | 168 | 4,356 | 3,422 | 1,274 | 1,084 | 1,455 | 1,799 | 1,844 | 1,890 | 1,936 | 1,984 | 2,033 | 2,083 | 2,133 | 2,185 | 2,238 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retained profit | 673 | 18,206 | 15,132 | 5,802 | 11,859 | 13,791 | 8,781 | 9,001 | 9,225 | 9,454 | 9,687 | 9,925 | 10,168 | 10,416 | 10,668 | 10,926 |

Balance Sheet

Non-current Assets

| | | | | | | | | | | | | | | | | |
|---------------------------------|---|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Residential Property | - | 22,812 | 181,925 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 |
| Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-current Assets | - | 22,812 | 181,925 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 |

Current Assets

| | | | | | | | | | | | | | | | | |
|--------------------------------|-----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash and Cash Equivalents | 841 | 287,371 | 195,147 | 54,445 | 72,209 | 89,964 | 105,105 | 119,304 | 133,827 | 148,682 | 163,875 | 179,413 | 195,303 | 211,551 | 228,165 | 245,153 |
| WIP | - | 23,840 | 41,924 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Receivables | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Prepayments | - | 4,088 | 3,923 | 3,758 | 3,593 | 3,428 | 3,263 | 3,098 | 2,933 | 2,768 | 2,603 | 2,438 | 2,273 | 2,108 | 1,943 | 1,778 |
| Total Other Receivables | - | 4,088 | 3,923 | 3,758 | 3,593 | 3,428 | 3,263 | 3,098 | 2,933 | 2,768 | 2,603 | 2,438 | 2,273 | 2,108 | 1,943 | 1,778 |

| | | | | | | | | | | | | | | | | |
|-----------------------------|------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Current Assets | 841 | 315,299 | 240,994 | 58,203 | 75,802 | 93,392 | 108,368 | 122,402 | 136,761 | 151,451 | 166,479 | 181,852 | 197,576 | 213,659 | 230,109 | 246,931 |
|-----------------------------|------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | | | | | | | | | | | | |
|---------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Assets | 841 | 338,111 | 422,919 | 333,585 | 351,184 | 368,774 | 383,750 | 397,784 | 412,143 | 426,833 | 441,861 | 457,234 | 472,958 | 489,041 | 505,491 | 522,313 |
|---------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

Current Liabilities

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------|---|------------|--------------|--------------|---|------------|---|--------------|---|------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|
| Corporation Tax | - | 168 | 4,356 | 4,416 | - | 448 | - | 1,488 | - | 493 | - | 1,799 | - | 1,844 | - | 1,890 | - | 1,936 | - | 1,984 | - | 2,033 | - | 2,083 | - | 2,133 | - | 2,185 | - | 2,238 |
| Total Other Payables | - | 168 | 4,356 | 4,416 | - | 448 | - | 1,488 | - | 493 | - | 1,799 | - | 1,844 | - | 1,890 | - | 1,936 | - | 1,984 | - | 2,033 | - | 2,083 | - | 2,133 | - | 2,185 | - | 2,238 |
| Total Current Liabilities | - | 168 | 4,356 | 4,416 | - | 448 | - | 1,488 | - | 493 | - | 1,799 | - | 1,844 | - | 1,890 | - | 1,936 | - | 1,984 | - | 2,033 | - | 2,083 | - | 2,133 | - | 2,185 | - | 2,238 |

Non-current Liabilities

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|---|---|---|----------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank loans/mortgage | - | - | - | 100,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-current Liabilities | - | - | - | 100,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------|---|------------|--------------|--------------|---|------------|---|--------------|---|------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|
| Total Liabilities | - | 168 | 4,356 | 4,416 | - | 448 | - | 1,488 | - | 493 | - | 1,799 | - | 1,844 | - | 1,890 | - | 1,936 | - | 1,984 | - | 2,033 | - | 2,083 | - | 2,133 | - | 2,185 | - | 2,238 |
|--------------------------|---|------------|--------------|--------------|---|------------|---|--------------|---|------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|---|--------------|

| | | | | | | | | | | | | | | | | |
|---------------------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Assets / Liabilities | 673 | 342,467 | 327,335 | 333,137 | 349,696 | 368,281 | 381,952 | 395,940 | 410,253 | 424,896 | 439,877 | 455,201 | 470,876 | 486,908 | 503,306 | 520,075 |
|---------------------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

