Investing 4 Brent

Business Plan

November 2016

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1. The Purpose of the Company

1.1 Brent has one of the highest numbers of households in Temporary Accommodation in England. For quarter 2 of 2016-17, Brent reported having 2,895 households living in Temporary Accommodation, the 4th highest of all housing authorities in England. Brent, against the overall London trend, has managed to dramatically reduce the number of households in Bed & Breakfast accommodation during 2015/16 (from a peak of 242 households in Q2 2014-15 to 32 for the same quarter in 2016-17 – an 87% reduction. However, there are still too many households in temporary accommodation which is inadequate for their needs, and the needs of their children.

1.2 On 14 March 2016 Cabinet approved the council's Temporary Accommodation Reform Plan, which responds to this challenge. One of the main measures outlined in the Plan is for Brent to acquire a large portfolio of Private Rented Sector (PRS) accommodation, which would be professionally managed and in which costs can be protected against rental inflation. It is intended that the council will acquire properties, either directly or through partner delivery agents, which will be let as long term PRS properties at Local Housing Allowance levels to prevent homelessness or end a homelessness duty.

1.3 In order to maintain the momentum it is important that a flow of suitable accommodation is available to provide a stable housing opportunity for those who would otherwise be in temporary accommodation

1.4 The primary purpose of the company will be to deliver the housing options defined in the TA reform plan. However the directors of the company will have limited discretion to let properties at affordable rents, higher than LHA rates, where it is affordable for the tenant household and provides additional funding stability for the company. The total mix of properties that may be let at greater than LHA rates is 25% of the portfolio, which may be flexed by prior agreement with the shareholders representative.

1.5 The secondary purpose of the company will be to carry out business development activities, to research new ways and opportunities by which it could support the achievement of the council's wider objectives. Some ancillary expenditure towards this purpose is anticipated in the initial business plan period. The company will then present proposals, in the form of a revised business plan, for approval by the council, ideally before the end of the 2016/17 financial year.

2. The benefits of operating as a company

2.1 As a wholly owned, Local Authority Company, the company will operate at 'arms length' from Brent, with the remit of providing affordable Private Rented Accommodation to households for which Brent has a responsibility.

2.2 The company is set up with the following requirements:

- After the initial set up period, the company operates with a retained surplus
- The company will have discretion over the individual properties it acquires provided that:
    - They are in a suitable location for Brent to comply with its duty under the Homelessness Suitability of Accommodation Order of 2011

- They are within the affordability criteria set out in the company investment plan and Capital financing agreement with Brent
- The rental income will be broadly the Local Housing Allowances agreed and funded by Central Government

3. The structure of the company

3.1 The company will be set up as a company limited by shares, initially providing affordable homes for households who might otherwise be housed in temporary accommodation.

3.2 The company will be named Investing 4 Brent.

3.3 The company's registered office will be:

Brent Civic Centre,
Engineers Way,
Wembley
HA9 0FJ

3.4 The Company's Memorandum of Association and Shareholders Agreement are as set out in the relevant documents.

3.5 The Board of the Company will be chaired by an independent voting Director. The other directors of the company will be:

- Councillor George Crane;
- The Strategic Director of Community Wellbeing (Phil Porter); and
- The Director of Policy, Partnerships and Performance (Peter Gadsdon)

3.6 The company will purchase the minimum range of services under SLA with Brent including

- Support Services
- Property Services

3.7 The Company will purchase such other services as may be required to discharge this business plan under contract procured to demonstrate value for money including but not limited to:

- Property management and routine maintenance
- Major maintenance and refurbishment
- Rent collection and debt recovery
- Buildings Insurance
- White Goods
- Professional services for business development activities, to the extent that these are affordable and consistent with the governance framework.

4. The Company Financial Plan

4.1 Property Portfolio

4.1.1 The intention is that Investing 4 Brent will seek to purchase and manage c300 properties to provide an affordable housing option for Brent Residents, who may otherwise be placed into Bed and Breakfast accommodation.

