

# MUSTARD SEED PROPERTY

*Making space for vulnerable people to flourish in Cornwall and the Isles of Scilly*

## INVESTMENT PLAN JUNE 2020

**Ethex:** <https://www.ethex.org.uk/mustardseed2020>

**MSP:** <http://mustardseedproperty.co.uk/invest>

**Capital-at-risk:** By purchasing community shares issued by MSP you may lose some or all of the money you invest. Investors are not protected by the Financial Services Compensation Scheme (as you would be with a savings account), and do not have recourse to the Financial Ombudsman Service

## **CONTENTS**

**Introduction to Mustard Seed Property**

**Social impact**

**Operations & management**

**Board & governance**

**Financial forecasts and investment summaries**

**Property development**

**Community and member engagement**

**Key risks**

## Introduction to Mustard Seed Property

### Background

Mustard Seed Property Limited (**MSP or the Society**) was set up by people in Cornwall intent on providing the right support for individuals that need it. They might need a permanent home or a bedroom for a few weeks; somewhere to work or train; a place to connect with others or to access land where they can grow something. Through its partner charities and social enterprises, Mustard Seed Property acquires and develops properties which are leased to the partners that make them available as homes or workplaces for the most vulnerable in our society. When MSP was set up in 2007, it was in direct response to a call from people in their sixties and seventies who were trying to plan for a future for their autistic adult children, who were still living at home. MSP raised £300,000 from a few dozen people, a local charitable trust and a bank, bought an old bed and breakfast and changed the lives of five families. Ten years on, this property has been through a number of iterations and is now used by St Petroc's as a supported house for formerly homeless individuals. Today MSP has a relationship with several amazing charities and social enterprises which are all growing and needing access to more property, both commercial and residential.

### Growth and expansion

MSP recently completed the purchase of a second property at Alma Place in Redruth where they will help their partner, Karrek Community CIC, house an additional 6 people. MSP has also begun exploring additional acquisition opportunities with existing partners - as well as new partnerships including an exciting property with Newquay Lighthouse Project. MSP is therefore building on a successful and impactful business model to substantially increase the scale of what the Society does well.

### Track record

MSP is a charitable organisation, but it is also a robust commercial investor; with a decade of paying shareholders a financial return every year without fail and honouring all requests for withdrawal of shareholder capital.

## Social impact

MSP serves vulnerable adults who are at risk of homelessness by leasing property to highly respected organisations that deliver the services direct to the individual tenants. Since 2007, over 40 vulnerable adults have been helped in this way, who would otherwise be in homelessness hostels, or other unsuitable housing, or even in some cases, rough sleeping. The positive impact this has on those around them is also impactful; whether as respite for parents coping with grown-up children with learning disabilities or the friends and families of those who would otherwise be in desperate need.

MSP's annual social impact report outlines the impact being delivered by the partner organisations, particularly St Petroc's and Karrek. The 2019 report details the improving housing opportunities and progression to work as well as resilience against homelessness. Eight people were supported last year by St Petroc's and 55 people received tailored support from Karrek.

MSP provides an annual Social Impact Report (**SIR**) and there is much more information on social impact in the latest report for 2019, which can be found at:

<http://mustardseedproperty.co.uk/impact/>

### Operational partners

Mustard Seed Property currently has three operational partners; all of which provide support to the most vulnerable individuals in Cornwall. The first is Mustard Seed, a small café based out of Helston, Cornwall that supports local individuals with learning disabilities. Mustard Seed was the first operational partner to lease a property from MSP - they don't currently need any further properties but they still remain an important partner and offer MSP great support.

St Petroc's, the second partner, is a homelessness charity working to end street homelessness in Cornwall; providing support, advice, training, accommodation and resettlement services to homeless people. MSP has leased a property to St Petroc's for nearly a decade, providing accommodation and a base from which to support their clients.

Karrek Community CIC (**Karrek**) is the newest of MSP's operational partners and they provide domiciliary support to people all over Cornwall. Karrek have identified a strategic need for new accommodation with supported living, for around 20 people with learning disabilities in both St Austell and Camborne / Redruth. In total Karrek support over 70 individuals across Cornwall and this number is rapidly growing. MSP hopes to help Karrek provide multiple properties to support the people they work with.