Equity attributable to the owners

| | | | | | | | | | | | | | | | | |
|----------------------|-----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Community Shares | - | 360,000 | 360,000 | 360,000 | 357,500 | 355,000 | 352,500 | 350,000 | 347,500 | 345,000 | 342,500 | 340,000 | 337,500 | 335,000 | 332,500 | 330,000 |
| Shareholder interest | - | - | - | - | 7,200 | 14,494 | 21,884 | 29,372 | 36,959 | 44,648 | 52,441 | 60,340 | 68,347 | 76,464 | 84,693 | 93,037 |
| Retained Earnings | - | 673 | 17,533 | 32,665 | 26,863 | 15,004 | 1,213 | 7,568 | 16,569 | 25,794 | 35,248 | 44,935 | 54,861 | 65,029 | 75,444 | 86,113 |
| P&L this Year | 673 | 18,206 | 15,132 | 5,802 | 11,859 | 13,791 | 8,781 | 9,001 | 9,225 | 9,454 | 9,687 | 9,925 | 10,168 | 10,416 | 10,668 | 10,926 |

| | | | | | | | | | | | | | | | | |
|--|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Equity attributable to the owners | 673 | 342,467 | 327,335 | 333,137 | 349,696 | 368,281 | 381,952 | 395,940 | 410,253 | 424,896 | 439,877 | 455,201 | 470,876 | 486,908 | 503,306 | 520,075 |
|--|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | | | | | | | | | | | | |
|---------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Equity | 673 | 342,467 | 327,335 | 333,137 | 349,696 | 368,281 | 381,952 | 395,940 | 410,253 | 424,896 | 439,877 | 455,201 | 470,876 | 486,908 | 503,306 | 520,075 |
|---------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

Cash Flow Statement

Operating Activities

| | | | | | | | | | | | | | | | | |
|--------------------------|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Loss / profit Before Tax | 841 | 22,562 | 18,554 | 7,075 | 12,943 | 15,246 | 10,580 | 10,845 | 11,115 | 11,390 | 11,671 | 11,958 | 12,251 | 12,549 | 12,853 | 13,164 |
| Finance Expense | - | - | 5,794 | 5,579 | 7,200 | 7,294 | 7,390 | 7,488 | 7,587 | 7,689 | 7,793 | 7,899 | 8,007 | 8,117 | 8,229 | 8,344 |
| EBITDA | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |

| | | | | | | | | | | | | | | | | |
|--|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| (Increase)/Decrease in WIP | - | - | 23,840 | 18,084 | 41,924 | - | - | - | - | - | - | - | - | - | - | - |
| (Increase)/Decrease in Other Receivables and prepayments | - | - | 4,088 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Corporation Tax Paid | - | - | 168 | 3,362 | 3,591 | 44 | 2,450 | 493 | 1,799 | 1,844 | 1,890 | 1,936 | 1,984 | 2,033 | 2,083 | 2,133 |
| Interest Paid | - | - | - | 5,794 | 5,579 | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Generated from Operating Activities | 841 | 50,658 | 33,111 | 52,755 | 20,264 | 20,255 | 17,641 | 16,699 | 17,024 | 17,355 | 17,693 | 18,038 | 18,390 | 18,748 | 19,114 | 19,487 |

Investing Activities

| | | | | | | | | | | | | | | | | |
|---|----------|---------------|----------------|---------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Purchase of residential property | - | 22,812 | 159,113 | 93,457 | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from sale of Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Flow From Investing Activities | - | 22,812 | 159,113 | 93,457 | - | - | - | - | - | - | - | - | - | - | - | - |