4.1.2 The plan for the acquisition of properties commenced early in 2016 and will continue until the end of the 17-18 financial year as detailed in the following table

PRS Location		2016/2017			2017/2018			
	Target	Qtr. 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Brent	120	11	12	11	22	21	21	22
Home Counties	150							
Low LHA rates Luton/Slough/ Bedford/Leighton Buzzard/ Dunstable/ Hitchin/ Letchworth/ Hemel Hempstead/Hatfield			10	11	14	19	22	19
Medium LHA Rates Watford/ Wycombe/ Aylesbury/ Maidenhead/ Reading/Amersham				6	7	13	15	14
Greater London (or Home Counties)	30			4	7	7	7	5
Totals	300	11	22	32	50	60	65	60

Figure 1 Indicative PRS property purchase phasing

4.1.3 For the company to be financial secure it is important that the right mix of properties are acquired. As the rental income is fixed to the Local Housing Allowance (LHA) the purchase price of the property can be flexed based on the LHA. In areas with a relatively high LHA, a higher purchase price can be sustained, whereas in areas with a lower LHA, a lower property purchase price would be required.

4.1.4 The intention is that a broad portfolio of properties will be purchased within specific areas:

- Brent
- Greater London / opportunity purchase
- Home Counties (Medium Local Housing Allowance Areas)
- Home Counties (Low Local Housing Allowance Areas)

4.1.5 Brent and Greater London have a higher LHA, therefore a greater purchase price is acceptable. To be a sustainable, viable company a minimum excess of income from rental above operational costs will be required. In purchasing a property, this margin can be expressed as a Gross Margin as a percentage of the annual LHA rental compared to the final purchase price.

4.1.6 Within this framework the company has discretion as to the mix of the properties provided that:

- The minimum number of properties are purchased and made available for affordable rent – minimum target number 300 properties
- The total capital funding envelope is not exceeded – presently agreed funding envelope £100m
- A Minimum target 'Gross Yield' is achieved

4.2 Capital Investment

4.2.1 Capital Expenditure

4.2.1.1 Modelling the likely portfolio of properties suggests a Capital requirement of c£100m (depending upon the average gross yield achieved and the mix of properties purchased).

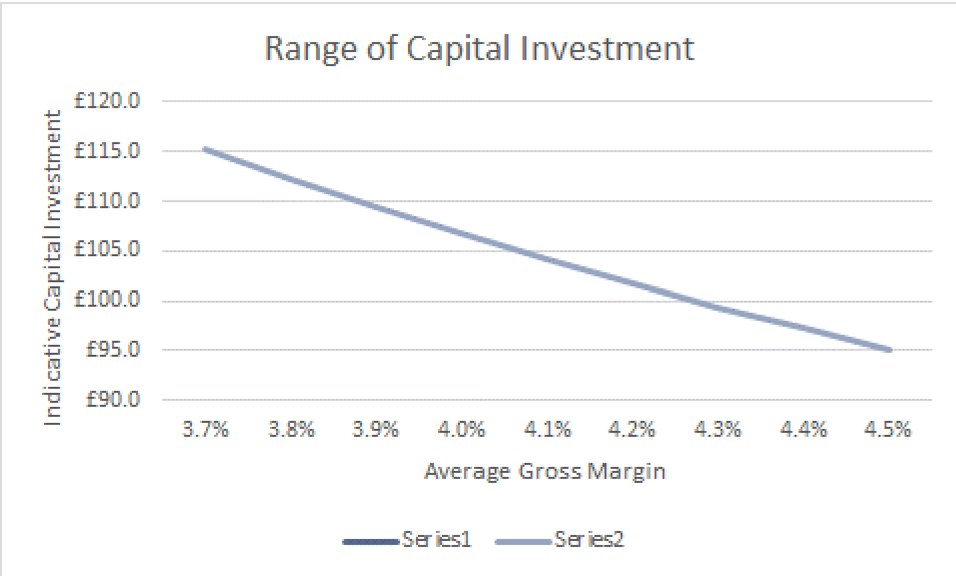


Figure 2 range of capital investment

4.2.1.2 For a given indicative pool of properties, the capital requirement reduces as the Gross Margin increases.

4.2.1.3 The funding model is based on a 'bullet payment'. The company services interest on the debt only, the debt (and equity) being repaid upon the liquidation of the asset.