## Operations and management

### Summary

Mustard Seed Property brings:

- A track record of working with three charities in Cornwall; Mustard Seed (SW), St Petroc's and Karrek Community CIC - all of which work with vulnerable adults in Cornwall;
- A track record of raising capital and of paying a return to community shareholders in conjunction with social impact investment specialist, Resonance Limited (**Resonance**);
- A supply of properties from a willing 'landlord' which shares the ethos of partners;
- A cost-effective governance structure that is transparent and democratic and built from a Christian Ethos;
- An opportunity for operational partners to influence the running of MSP, including the setting of rent levels and investor returns; and
- A tried and tested route for partners to be free from the need to raise debt or capital grants for property; channeling all donations and fundraising efforts more effectively to the mission and achieving social impact.

### MSP Business Model

MSP buys and refurbishes properties so that its operational partners (charities and social enterprises) can provide space for vulnerable people to flourish across Cornwall and the Isles of Scilly. MSP's Acquisition Strategy is to buy properties - which are then refurbished to a pre-agreed specification for its partners - and to lease it to them on internally repairing and insuring (**IRI**) leases.

Currently MSP owns two properties:

1. Property number one - on behalf of St Petroc's; a 6 bed property in Helston which has provided a stable rental income for over a decade.
2. Property number two – on behalf of Karrek Community CIC. This property purchase was finalised in mid-April 2020. The development of this property is expected to begin in the autumn (subject to obtaining the necessary permissions), with 3 flats and 3 studios as well as additional shared communal space, and to be fully let from October 2021.

MSP has also identified a third property it is seeking to purchase for a new operational partner; expected to be Newquay Lighthouse Project.

### Property returns

The target Net Initial Yield on all properties is 7.5% with a floor of 6.0% in order to provide a comfortable margin for operational costs, investor liquidity and financial returns to shareholders and lenders alike. The Return on Investment sought for renewable energy installations (on the properties) is at least 8.0%.

MSP intends to acquire a diversified property portfolio with different types of property, leased to a variety of different partners operating across different towns in Cornwall. Whilst all properties are acquired with a view to holding them in perpetuity, the board also pay attention to potential

alternative uses. The board believe this helps to reduce the risk to investors and enables MSP to be responsive to need across the county. However, MSP also has to be pragmatic and focus on acquiring properties with partners that are ready to expand.

### The future

MSP is constantly looking to create opportunities for its current partners whilst at the same time searching to generate a wider network of partners to join MSP and increase the much needed provision of accommodation to vulnerable people across Cornwall. MSP's ambition is to acquire circa £1 million of property in Cornwall each year for the foreseeable future and build a stable balance sheet that prioritises vulnerable people and the social enterprises that support them.

### Properties under management

MSP currently owns two properties; Godolphin Road, Helston and Alma Place, Redruth. The Helston property is a 6-bed house leased to the charity St. Petroc's. The Redruth property has been purchased on behalf of Karrek Community CIC (**Karrek**), currently un-tenanted and will be undergoing refurbishment prior to tenants moving in. MSP leases properties to its partners using an Internally Repairing and Insuring (**IRI**) lease, therefore the partners are responsible for any internal repair and MSP is responsible for the structural state and repair to the property itself.

The property rents are based on the Local Housing Allowance (**LHA**) for the area and the bed space type. Rent is reviewed on the 1st of April each year with rent increasing in line with CPI (published in January each year).

The properties are managed by the partner or another external property manager whom will be agreed with the partner before the lease is completed.

### Property assessment

Each property is appraised by the MSP Board against both social impact and commercial criteria and independently valued ahead of purchase. Refurbishment is carried out to a high standard with particular thought to achieving both low maintenance and running costs where possible. As with the first property in Helston, if MSP can reduce the utility bills for its tenants and simultaneously generate a return from feed-in-tariffs and/or renewable heat incentives, the Society will look to invest in low carbon technologies. Even before Covid-19 hit, MSP's standards for property design and function have put people first. Access to outside space, limiting the density of living, providing spacious communal areas and installing mechanical ventilation (with heat recovery to provide a permanent supply of clean warmed air) is standard for all the properties.