Financing Activities

| | | | | | | | | | | | | | | | | |
|----------------------------|---|---|---------|---------|---------|---|---|---|---|---|---|---|---|---|---|---|
| Introduction of bank loans | - | - | 300,000 | 291,325 | - | - | - | - | - | - | - | - | - | - | - | - |
| Repayment of bank loans | - | - | - | 200,000 | 391,325 | - | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | | | | | | | | | | | | |
|---|------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|-------|-------|-------|
| Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Issue / (repayment) of share capital | - | 360,000 | - | - | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | |
| Net Cash Flow from Financing Activities | - | 360,000 | 100,000 | - | 100,000 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 841 | 286,530 | - | 92,224 | - | 140,702 | 17,764 | 17,755 | 15,141 | 14,199 | 14,524 | 14,855 | 15,193 | 15,538 | 15,890 | 16,248 | 16,614 | 16,987 | | | |
| Opening Cash Balance | - | 841 | 287,371 | 195,147 | 54,445 | 72,209 | 89,964 | 105,105 | 119,304 | 133,827 | 148,682 | 163,875 | 179,413 | 195,303 | 211,551 | 228,165 | 245,153 | | | | |
| Closing Cash Balance | 841 | 287,371 | 195,147 | 54,445 | 72,209 | 89,964 | 105,105 | 119,304 | 133,827 | 148,682 | 163,875 | 179,413 | 195,303 | 211,551 | 228,165 | 245,153 | | | | | |
| Closing Cash Balance | 841 | 287,371 | 195,147 | 205,699 | 213,043 | 221,021 | 226,532 | 230,852 | 235,464 | 240,373 | 245,584 | 251,103 | 256,933 | 263,081 | 269,550 | 276,347 | | | | | |

Appendix 4 – Financial Projections illustrating scenario with £200,000 share offer, £160,000 loan, at 8%