4.2.2 Funding of capital investment

4.2.2.1 The c£100m capital investment can be funded from a mixture of loan and equity capital. The amount that the company can afford to borrow will be determined by the availability of revenue funding to meet the interest payments on any borrowing. The amount of revenue funding available to meet repayments on capital will be driven by the Gross Margin.

4.2.2.2 As the Gross Margin increases, the amount of income generated from rents increases in proportion to the amount borrowed. Any capital that the company cannot raise through borrowing could be made available from Brent in the form of Equity in the company. Equity would be an investment in the company whereby the financial return on the investment would take to form of dividends (annual share of any profits) or on liquidating the company's assets at some time in the future. If (say) the Authority lent the company 95% of its capital requirement and made the rest available as equity, a 1% p.a. rise in the value of the property would represent a 20% p.a. growth in the value of the equity held in the company (before tax).

4.3 Company Operational Finance

4.3.1 Company Turnover

4.3.1.1 Based on a final investment portfolio of up to £100m and a Gross Margin of 5%, the estimated turnover of the company would be £0.6m in the first year of operation, rising to £4m in year 3 once all of the 300 properties have been purchased, refurbished and let to tenants.

4.3.2 Operational Expenses

4.3.2.1 The company will operate with minimal operational expenses. There will be a core company cost including property management, finance and legal, company secretary and directors expenses (SPV). As well as the SPV costs there will be costs associated with reletting properties, minor and major maintenance, voids and bad debts. Allowance for all of these costs has been included in the financial modelling.

4.3.3 Company Tax Status

4.3.3.1 As a limited company registered under UK company law, the company will be liable to pay UK taxation on:

- VAT on inputs into the company – charges from the Local Authority and contracts for maintenance and management of the portfolio of properties. The company would not be able to offset VAT as the value of taxable supplies will be very small
- Corporation Tax – a taxation of the profits made by a company
- Capital Gains Tax – a tax upon the rise in the financial value of an asset

4.3.3.2 In addition, the company would be liable to pay Stamp Duty Land Tax on purchases for the property portfolio.

4.3.4 Financial performance

4.3.4.1 The company's financial performance is dependent upon a number of variables:

- The profile of the properties within the portfolio
- The timing of the purchase of the properties
- The Interest rate charged on any borrowing
- The costs of refurbishing prior to first let
- The length of time between purchase and first occupancy
- Annual running costs and rental income

4.3.4.2 Appendix 1 gives some details on the assumptions underpinning the business plan

4.3.4.3 Based on these assumptions the financial model suggests that an overall loan to equity split of 95% loan, 5% equity maintains the right balance between benefits to the local authority and the viability of the company.

4.3.4.4 Modelling using the parameters outlined earlier in the business plan and the assumption contained within appendix 1, the company is forecast to begin operating at a profit from year 4 onwards.

<u>**5 yr Summary Forecast Trading Statement**</u>	%	Year					
		0	1	2	3	4	5
			000's	000's	000's	000's	000's
Gross Rental Income			664	3,182	3,996	4,036	4,076
Management/ Maintenance and Bad Debts / Voids etc			(269)	(923)	(1,096)	(1,121)	(1,147)
SPV Costs		(306)	(312)	(115)	(118)	(121)	(124)
Net Operating Income		**(306)**	**83**	**2,144**	**2,782**	**2,793**	**2,805**
Debt Financing			(635)	(2,041)	(2,257)	(2,257)	(2,257)
Working Capital			(6)	(12)	(8)		
Net operating Profit / Loss		**(306)**	**(557)**	**91**	**517**	**536**	**547**
Corporation Tax						(56)	(109)
Retained Profit		(306)	(557)	91	517	480	438
Retained Profit (Cumulative)			(863)	(772)	(255)	225	663

Figure 3 5 yr summary forecast trading statement

Appendix 2 gives more detail year on year.