## MSP Board and governance

### Governance

#### Overview

Mustard Seed Property Limited is registered as a charitable Community Benefit Society meaning the surplus generated is re-invested directly into the enterprise, to help transform the communities MSP operates in and make more property available to the partners and vulnerable people across Cornwall. The Board of Directors is made up of local residents with a passion for helping the less fortunate in society as well as representatives from the operational partners; the social mission is defined in the governing documents. MSP recruits its Board from the membership and partners, and everyone is invited to attend and participate in the Annual General Meeting (**AGM**) where all new director appointments must be proposed and seconded by existing members. MSP also holds events, regularly sends out email newsletters, conducts an annual survey, and uses social media to keep everyone informed - and responds in a timely fashion to any enquiries received. And finally, MSP fosters a culture whereby the members and investors are encouraged to get in touch at any time to discuss any thoughts, ideas or concerns they may have.

#### Board of Directors

The Board of Directors of MSP is composed of Non-Executive Directors and meets at least quarterly each year to review key risks to the business and to make strategic decisions. Only their travel expenses are compensated. The Chair (Mike Lowe) is responsible for the execution of the strategy for the Society, working with the other directors who take particular responsibility for different aspects of the business; sourcing property, development and construction, negotiating arrangements with partners, etc., to implement and deliver on all operational and strategic goals. The Board aims to ensure that decisions taken are realistic and practical, while also harnessing the expertise of a diverse range of people with very different skillsets and expertise.

In addition to attending board meetings, each director participates in at least one sub-group. These sub-groups include:

- Partner development;
- Impact measurement;
- Property development;
- Member engagement; and
- Risk and resources.

Minutes of these sub-groups are shared with the whole board.

### Management

Corporate and property management services are provided by Resonance Limited on the basis of an arms-length contract – providing resource for everything from management accounting to property appraisal, and for contracting with all the suppliers needed to effectively and prudently manage the redevelopment or refurbishment of new properties.

MSP also uses local suppliers where needed for all professional services – solicitors, architects, Quantity Surveyors, builders, etc.

### Future plans

Whilst the Board has been able to successfully manage the operations of MSP with one property, the ambition is to now increase the scale and impact achieved substantially over the next two to five years. As such, once the Society has three properties successfully let to operational partners, and is consistently generating a healthy net surplus, it is likely they will hire a first full time member of staff responsible for managing existing properties and identifying and managing the purchase and development of new properties, reporting closely to the Board.

## Board & management

Mustard Seed Property Board of Directors	
	<p><b><u>Mike Lowe - Chair</u></b></p> <p>Mike has over 25 years' experience in providing financial and technical support to dairy farmers and rural businesses, including appraisals for banks. Formulating business objectives for clients is a major part of his work, including building design from site survey to detailed design. Mike leads on property identification, appraisal, purchase and refurbishment.</p>
	<p><b><u>Liz James</u></b></p> <p>A member of Mustard Seed Property from the beginning, Liz is a counsellor, manager and supports people with learning disabilities. She ran her own small upholstery business for 28 years. Liz brings particular knowledge and skills in serving the people supported by the partner charities of Mustard Seed Property. Liz is a trustee director of Mustard Seed (SW), which is one of Mustard Seed Property's founding partners. Liz leads on social impact and ensuring MSP delivers for vulnerable people.</p>
	<p><b><u>Paul Ashton</u></b></p> <p>Paul originally trained as a nurse and followed a career in the NHS where after a number of years, he became Director of Nursing and then CEO of a NHS Trust. Paul become CEO of a national Christian Charity in 2000 where he served for 14 years. He has operational and board experience with a number of charities and voluntary organisations. Paul is a director of Karrek Community CIC, one of Mustard Seed Property's operational partners. Paul leads on operational partnerships and ensuring properties are the right fit for charities/social enterprises and the people they work with.</p>
	<p><b><u>Daniel Brewer</u></b></p> <p>Daniel is CEO of Resonance Limited and leads a growing team supporting social enterprises and charities prepare for investment in a variety of transactions including real estate acquisition and development, community share issues and direct venture capital investments. He has seen the company flourish as it has created demand-led, impact investment funds. Daniel founded Resonance in 2002 having spent several years in manufacturing as an engineer and leading a political lobbying campaign on the UK poverty trap. Outside work Daniel is a non-</p>

	exec of a small number of high impact social enterprises and sits on the investment committee for a leading impact investor foundation.
<b>Management support</b>	
	<p><b><u>Nick Smith</u></b></p> <p>Nick works in the finance team at Resonance. Previously he worked within the finance industry for nine years, with the most recent four years spent in the finance team of a local Cornish charity. He has a Bachelor of Commerce degree, majoring in Accounting, and is currently working towards becoming a Chartered Accountant through ACCA. Nick supports MSP with all finance and accounting functions, including management accounts, payment of invoices and liaising with suppliers.</p>
	<p><b><u>Jacob Lee</u></b></p> <p>Jacob recently joined Resonance following his successful six-month internship, when he gained experience across Resonance's various Funds and business operations. He graduated from the University of Reading studying Biochemistry with a focus on heart-related research.</p> <p>Jacob supports the Chair, Mike Lowe, with property identification and appraisal, also liaising with vendors, solicitors and service providers including architects and builders for all refurbishment, development and construction works.</p>