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Dec-28 | Dec-29 | Dec-30 | Dec-31 |
|--|---------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET |
| Profit and Loss Account | | | | | | | | | | | | | | | | |
| Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Grant Income | 34,107 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | - |
| Sponsorship | 2,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sale of Low Fold flats | - | - | 218,987 | 391,325 | - | - | - | - | - | - | - | - | - | - | - | - |
| Rental income from Low Fold Flats | - | - | 21,574 | 38,535 | 39,531 | 40,022 | 41,024 | 41,845 | 42,681 | 43,535 | 44,406 | 45,294 | 46,200 | 47,124 | 48,066 | 49,028 |
| Low Fold service charge to tenants | - | - | 4,433 | 7,696 | 8,102 | 8,264 | 8,443 | 8,612 | 8,784 | 8,960 | 9,139 | 9,322 | 9,508 | 9,698 | 9,892 | 10,090 |
| Total Sales | 36,107 | 10,000 | 254,994 | 447,555 | 57,632 | 58,286 | 49,467 | 50,456 | 51,465 | 52,495 | 53,545 | 54,616 | 55,708 | 56,822 | 57,958 | 59,118 |
| Purchase of Low Fold Flats | - | - | 219,803 | 390,122 | - | - | - | - | - | - | - | - | - | - | - | - |
| Management fee for Low Fold flats | - | - | 6,502 | 11,558 | 11,908 | 9,657 | 9,893 | 10,091 | 10,293 | 10,499 | 10,709 | 10,923 | 11,142 | 11,364 | 11,592 | 11,824 |
| Service charges on retained Low Fold flats | - | - | 4,433 | 7,696 | 8,102 | 8,264 | 8,443 | 8,612 | 8,784 | 8,960 | 9,139 | 9,322 | 9,508 | 9,698 | 9,892 | 10,090 |
| Services charges on unsold Low Fold Flats | - | - | 273 | 585 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Cost of Sales | - | - | 231,011 | 409,961 | 20,010 | 17,921 | 18,336 | 18,703 | 19,077 | 19,459 | 19,848 | 20,245 | 20,650 | 21,063 | 21,484 | 21,914 |
| Gross Profit | 36,107 | 10,000 | 23,983 | 37,595 | 37,622 | 40,365 | 31,131 | 31,753 | 32,388 | 33,036 | 33,697 | 34,371 | 35,058 | 35,759 | 36,474 | 37,204 |
| Fixed cost base | | | | | | | | | | | | | | | | |
| Start up costs | 28,766 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 82,874 |
| Ethex set up fee | 6,500 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| LCH staff costs | - | 15,624 | 15,937 | 14,562 | 12,435 | 12,684 | 8,625 | 8,798 | 8,974 | 9,153 | 9,336 | 9,523 | 9,713 | 9,908 | 10,106 | 10,308 |
| LCH office costs | - | 1,440 | 1,469 | 1,327 | 1,133 | 1,156 | 786 | 802 | 818 | 834 | 851 | 868 | 885 | 903 | 921 | 939 |
| LCH other costs marketing etc | - | 1,200 | 1,224 | 1,118 | 955 | 974 | 662 | 676 | 689 | 703 | 717 | 731 | 746 | 761 | 776 | 792 |
| Landlord Ins | - | 500 | 900 | 918 | 936 | 974 | 994 | 1,014 | 1,034 | 1,054 | 1,076 | 1,097 | 1,119 | 1,141 | 1,164 | 1,164 |
| Accountancy | - | 600 | 1,800 | 1,836 | 1,873 | 1,910 | 1,948 | 1,987 | 2,027 | 2,068 | 2,109 | 2,151 | 2,194 | 2,238 | 2,283 | 2,328 |
| Other operating costs | 9,412 | 9,412 | 9,412 | 2,353 | - | - | - | - | - | - | - | - | - | - | - | - |
| Council Tax on unsold flats | - | - | 300 | 900 | - | - | - | - | - | - | - | - | - | - | - | - |
| Valuation costs on Low Fold flats | - | 1,200 | 600 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Professional project management fees | - | 3,049 | 5,337 | 1,779 | - | - | - | - | - | - | - | - | - | - | - | - |
| Ecology Finance Arrangement Fee | - | 37 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Total Overheads | 35,266 | 32,562 | 36,743 | 24,940 | 17,479 | 17,825 | 13,161 | 13,421 | 13,686 | 13,957 | 14,232 | 14,514 | 14,801 | 15,093 | 15,392 | 15,696 |
| EBITDA | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Depreciation & Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBIT | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |
| <i>Margin Percentage</i> | 2% | -226% | -5% | 3% | 35% | 39% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Expense | - | - | 9,271 | 17,108 | 12,506 | 12,324 | 12,127 | 11,914 | 11,683 | 11,432 | 11,162 | 10,868 | 10,550 | 10,206 | 9,834 | 9,430 |
| Shareholder Interest | - | - | 4,000 | 4,030 | 4,000 | 4,030 | 4,061 | 4,092 | 4,124 | 4,156 | 4,189 | 4,223 | 4,257 | 4,293 | 4,328 | 4,365 |
| Taxation | 168 | 4,356 | 4,060 | 802 | 23 | 424 | 303 | 396 | 492 | 593 | 699 | 810 | 926 | 1,048 | 1,176 | 1,311 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retained profit | 673 | 18,206 | 17,971 | 3,652 | 3,660 | 5,763 | 1,479 | 1,931 | 2,404 | 2,898 | 3,414 | 3,956 | 4,523 | 5,119 | 5,744 | 6,401 |

Balance Sheet

Non-current Assets

| | | | | | | | | | | | | | | | | |
|---------------------------------|---|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Residential Property | - | 22,812 | 181,925 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 |
| Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-current Assets | - | 22,812 | 181,925 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 | 275,382 |