4.3.4.5 The retained profit for the company peaks in year 20, at which point the company starts to make losses. These losses are such that the company's retained surplus reduces to £500k at the end of the 30 year plan.

4.3.5 Cash Flow

4.3.5.1 A 24 month Cash Flow forecast (appendix 4) indicates that the company will need a working capital facility of c£1m until year 4, at which point it begins to accumulate retained surpluses. Interest on any working capital facility has been calculated at the same rate as the overall capital interest rate charged on the borrowing element of the property purchases.

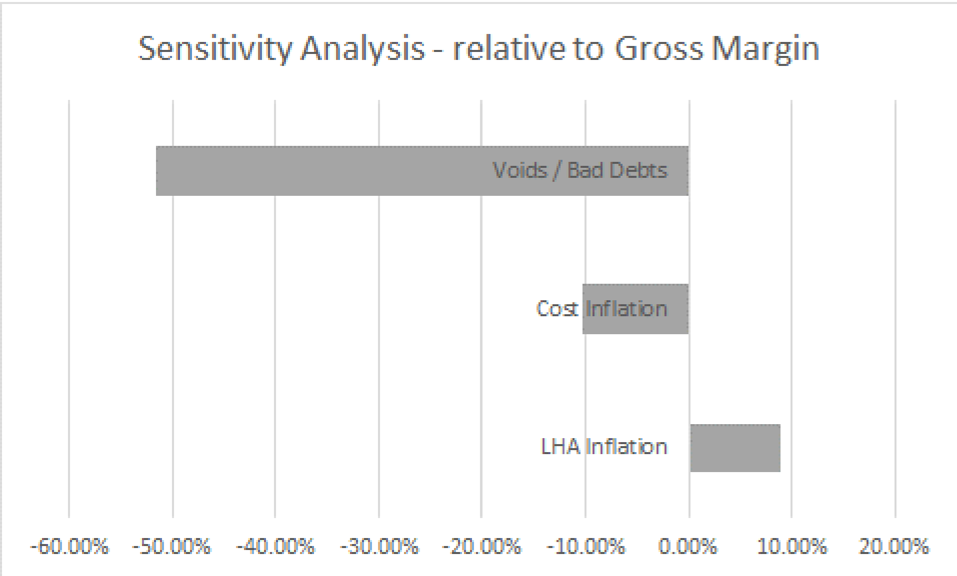
5. Sensitivity Analysis, risks, Issues and mitigations

5.1 Sensitivity Analysis

5.1.1 Operating at LHA rental income, the company operational financial margins are small. The company is therefore unusually sensitive to a number of factors that underpin its performance. The key Factors being:

- Gross Margin
- Inflation
- Management of voids and bad debts
- Property portfolio

5.1.2 Each of these factors has been expressed as a percentage impact of the Gross Margin, assuming all other factors remain unchanged.



5.1.3 The sensitivity analysis shows that in order to have the same impact as changes to the Gross Margin, Voids / Bad Debts would need to be more than 50% lower than modelled, Cost inflation 10% lower and LHA inflation 9% higher than modelled.

5.2 Risks, Issues and Mitigations

5.2.1 There are a number of financial risks facing the company. The sensitivity analysis shows that the biggest risk is at the acquisition stage. It is critical to the sustainability of the company that the right mix of properties are acquired for the portfolio.