### **Board & property development**

The MSP board is made up of local individuals who want to make space for vulnerable people to flourish. Each individual has years of experience that greatly benefits the operations of MSP and its ability to support the vulnerable individuals the organisation houses. MSP seeks participation on its board of directors from local individuals, and members/investors in the Society, with one person put forward by each of the partner organisations. The Partner-appointed director will by law seek to further MSP's objects and represent the other partners they seek to support. In the case of Karrek and the second property (Alma Place, Redruth) their CEO, Paul Ashton, was appointed to the board where he has been able to influence and drive the criteria that the property purchased on their behalf should present.

#### Directors: competencies & operational responsibilities

Mike Lowe – Chair of MSP Board & leads on property development

Liz James – Director leading on partner development & impact management

Paul Ashton – Director leading on risk management

Daniel Brewer – Director leading on member development

Nick Smith – Company Secretary, leading on financial management

### **Assessment framework: partners & properties**

MSP has created a framework and documents for assessing both its partners and properties (available on request).

- Initial discussion of what type of property is needed, number of bed spaces, suitable location, etc.
- The MSP board members will look for any suitable properties and will fill out the property assessment document, taking into account; affordability, location, bed-spaces, scope for adaptation and creating the best use of space, and the estimated net initial yield.
- Following a peer-review by the board members, MSP will engage with the property agents to organise viewings of the proposed properties.
- A detailed property development appraisal will be created taking into account the current state of the property and required refurbishment – presenting a more accurate forecast of net initial yield.
- In the case of Alma Place (MSP's second property), a relatively large level of re-design is required. A design team has been approached to produce drawings and costings for this project.

The assessment framework and property appraisal tool were produced by Jacob Lee (Resonance employee & MSP volunteer) and these were put before the board of directors to be reviewed and approved. In the past the board have followed the process closely and had full involvement in any revisions.

### **Acquisition and development of Alma Place, Redruth**

MSP's most recent project was the acquisition of a property on behalf of Karrek, where the board implemented the above process for assessing potential properties:

- Initially Karrek outlined what their support users would need in a property, that being; around 5 bed spaces within St Austell or Redruth - close to the town centre and amenities.
- There was uncertainty as to what room type Karrek wanted and the board viewed a number of properties that could have become either a shared house or a collection of separate flats. It was later decided that a collection of flats and studios would be more suited to the individuals Karrek would accommodate in the property.
- Initial development appraisals were completed for a few potential properties and, as the idea of Alma Place seemed more and more promising to both the board and Karrek, detailed appraisals were completed and the design team was commissioned.
- Paul Ashton of Karrek followed the process very closely and was instrumental in the search for the property and design process.

### Property management

The partner organisations decide prior to the lease being written if they will manage the property themselves or if an external property manager will be used. MSP does not manage any of the properties that they purchase on behalf of their partners.

All properties are refurbished by MSP (the Landlord) to the agreed specification, which is based on the needs of the individuals being supported by the partner. The specification may be altered at any time by mutual consent, but changes must be set out in writing with clear justification.

The Partners agree to enter into the lease immediately for any property that is purchased on their behalf and is available for occupation at the agreed specification:

- The leases are an Internally Repairing and Insuring (**IRI**) lease;
- Landlord retains responsibility for the superstructure of the building; and
- The lease shall be for a minimum of 5 years.

MSP charges the partner a rent that is equivalent to the Local Housing Allowance (**LHA**) for the property in question. The target net initial yield is a minimum of 6.0% for all properties purchased by MSP. In the case that the LHA rent value does not provide the desired net initial yield the rent will either be increased, or further review of the property will be made to determine if it is financially suitable. Rent reviews are carried out on the 1<sup>st</sup> April each year with rents increasing in line with CPI (published in January each year). If the property acquired on behalf of the partner is not a residential unit the initial rent will be set at an agreed market rent providing equal to or more than a 6.0% net initial yield.