Current Assets

| | | | | | | | | | | | | | | | | |
|--------------------------------|------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and Cash Equivalents | 841 | 127,371 | 31,670 | 36,899 | 41,754 | 46,139 | 47,378 | 48,376 | 49,652 | 51,208 | 53,048 | 55,174 | 57,590 | 60,299 | 63,302 | 66,601 |
| WIP | - | 23,840 | 41,924 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Receivables | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Prepayments | - | 4,088 | 3,923 | 3,758 | 3,593 | 3,428 | 3,263 | 3,098 | 2,933 | 2,768 | 2,603 | 2,438 | 2,273 | 2,108 | 1,943 | 1,778 |
| Total Other Receivables | - | 4,088 | 3,923 | 3,758 | 3,593 | 3,428 | 3,263 | 3,098 | 2,933 | 2,768 | 2,603 | 2,438 | 2,273 | 2,108 | 1,943 | 1,778 |
| Total Current Assets | 841 | 155,299 | 77,518 | 40,657 | 45,347 | 49,567 | 50,641 | 51,475 | 52,585 | 53,976 | 55,651 | 57,612 | 59,864 | 62,407 | 65,245 | 68,380 |

Total Assets

| | | | | | | | | | | | | | | | | |
|--|-----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 841 | 178,111 | 259,443 | 316,039 | 320,729 | 324,949 | 326,023 | 326,857 | 327,967 | 329,358 | 331,033 | 332,994 | 335,246 | 337,789 | 340,627 | 343,762 |
|--|-----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|

Current Liabilities

| | | | | | | | | | | | | | | | | | |
|----------------------------------|---|------------|--------------|--------------|--------------|----------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|
| Corporation Tax | - | 168 | 4,356 | 5,054 | 1,717 | 4 | 301 | 303 | 396 | 492 | 593 | 699 | 810 | 926 | 1,048 | 1,176 | 1,311 |
| Total Other Payables | - | 168 | 4,356 | 5,054 | 1,717 | 4 | 301 | 303 | 396 | 492 | 593 | 699 | 810 | 926 | 1,048 | 1,176 | 1,311 |
| Total Current Liabilities | - | 168 | 4,356 | 5,054 | 1,717 | 4 | 301 | 303 | 396 | 492 | 593 | 699 | 810 | 926 | 1,048 | 1,176 | 1,311 |

Non-current Liabilities

| | | | | | | | | | | | | | | | | | |
|--------------------------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Bank loans/mortgage | - | - | 100,000 | 156,912 | 154,721 | 151,953 | 149,383 | 146,601 | 143,587 | 140,324 | 136,789 | 132,961 | 128,815 | 124,326 | 119,463 | 114,197 | |
| Deferred Tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total Non-current Liabilities | - | - | 100,000 | 156,912 | 154,721 | 151,953 | 149,383 | 146,601 | 143,587 | 140,324 | 136,789 | 132,961 | 128,815 | 124,326 | 119,463 | 114,197 | |
| Total Liabilities | - | 168 | 4,356 | 5,054 | 1,717 | 4 | 301 | 303 | 396 | 492 | 593 | 699 | 810 | 926 | 1,048 | 1,176 | 1,311 |
| Net Assets / Liabilities | 673 | 182,467 | 164,496 | 160,844 | 166,004 | 173,297 | 176,337 | 179,860 | 183,887 | 188,441 | 193,545 | 199,223 | 205,504 | 212,415 | 219,987 | 228,254 | |