5.2.2 Analysis of risks, issues and mitigations

Risk / Issue	**Impact**	**Mitigation**
Portfolio of properties does not achieve the target Gross Margin	The relative income from property rentals at LHA rates is insufficient to fund the full business plan of the Company	Property acquisition is targeted to achieve the target gross margin. Intelligent purchasing is aided by dedicated market surveillance software. The loan / equity proportion could be flexed as tranches of properties are added to the portfolio during the acquisition phase
The portfolio of properties can sustain the company for the early years, but is not able to sustain for the full 30 year plan	The company becomes insolvent	Properties could be transferred to a different model of social rent with a higher yield than LHA rents.
LHA income inflation does not achieve the increases in the model	The company cannot achieve the required income levels	Properties could be transferred to a different model of social rent with a higher yield than LHA rents
Cost Inflation is higher than included in the model	The company's cost base is higher than that included in the model	Properties could be transferred to a different model of social rent with a higher yield than LHA rents
Contract management / re-let and maintenance costs are higher than modelled	The company's cost base is higher than that included in the model	Properties could be transferred to a different model of social rent with a higher yield than LHA rents A high Gross Yield target could be set, limiting the availability of suitable properties in some geographical areas
The mix of Freehold / Leasehold properties is not as modelled	The additional costs associated with Ground Rent and Service Charges may be more than included in the model	The value of the major repairs provision may be used to offset additional service charges for elements of maintenance or local sinking funds. The purchasing portfolio may be flexed to

		accommodate more freehold properties and properties could be transferred to a different model of sub market rent with a higher yield than LHA rents

6. Key Targets

Key Target	Measure	Impact	Verification
Gross Margin	Greater than 4% for affordable housing and Greater than 5% for sub-market / market housing	A minimum gross margin is required in order to make the company sustainable and a higher margin is expected from commercial investments	Based on detailed financial analysis underpinning the company business plan
Borrowing	95%	A 0.2% increase in the Gross margin will increase the income available to the business by £3.5m over the 30 year business plan	
Equity	5%	Higher revenue costs or below target gross margin will	
Cash Flow	Peak working capital requirement	The company requires a working capital (cash flow) facility during the initial business plan period whist properties are purchased, refurbished and first let	

1.1. These key targets are dependent upon a number of key variables that underpin the finance model in the company business case

Property portfolio	300 properties, £100m capex	A balanced portfolio of properties has been included in the model to achieve both the target gross margin and the Capex target	The property model is based on the published L:HA rates for the target areas. These are published on .gov.uk
Balanced portfolio of Leasehold / Freehold properties	65%/35%	A higher Leaseholder based portfolio would decrease the share of income available for rent repayment and core company services. A higher share of freehold properties increases the programme cost. Leasehold properties are subject to freeholder investment strategies which gives less predictability to major works investment.	This assumption is based on the mix of properties initially included in the property portfolio. Market surveillance indicates that properties with a limited lease period that makes a mortgage more difficult readily achieve the target gross margin
Tax		Corporation tax, VAT, Stamp Duty and Land Tax	The model informs the potential for

			payments of Tax
Turnover	4 year average tenancy turnover	A higher turnover of properties would increase the number of homeless family supported but potentially increase void maintenance costs and potentially rent loss	The average turnover has been modelled based on experience by Social Finance. The plan is that households would be encouraged to move on into alternative accommodation, freeing up the property for use by further households.
Housing Management and Maintenance Services	£2,000 (can this be shown as % of property value per annum	A higher cost would reduce the share of income available for loan repayment. A lower cost would increase the stability of the company and support an increased loan to equity ratio borrowing ratio or provide funds for additional investment	They rate per property has been based upon the Social Finance model and local experience of using BHP. This will be market tested through a current procurement exercise.
Insurance	£200 per property p.a.	A cost at variance to this would have an impact on the financial model.	This is based upon the Social Finance model and experience. The final property portfolio will drive the insurance costs. Internet research suggests that the average cost of buildings insurance in the consumer market is £84 p.a.
Voids and Bad debt	1.5% void 2% bad debt	A higher cost would reduce the share of income available for loan repayment. A lower cost would increase the stability of the company and support an increased loan to equity ratio borrowing ratio or provide funds for additional investment	Based on rates from Mears and cross referenced to BHP. The expectation is that the client group would be more likely to be able to meet their rent obligations.
Major works	0.5% of property value per annum after 4 years	A 1% increase/decrease in the Major Works costs would result in an increase or decrease of the business plan of £200k over the 30 year business	Based on modelling provided by social finance. The actual cost of major works will be tested during the life of the

		plan period	business case. The cost of works will be flexed depending upon the condition of the property at point of relet.