If the property manager is eligible for housing benefit, the property manager will typically also charge a housing management fee and a service charge to Cornwall Council. The service charge value will be an apportionment of the utilities, maintenance and management of the property in question. Where an external property manager is used, the partner and property manager must come to a mutual agreement as to the nomination rights of the property and how this may change in the case of a void tenancy.

### Financial management

Regular reviews of MSP's financials are completed by Nick Smith (Company Secretary) with the production of monthly management accounts and annual financial statements. This helps ensure that MSP's board can closely monitor cash flow and funding available and ensure that it is sufficient to match the project costs and Society obligations.

### Social impact of partners

MSP require their partners to report regularly on the impact generated from the support that they deliver. MSP seeks to strengthen each partner through championing all of the impact they deliver and then presenting this in turn to the investors in MSP. Each year a Social Impact Report (**SIR**) is created in which MSP promotes all of its partners' impact, with infographics setting out key facts and achievements from delivering support to the most vulnerable individuals in Cornwall. (2019 SIR available on website & on request).

## Finance & investment summaries

This section sets out a summary of MSP's track record in paying returns to community shareholders, historic financial performance, as well as the Society's investment plans and detailed financial forecasts.

### Track record: returns to community shareholders

The table below shows how much member share capital MSP manages and the return made to shareholders.

<b>MSP: Use of Society funds</b>				
<b>Year ending 30 September</b>		<b>2017</b>	<b>2018</b>	<b>2019</b>
		<b>A</b>	<b>A</b>	<b>A</b>
<b>Member share capital at year end</b>	£	<b>173,965</b>	<b>179,188</b>	<b>487,901</b>
Interest rate on (eligible) share capital	%	3.50%	3.50%	3.50%
Interest paid on share capital	£	6,089	5,851	16,942
Community benefit spend (community benefit societies only)	£	0	0	0
Net profit (loss)	£	9,464	6,053	(19,020)
Addition (reduction) to Society Reserves	£	9,464	6,053	(19,020)

*Source: MSP audited annual accounts to 30 September 2017, 2018, 2019*

### Notes:

- Whilst an investment in Mustard Seed Property should not primarily be seen as a finance first investment, the board has been diligent in recognising its commitment to MSP shareholders that their investment deserves a regular return. As such, investors have been paid a return every year without fail for over a decade.
- The target interest rate was set at 3.50% in the three historic years shown, and is expected to be maintained at this rate for the current financial year (ending 30 September 2020) and next financial year (ending 30 September 2021), before rising to 4.50% for the financial year ending 30 September 2022.
- MSP generated a loss of c. £19k in the last full financial year to 30 September 2019, expects a loss of c. £19k this year (to 30 September 2020) and to generate a larger loss of c. £52k in the next financial year (to 30 September 2021). This is planned for and expected - as property is purchased and funds are spent on raising new capital.
- The Board are committed to continuing to pay a return to community shareholders and consider this sensible given the projected financial performance; with healthy profits generated from October 2021 as new properties are fully let to operational partners (see 'Financial forecasts' below).

### Historic financial performance

The table below shows MSP's historic financial performance; for the three financial years ending (FYE) 30 September 2017, 2018 and 2019.

**MSP: Financial summary (2017-19)**

Year ending 30 September		2017	2018	2019
		A	A	A
Revenue / total income (including revenue grants)	£	34,672	26,363	27,457
Operating profit (loss) before interest on capital and tax (EBIT)	£	21,107	18,498	209
<b>Net profit (loss) after depreciation, interest on capital and tax</b>	£	<b>9,464</b>	<b>6,053</b>	<b>(19,020)</b>
Fixed Assets	£	342,305	341,508	340,712
Member share capital	£	173,965	179,188	487,901
Accumulated reserves (or losses)	£	185	6,238	(12,782)
Long term liabilities (loans)	£	(118,931)	(112,495)	(105,538)
<b>Net Assets</b>	£	<b>174,150</b>	<b>185,426</b>	<b>475,119</b>

*Source : MSP audited annual accounts to 30 September 2017, 2018, 2019*

**Notes:**

- Steady growth in revenue from rental agreement on Property #1 which historically provided for increase in rent p.a. of CPI plus 2%. The new rental arrangement provides for rent increases of CPI each year.
- Revenue in FYE17 includes a revenue grant of c. £9k.
- Net loss in FYE19 due to the costs of raising finance (community share raise) as well as legal and professional fees.
- Cash holdings are more than sufficient to meet all financial obligations (capital repayments and interest payments on debt, and shareholder interest payments and withdrawals).
- Fixed assets equate to the value of Property #1 and a small amount of plant & equipment (solar panels) which provide an income of c. £800 p.a. and are depreciated over time.
- Long-term liabilities comprise of mortgage with Triodos on Property #1 (comfortably secured against an estimated property valuation of c. £340k).
- MSP paid off a £54k loan from Longmead Trust in FYE19.