Equity attributable to the owners

| | | | | | | | | | | | | | | | | |
|--|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Community Shares | - | 200,000 | 200,000 | 200,000 | 197,500 | 195,000 | 192,500 | 190,000 | 187,500 | 185,000 | 182,500 | 180,000 | 177,500 | 175,000 | 172,500 | 170,000 |
| Shareholder interest | - | - | - | 4,000 | 8,030 | 12,091 | 16,182 | 20,306 | 24,462 | 28,651 | 32,874 | 37,132 | 41,425 | 45,753 | 50,118 | |
| Retained Earnings | - | 673 | 17,533 | 35,504 | 39,156 | 35,496 | 29,733 | 28,254 | 26,322 | 23,919 | 21,021 | 17,607 | 13,651 | 9,128 | 4,010 | 1,734 |
| P&L this year | 673 | 18,206 | 17,971 | 3,652 | 3,660 | 5,763 | 1,479 | 1,931 | 2,404 | 2,898 | 3,414 | 3,956 | 4,523 | 5,119 | 5,744 | 6,401 |
| Total Equity attributable to the owners | 673 | 182,467 | 164,496 | 160,844 | 166,004 | 173,297 | 176,337 | 179,860 | 183,887 | 188,441 | 193,545 | 199,223 | 205,504 | 212,415 | 219,987 | 228,254 |

Total Equity

| | | | | | | | | | | | | | | | | |
|--|-----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 673 | 182,467 | 164,496 | 160,844 | 166,004 | 173,297 | 176,337 | 179,860 | 183,887 | 188,441 | 193,545 | 199,223 | 205,504 | 212,415 | 219,987 | 228,254 |
|--|-----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|

Cash Flow Statement

Operating Activities

| | | | | | | | | | | | | | | | | |
|--------------------------|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Loss / profit Before Tax | 841 | 22,562 | 22,031 | 4,454 | 3,637 | 6,187 | 1,782 | 2,327 | 2,896 | 3,491 | 4,114 | 4,766 | 5,449 | 6,167 | 6,920 | 7,712 |
| Finance Expense | - | - | 9,271 | 17,108 | 16,506 | 16,354 | 16,187 | 16,005 | 15,806 | 15,589 | 15,351 | 15,091 | 14,808 | 14,499 | 14,162 | 13,795 |
| EBITDA | 841 | 22,562 | 12,760 | 12,654 | 20,143 | 22,540 | 17,970 | 18,332 | 18,702 | 19,080 | 19,464 | 19,857 | 20,257 | 20,666 | 21,083 | 21,507 |

(Increase)/Decrease in WIP

| | | | | | | | | | | | | | | | | |
|--|---|--------|--------|--------|---|---|---|---|---|---|---|---|---|---|---|---|
| | - | 23,840 | 18,084 | 41,924 | - | - | - | - | - | - | - | - | - | - | - | - |
|--|---|--------|--------|--------|---|---|---|---|---|---|---|---|---|---|---|---|

(Increase)/Decrease in Other Receivables and prepayments

| | | | | | | | | | | | | | | | | |
|--|---|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | - | 4,088 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
|--|---|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Corporation Tax Paid

| | | | | | | | | | | | | | | | | | |
|--|---|---|-------|-------|-------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|-------|
| | - | - | 3,362 | 4,139 | 1,743 | - | 728 | 301 | 303 | 396 | 492 | 593 | 699 | 810 | 926 | 1,048 | 1,176 |
|--|---|---|-------|-------|-------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|-------|

Interest Paid

| | | | | | | | | | | | | | | | | |
|--|---|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|
| | - | - | 9,271 | 17,108 | 12,506 | 12,324 | 12,127 | 11,914 | 11,683 | 11,432 | 11,162 | 10,868 | 10,550 | 10,206 | 9,834 | 9,430 |
|--|---|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|

Net Cash Generated from Operating Activities

| | | | | | | | | | | | | | | | | |
|--|------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | 841 | 50,658 | 36,588 | 41,774 | 9,546 | 9,653 | 6,309 | 6,281 | 6,789 | 7,320 | 7,874 | 8,455 | 9,062 | 9,698 | 10,365 | 11,066 |
|--|------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|

Investing Activities

| | | | | | | | | | | | | | | | | |
|---|----------|----------|---------------|----------------|---------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Purchase of residential property | - | - | 22,812 | 159,113 | 93,457 | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from sale of Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Flow From Investing Activities | - | - | 22,812 | 159,113 | 93,457 | - | - | - | - | - | - | - | - | - | - | - |