7. Key performance indicators

The Company will provide regular performance information

KPIs – non financial

KPIs – financial

Name	Description	Target
Purchase Phase Gross Margin Average Purchase Price Average refurbishment costs Average income foregone during refurbishment	 The ratio of the LHA to the purchase price of the property	 >5%
Operational Phase **Income** Total potential income Income received Debts Bad Debts Write Offs **Running Costs** Total operational maintenance costs Total major refurbishment costs Gross Profit Company operational costs Net Profit Value of acquisitions	 Potential income if all properties were occupied Income due and received from tenants Income due but not yet paid Income due but unlikely to be recovered Income formally written off The operational profit of the housing stock (rental income less voids and bad debts) less management, refurbishment, maintenance The operational and administrative costs of the company The operational profit of the company after deducting company running costs and administration Number and value of new property acquisitions	

Value of disposals Current value of properties under management	Number and value of property disposals The current value of the company property assets	

Appendix 1 – assumptions underpinning the financial case

Description	Assumption
The timing of the purchase of the properties	The timing of the purchase of the properties has been derived from the table at Figure 1 of this report
The profile of the properties within the portfolio	The timing of the purchase of the properties has been derived from the table at Figure 1 of this report
The Gross Margin	An average Gross Margin of 4% has been used in the financial modelling
The Interest rate charged on any borrowing	The interest rate that the Local Authority will finance the loan at has been modelled at 3%
The costs of refurbishing prior to first let	The costs of refurbishing have been derived from a sample of properties recently purchased for all programmes with the local authority
The length of time between purchase and first occupancy	An average period of three months has been modelled for the period between purchase and first occupancy. The costs of refurbishment have been equally spread over this period.
Rental Income	The Local Housing Allowance rates have been used to derive Rental Income. A composite rate has been used for The Home Counties low and medium property. Brent LHA has been used for Brent and Greater London purchases
Voids	A void rate of 2%has been used over the life of the model
Bad Debts	An allowance for Bad Debts at 1½% of gross rental income has been included in the model
Major Repairs	A provision for the costs of major repairs has been included from year 5 of the model
Local Management (SPV) Costs	A small cost for managing the programme and properties (SPV) has been included in the modelling
Start up costs	A cost representing the costs of establishing the company and procuring the first properties (£318k)has been included as part of the start up costs of the company. This cost will be recovered from initial profits of the company
Taxation	Tax has been included at the prevailing rates. The cash flow forecast includes irrecoverable VAT being paid quarterly in arrears

Appendix 2 – Company 30 year financial plan

Propco 30 year Operating Statement	%	Year														
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
			000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Gross Rental Income			664	3,182	3,996	4,036	4,076	4,117	4,158	4,199	4,241	4,284	4,327	4,370	4,414	4,458	4,502
Management/ Maintenance and Bad Debts / Voids etc			(269)	(923)	(1,096)	(1,121)	(1,147)	(1,650)	(1,689)	(1,729)	(1,770)	(1,812)	(1,855)	(1,899)	(1,944)	(1,991)	(2,038)
SPV Costs		(306)	(312)	(115)	(118)	(121)	(124)	(127)	(130)	(133)	(137)	(140)	(144)	(147)	(151)	(155)	(159)
Net Operating Income		**(306)**	**83**	**2,144**	**2,782**	**2,793**	**2,805**	**2,340**	**2,339**	**2,337**	**2,335**	**2,332**	**2,328**	**2,324**	**2,318**	**2,313**	**2,306**
Debt Financing	2.78%		(635)	(2,041)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)
Working Capital			(6)	(12)	(8)												
Net operating Profit / Loss		**(306)**	**(557)**	**91**	**517**	**536**	**547**	**83**	**82**	**80**	**78**	**75**	**71**	**66**	**61**	**55**	**49**
Tax						(56)	(109)	(17)	(16)	(16)	(16)	(15)	(14)	(13)	(12)	(11)	(10)
Retained Profit		(306)	(557)	91	517	480	438	66	65	64	62	60	57	53	49	44	39
Retained Profit (Cumulative)			(863)	(772)	(255)	225	663	729	795	859	921	980	1,037	1,090	1,139	1,183	1,222