**Investment: by property**

The table below shows the capital MSP expects to raise and deploy based on the minimum and maximum target community share capital raises for the existing and planned properties.

MSP: Sources & uses of funds				Notes:	
Property	#1	#2	#3		
<b>Sources of funds</b>					
Community shares	£	150,000	450,000	Minimum target of £150k, maximum target of £600k	
Cash	£	95,100		Cash available on balance sheet	
Senior debt: OpenBox	£	350,000		Facility in place for part-refurbishment of Property #2	
Senior debt: mortgage	£	50,000	150,000	£50k re-mortgage on Property #1, £150k mortgage on Property #3	
<b>Total capital</b>	£	<b>50,000</b>	<b>595,100</b>	<b>600,000</b>	
Surplus cash (cumulative)		10,000	31,508	225,508	
<b>Uses of funds</b>					
Refurbishment costs	£	40,000	567,592	50,000	Property #1 (agreed); Property #2 (QS & Architect's report); Property #3 (estimated)
Property purchase	£	0		350,000	Several properties identified for purchase in late 2020 / early 2021
Fees	£		6,000	6,000	
<b>Total capital expenditure</b>	£	<b>40,000</b>	<b>573,592</b>	<b>406,000</b>	

*Source : MSP acquisition strategy & financial forecasts*

### Commentary:

- Target share capital raise of £600,000 in community shares.
- The planned minor refurbishment of the existing operational **Property #1** will be paid for by re-mortgaging with Triodos (current lender), secured against that property (current valuation of c. £340k, existing mortgage of c. £110k).
- The c. £570k refurbishment of **Property #2** (already purchased) **is viable should we raise our minimum target of £150,000 from community shares**, with a facility agreed with OpenBox Developments (a socially minded property lender) for £350k.
- Should MSP only raise £150k in the planned community share raise it will just refurbish Property #2; the financial forecasts show that the Society will generate healthy net surpluses (once the property is fully let) with adequate cash and cover for all financial expenses (including a target share interest payment of 4.50% from 1 October 2021).
- However, MSP will need to raise additional community share capital, in order to substantially increase its scale and impact, through the purchase of **Property #3** (for an estimated consideration of £350k, plus £50k refurbishment and fees).
- MSP needs to raise c. £400k in order to refurbish Property #2 and purchase and refurbish Property #3.
- However, £600k is considered the optimal raise in order to expand and maintain adequate cash holdings - and is also sensible in terms of the returns MSP seeks to make to community shareholders.
- The preferred strategy of the directors is to raise 100% of the capital required for purchasing properties as equity and once the property is refurbished and tenanted, look to refinance with a mortgage to allow further expansion.

### Investment: by financial year

The table below shows the capital MSP has already raised and invested, and expects to raise and deploy, during this current financial year (FYE20) and next financial year (FYE21) as MSP refurbishes Property #2 (already purchased) and buys and develops Property #3.

MSP: Sources & uses of funds			
Year ending 30 September	2020	2021	Notes:
	£	£	
<b>Sources of funds</b>			
Community shares	£ 600,000	0	
Cash on balance sheet	£ 257,602		
Senior debt: OpenBox	£ 0	350,000	Facility in place for part-refurbishment of Property #2
Senior debt: mortgage	£ 0	200,000	£50k re-mortgage on Property #1, £150k mortgage on Property #3
<b>Total capital</b>	<b>£ 857,602</b>	<b>550,000</b>	
<i>Cumulative surplus of sources&gt;uses</i>	<i>649,102</i>	<i>225,510</i>	
<b>Uses of funds</b>			
<b>Property 1</b>			
Refurbishment costs	£ 40,000	0	Planned refurbishment of Property #1; maintain value & release cash (re-mortgage)
<b>Property 2</b>			
Property purchase	£ 162,500	0	Property #2 purchased in March 2020
Refurbishment costs	£ 0	567,592	Refurbishment costs based on QS and Architects report, including contingency
<b>Property 3</b>			
Property purchase	£ 0	350,000	Several properties identified for purchase in late 2020 / early 2021
Refurbishment costs	£ 0	50,000	Properties identified will only need limited refurb
Fees	£ 6,000	6,000	
<b>Total capital expenditure</b>	<b>£ 208,500</b>	<b>973,592</b>	