Financing Activities

| | | | | | | | | | | | | | | | | | | |
|---|------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Introduction of bank loans | - | - | 300,000 | 450,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Repayment of bank loans | - | - | - | 200,000 | - | 393,088 | - | 2,191 | - | 2,769 | - | 2,569 | - | 2,783 | - | 3,014 | - | 3,264 |
| Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issue / (repayment) of share capital | - | 200,000 | - | - | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 | - | 2,500 |
| Net Cash Flow from Financing Activities | - | 200,000 | 100,000 | 56,912 | - | 4,691 | - | 5,269 | - | 5,069 | - | 5,283 | - | 5,514 | - | 5,764 | - | 6,035 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 841 | 126,530 | - | 95,701 | 5,229 | 4,855 | 4,385 | 1,239 | 998 | 1,275 | 1,556 | 1,840 | 2,127 | 2,416 | 2,708 | 3,003 | 3,300 | |
| Opening Cash Balance | - | 841 | 127,371 | 31,670 | 36,899 | 41,754 | 46,139 | 47,378 | 48,376 | 49,652 | 51,208 | 53,048 | 55,174 | 57,590 | 60,299 | 63,302 | 66,601 | |
| Closing Cash Balance | 841 | 127,371 | 31,670 | 36,899 | 41,754 | 46,139 | 47,378 | 48,376 | 49,652 | 51,208 | 53,048 | 55,174 | 57,590 | 60,299 | 63,302 | 66,601 | | |

Appendix 5: Director biographies

Leeds Community Homes – Board members

The Leeds Community Homes Board is made up of individuals with strong track records of delivering social impact in a range of roles. They are each on the Board in a personal capacity, but bring a wealth of experience in the community-led housing and social economy sectors. They also have a wealth of local contacts which will be invaluable as they develop Leeds Community Homes.

Steve Hoey

I am the Director at the World Habitat Award (2015-16) winning Canopy Housing.

I lead an innovative, sustainable and replicable organisation with a strong global reputation in the community-led housing sector.

I am a resilient and effective professional, with active interests in ending homelessness, enabling community-led housing, social enterprise, leadership and management. As well as leading Canopy, I am actively involved in other initiatives, including Leaders For Leeds, Leeds Community Homes, and the Locality Housing Group.

I read my first degree at Leeds University and have since gained an MBA. My 20-year career is in housing and leadership, in positions ranging from volunteer to Founder, from Resettlement Worker to CEO.

Dr Paul Chatterton

Paul Chatterton is a writer, researcher and social activist. He is currently Professor of Urban Futures in the School of Geography at the University of Leeds where he co-founded the 'Cities and Social Justice' Research Cluster and MA in 'Activism and Social Change'. He is currently Director of the University's Sustainable Cities Group. He has written extensively on urban change and renewal, civic experimentation and movements for social and ecological justice. Paul is co-director of the N8 universities 'Urban Living' research programme and Director of a cross research council Urban Living Pilot programme in Leeds called TRUE (Transformational Routemapping for Urban Environments).

He is co-founder of the public charity 'Antipode' dedicated to research and scholarship in radical geography and an associate editor of the journal 'City'. Paul is also co-founder, first secretary and resident of the pioneering and award winning Leeds based low impact housing co-operative Lilac (www.lilac.coop). All his work can be found at www.paulchatterton.com. His book on the Lilac project in 2015 with Routledge is titled 'Low Impact Living A Field Guide to Ecological, Affordable Community Building'.

Gill Coupland

Gill is co-director of Social Business Brokers CIC, having set up the business with Rob Greenland in 2010. In 2005 Gill set up Angels Community Enterprises CIC, a social enterprise which offers domiciliary care & housekeeping services to older people in Leeds. Gill has a background in law and financial services. She is well known within the world of social business, was a Social Enterprise Ambassador and speaks regularly at social enterprise conferences and events.