	%	Year														
		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Balance Sheet		000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Long term Loan	95.0%	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204	81,204
Equity Finance	5.0%	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274	4,274
		85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478	85,478
Gross Rental Income		4,547	4,593	4,639	4,685	4,732	4,779	4,827	4,875	4,924	4,973	5,023	5,073	5,124	5,175	5,227
Management/ Maintenance and Bad Debts / Voids etc		(2,087)	(2,136)	(2,187)	(2,240)	(2,293)	(2,348)	(2,404)	(2,462)	(2,521)	(2,581)	(2,643)	(2,707)	(2,772)	(2,838)	(2,906)
SPV Costs		(163)	(167)	(171)	(175)	(179)	(184)	(189)	(193)	(198)	(203)	(208)	(213)	(219)	(224)	(230)
Net Operating Income		**2,298**	**2,290**	**2,281**	**2,271**	**2,259**	**2,247**	**2,234**	**2,220**	**2,205**	**2,189**	**2,172**	**2,154**	**2,134**	**2,113**	**2,091**
Debt Financing	2.78%	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)
Net operating Profit / Loss		**41**	**33**	**23**	**13**	**2**	**(10)**	**(23)**	**(37)**	**(52)**	**(68)**	**(85)**	**(104)**	**(123)**	**(144)**	**(166)**
Tax		(8)	(7)	(5)	(3)	(0)										
Retained Profit		33	26	19	11	2	(10)	(23)	(37)	(52)	(68)	(85)	(104)	(123)	(144)	(166)
Retained Profit (Cumulative)		1,255	1,281	1,300	1,310	1,312	1,302	1,280	1,243	1,191	1,123	1,038	934	811	667	501

Appendix 3 – Company 24 month profit and loss forecast

24 Month Profit and Loss Forecast		0	1	2	3	4	5	6	7	8	9	10	11	12	Year 1
		000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Net Revenue Income		0	15	15	15	23	30	38	50	60	72	89	108	127	641
Management and Maintenance Costs		0	(4)	(6)	(8)	(11)	(13)	(16)	(20)	(24)	(28)	(33)	(38)	(43)	(245)
SPV Costs		(306)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(618)
Interest		0	(13)	(17)	(22)	(29)	(35)	(41)	(51)	(62)	(73)	(85)	(96)	(110)	(635)
Interest on Working Capital	Monthly	0	(0)	(0)	(0)	(1)	(0)	(1)	(1)	(0)	(1)	(1)	(0)	(1)	(6)
Surplus/(Deficit)		**(306)**	**(29)**	**(35)**	**(42)**	**(44)**	**(44)**	**(46)**	**(48)**	**(53)**	**(56)**	**(55)**	**(52)**	**(53)**	**(557)**

		13	14	15	16	17	18	19	20	21	22	23	24	Year 2
		000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	
Net Revenue Income		147	167	190	210	232	258	280	301	321	321	321	321	3,071
	0	(48)	(53)	(59)	(64)	(69)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(811)
SPV Costs		(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(115)
Interest		(122)	(134)	(149)	(162)	(174)	(186)	(186)	(186)	(186)	(186)	(186)	(186)	(2,041)
Interest on Working Capital	Monthly	(1)	(0)	(1)	(1)	(0)	(1)	(1)	(1)	(2)	(2)	(1)	(2)	(12)
Surplus/(Deficit)		**(33)**	**(30)**	**(29)**	**(26)**	**(20)**	**(12)**	**9**	**31**	**50**	**50**	**51**	**50**	**91**