Source: MSP acquisition strategy & financial forecasts

### Sources of funds:

- FYE20: Target share capital raise of £600,000 in community shares.
- FYE21: Drawdown of senior lending facility (already agreed with OpenBox Developments for £350k) secured on Property #2.
- FYE21: Re-mortgage of Property #1 (current asset value of £340k and outstanding mortgage of c. £112k at FYE19) to release £50k.
- FYE21: Mortgage of £150k on Property #3 once purchased for estimated consideration of £350k.

### Uses of funds:

- FYE20: MSP has already purchased Property #2 for a consideration of £162,500 and is expecting to spend £40k on the refurbishment of Property #1.
- FYE21: c. £570k to refurbish and develop Property #2 (already acquired).
- FYE21: estimated £350k to purchase Property #3 and £50k to refurbish, plus fees.

## **Forecast financial performance: 3 properties under management**

The table below shows the historic and forecast Profit & Loss Account for MSP.

**MSP: Profit & Loss summary (2017-24)**

Financial year ending (FYE) 30 September	2017	2018	2019	2020	2021	2022	2023	2024	2025
	A	A	A	E	F	F	F	F	F
<b>Revenue</b>	£ 25,320	26,363	27,457	29,973	27,756	121,138	121,678	122,903	124,003
Revenue growth		4.1%	4.1%	9.2%	(7.4%)	336.4%	0.4%	1.0%	0.9%
<b>EBITDA</b>	£ 12,551	19,295	1,005	10,823	17,583	112,350	112,777	113,852	114,802
EBITDA margin	% 50%	73%	4%	36%	63%	93%	93%	93%	93%
Financial expenses	£ (11,643)	(11,204)	(20,470)	(44,263)	(69,035)	(70,903)	(71,171)	(70,290)	(69,516)
Depreciation	£ (796)	(797)	(796)	(796)	(796)	(796)	(202)	0	0
Taxation	£ 0	(1,241)	1,241	0	0	0	0	0	0
Revenue grants	£ 9,352	0	0	14,960	0	0	0	0	0
<b>Net surplus / (deficit)</b>	£ 9,464	6,053	(19,020)	(19,276)	(52,248)	40,652	41,404	43,561	45,286
Net margin	%	23%	nm	nm	nm	34%	34%	35%	37%

*Source: MSP audited annual accounts to 30 September 2017, 2018, 2019 & MSP financial forecasts*

### Commentary:

- Revenue expected to increase in FYE20 by over 9% due to £2,500 commercial income from Property #2 but decline in FYE21 by 7.4% as refurbishment takes place.
- Revenue projected to increase substantially in FYE22 as Property #2 and Property #3 are fully let to operational partners from 1 October 2021.
- Financial expenses forecast to increase as increased interest is paid to senior debt lenders and 4.50% target interest paid on all community shares (from FYE22), and due to the costs of raising capital.
- Revenue grant from Reach Fund of £14,960 used to pay for investment readiness work (c. £10k used for preparation of share offer raise on Ethex) and legal & professional fees (c. £5k for purchase of Property #2).
- Net deficits forecast for FYE20 and FYE21 as additional properties purchased and refurbished with additional debt and share capital raised.
- Healthy net surpluses of over £40k each year are expected to be generated from FYE22 as new properties fully let.

The table below shows the historic and forecast Cash Flow Statement for MSP.