Gill is the lead Empty Homes Doctor at the Empty Homes Doctor service.

Rob Greenland

Rob started out in social enterprise 18 years ago at a fair trade co-operative in Leeds. He worked there for 7 years in a variety of roles before jumping over into the world of social business support, developing and delivering a start-up course for social entrepreneurs across West Yorkshire.

He worked as a freelance social enterprise adviser for 5 years before setting up Social Business Brokers CIC in 2010. He supports the Empty Homes Doctors to deliver their service, and is also responsible for marketing, social impact reporting and business development at Social Business Brokers.

Jonathan Lindh

Jonathan is an architect with substantial experience in housing, self-build, and community, education and office building design. Jonathan is committed to the aim of creating buildings that maximise energy efficiency and provide people with healthy and inspiring spaces that do not impose a burden on future generations. As architect director of a co-operative company of building services engineers, energy consultants and architects, he believes that an inter-disciplinary and collaborative approach is the best way to design buildings for sustainability.

Jonathan has been involved with housing since the 1990's always looking at the most energy efficient and healthy solutions to create affordable warmth. In 1993-5 he was architect and self builder in the pioneering timber self-build eco homes project in Chapel Allerton, Leeds. In 2012 he co wrote 'The Very Low Carbon Building Improvements for Leeds Victorian Terrace Homes' for LATCH (Leeds Action to Create Homes). He has worked on subsequent related pilot projects and collaborated with Leeds Sustainability Institute to model and monitor the properties concerned. LEDA are currently involved with a number of sustainable housing improvement schemes involving biomass and heat pump group heating solutions working with regional housing associations as well as assisting emerging community led housing groups.

Jimm Reed

Jimm has been involved in housing for 16 years, specialising in affordable housing development and regeneration. As a Senior Project Manager at Yorkshire Housing Group, Jimm led projects including Estate Regeneration, Extra Care, special needs supported housing, "Living over the shop" schemes and Section 106 acquisitions.

Jimm joined housing consultants CoHo Ltd in 2008, providing services to various clients both public and private sector. In the past 5 years, Jimm has become a specialist in supporting community led housing, acting as Project Manager for the successful LILAC cohousing scheme in Leeds, and subsequently working with numerous other groups across the UK.

James Hartley

I have been working for LATCH LTD for 18 years and became CEO in 2009. My role at LATCH is to develop and deliver the organisations strategy and ensure that the organisational aim of creating homes for homeless people is at the core of all we do. I am responsible for financial management, the management of the Supported Housing, Property Management and Property Development service teams, for fundraising and for organisational Health and Safety.

In my time at LATCH I have worked in all areas of the organisation and at one time or another undertaken all organisational tasks: I have managed and refurbishments, supported volunteers, provided housing support to tenants, undertaken repairs and maintenance of LATCH properties, developed policies and procedures and lead on organisational change and growth. In 2009 I completed a Chartered Institute of Housing Post Graduate Diploma in Housing Studies and have subsequently undertaken a broad range of training relating to organisation management.

Paul Belbin

Paul joined GIPSIL as Development Manager in October 2011. His career began as a volunteer youth worker in the early 80s, which led to over 25 years in the supported housing sector, managing services for offenders, the homeless, young people and other vulnerable groups across northern England, but particularly in Leeds where he has represented the Third Sector in many roles, including being chair of the Homelessness Forum and representative on the Safeguarding Adults Partnership Board. Paul is a Certified Member of the Chartered Institute of Housing and has an NVQ Level 4 qualification in management.

In the last three years, GIPSIL has brought 25 empty homes back into management and has ongoing programmes of renovating properties to provide supported housing to vulnerable young people in Leeds. Both by investing GIPSIL's own resources and attracting match funding, these programmes (2013-2018) represent an investment of at least £2 million into affordable social housing in the city.