Appendix 4 – Company 24 month cash flow forecast

24 Month Cash Flow			0	1	2	3	4	5	6	7	8	9	10	11	12	Year 1	13	14	15	16	17	18	19	20	21	22	23	24	Year 2
			000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	
Cash Flows																													
Capital																													
Loan		95%	3,719	1,947	1,947	2,061	2,869	2,646	2,869	4,409	4,811	4,659	5,055	5,114	5,940	48,044	5,074	5,586	6,577	5,449	5,312	5,163	0	0	0	0	0	0	33,160
Equity		5%	196	102	102	108	151	139	151	232	253	245	266	269	313	2,529	267	294	346	287	280	272	0	0	0	0	0	0	1,745
Total Capital Income			**3,915**	**2,049**	**2,049**	**2,170**	**3,020**	**2,785**	**3,020**	**4,641**	**5,064**	**4,905**	**5,321**	**5,383**	**6,252**	**50,572**	**5,341**	**5,880**	**6,923**	**5,736**	**5,592**	**5,434**	**0**	**0**	**0**	**0**	**0**	**0**	34,906
Capital Purchases																													
Purchases			-3,866	-1,974	-1,974	-2,091	-2,906	-2,685	-2,906	-4,474	-4,886	-4,724	-5,118	-5,178	-6,012	-48,793	-5,138	-5,653	-6,650	-5,520	-5,384	-5,218	0	0	0	0	0	0	-33,562
Works			0	0	-19	-39	-59	-69	-76	-85	-98	-118	-136	-145	-152	-996	-168	-168	-173	-182	-185	-180	-166	-110	-56	0	0	0	-1,387
VAT							-28			-64			-97				-131			-150			-154			-66			
Total Capital expenditure			**-3,915**	**-1,974**	**-1,993**	**-2,130**	**-2,992**	**-2,754**	**-2,981**	**-4,623**	**-4,985**	**-4,842**	**-5,351**	**-5,323**	**-6,164**	**-50,027**	**-5,437**	**-5,820**	**-6,823**	**-5,852**	**-5,569**	**-5,398**	**-320**	**-110**	**-56**	**-66**	**0**	**0**	-35,451
Capital cash Flows	Monthly		0	75	56	40	27	32	39	18	79	62	-30	60	88		-96	59	100	-116	23	36	-320	-110	-56	-66	0	0	
	Cumulative		0	75	131	170	198	229	268	286	365	427	397	457	545		449	509	608	493	516	552	232	122	66	0	0	0	
Revenue																													
Gross Rental Income			0	15	15	15	23	31	40	52	62	74	92	112	131	664	152	173	197	218	241	268	290	312	333	333	333	333	3,182
Voids		2%	0	0	0	0	0	-1	-1	-1	-1	-1	-2	-2	-3	-13	-3	-3	-4	-4	-5	-5	-6	-6	-7	-7	-7	-7	-64
Bad Debts		1½%	0	0	0	0	0	0	-1	-1	-1	-1	-1	-2	-2	-10	-2	-3	-3	-3	-4	-4	-4	-5	-5	-5	-5	-5	-48
Net Rental Income			0	15	15	15	23	30	38	50	60	72	89	108	127	641	147	167	190	210	232	258	280	301	321	321	321	321	3,071
Management and Maintenance Costs				-4	-5	-7	-9	-11	-14	-17	-20	-24	-28	-32	-36	-207	-40	-45	-50	-54	-58	-63	-63	-63	-63	-63	-63	-63	-685
SPV Costs			-255	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-515	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	-96
VAT							-67			-19			-24			-110	-31			-20			-35			-39			-125
Interest on Loan			0	0	0	-53	0	0	-105	0	0	-187	0	0	-291	-635	0	0	-405	0	0	-521	0	0	-557	0	0	-557	-2,041
Interest of Working Capital							0	-1	0	-1	-1	0	-1	-1	0	-4	-6	-1	0	-1	-1	0	-1	-1	-1	-2	-2	-1	-16
Revenue Cash Flows	Monthly		-255	-11	-12	-67	-76	-3	-102	-9	18	-161	15	54	-223		62	113	-273	127	165	-334	174	229	-307	210	249	-307	
	Cumulative		-255	-265	-278	-344	-420	-423	-525	-534	-516	-677	-663	-609	-831		-770	-657	-930	-803	-637	-971	-798	-568	-876	-666	-417	-724	
Total Cumulative Cash Flows			-255	-190	-147	-174	-222	-194	-257	-248	-151	-250	-266	-152	-286		-321	-148	-321	-310	-122	-420	-566	-446	-810	-666	-417	-724	