MSP: Cash Flow summary (2017-24)										
Financial year ending (FYE) 30 September	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	A	A	A	E	F	F	F	F	F	
<b>Operations</b>										
Operational cash flows	£	18,878	7,139	25,092	20,499	112,350	112,777	113,852	114,802	
<b>Investments</b>										
Sinking Fund	£	0	0	(2,000)	(2,000)	(6,000)	(6,000)	(6,000)	(6,000)	
Freehold property purchased	£	0	0	(162,500)	(350,000)	0	0	0	0	
Freehold property: refurbishment	£	0	0	(40,000)	(617,592)	0	0	0	0	
<b>Debt finance</b>										
Debt raised	£	0	0	0	550,000	0	0	0	0	
Debt repaid	£	(6,303)	(60,438)	(6,957)	(14,235)	(14,742)	(15,266)	(15,809)	(16,371)	
Interest paid/received	£	(5,353)	(3,528)	(3,187)	(22,459)	(22,192)	(22,704)	(22,066)	(21,532)	
Arrangement/commitment fees	£	0	0	(3,500)	(3,000)	0	0	0	0	
<b>Share capital</b>										
Share capital raised	£	5,223	344,713	600,000	16,319	16,237	16,156	16,075	15,995	
Provision for share capital withdrawals	£	0	(36,000)	0	(21,758)	(21,649)	(21,541)	(21,433)	(21,326)	
Return to shareholders	£	(5,851)	(16,942)	(17,077)	(38,077)	(48,711)	(48,467)	(48,225)	(47,984)	
Costs for Share Offer	£			(20,500)						
Other Deal Arranging fees	£				(5,500)	0	0	0	0	
<b>Net Cash Flow</b>	£	<b>0</b>	<b>6,594</b>	<b>234,944</b>	<b>369,371</b>	<b>(487,803)</b>	<b>15,293</b>	<b>14,955</b>	<b>16,394</b>	<b>17,583</b>
<b>Cash at end of year</b>	£	<b>16,062</b>	<b>22,656</b>	<b>257,600</b>	<b>626,971</b>	<b>139,168</b>	<b>154,461</b>	<b>169,416</b>	<b>185,810</b>	<b>203,393</b>

Source : MSP audited annual accounts to 30 September 2017, 2018, 2019 & MSP financial forecasts

### Commentary:

- Operational cash flows expected to increase significantly from FYE22 as two additional properties forecast to be fully let.
- Investments comprise the purchase and refurbishment of property, and the provision of a Sinking Fund (£2k per property p.a.) to ensure cash is available for regular repairs and maintenance when required.
- Over £60k debt repayments in FYE19 as MSP repaid the Longmead Trust, who provided junior debt to MSP for purchase and development of the first property.
- Interest payments and capital repayment increase from FYE21 as MSP takes on senior debt for the refurbishment of Property #2 and a mortgage on Property #3.
- Shareholder returns increase as more community share capital raised and all investors are forecast to receive 4.50% target interest each year (from FYE22).
- Share capital decreases from FYE21 with net 0.5% withdrawal of total share capital. This represents an estimated c. £21k withdrawals per annum (2.0% of total shareholder capital each year) but with c. £16k (1.5% of total share capital) effectively reinvested (in lieu of interest payments).
- Costs for Share Offer (estimated to be £20.5k) nearly 50% covered with c. £10k Reach Fund revenue grant element for the share offer preparation and launch.
- With surplus cash holdings projected – c. £200k at FYE25 – MSP will hopefully be in a strong position to purchase Property #4 at that stage, with three operational and fully let properties under management.

The table below shows the historic and forecast Balance Sheet for MSP.

**MSP: Balance Sheet summary (2017-24)**

Financial year ending (FYE) 30 September	2017	2018	2019	2020	2021	2022	2023	2024	2025
	A	A	A	E	F	F	F	F	F
Fixed Assets	£ 342,305	341,508	340,712	544,416	1,513,212	1,518,416	1,524,214	1,530,214	1,536,214
Cash	£ 16,062	22,656	257,600	626,971	139,168	154,461	169,416	185,810	203,393
Other current assets	£ 2,479	2,566	7,608	7,690	4,775	4,775	4,775	4,775	4,775
Debt	£ (179,234)	(172,931)	(112,495)	(105,538)	(641,303)	(626,561)	(611,295)	(595,486)	(579,115)
Other liabilities	£ (7,462)	(8,373)	(18,308)	(17,699)	(17,699)	(17,699)	(17,699)	(17,699)	(17,699)
<b>Net Assets</b>	£ <b>174,150</b>	<b>185,426</b>	<b>475,117</b>	<b>1,055,840</b>	<b>998,153</b>	<b>1,033,392</b>	<b>1,069,411</b>	<b>1,107,614</b>	<b>1,147,569</b>
Members' capital	£ 173,965	179,188	487,901	1,087,901	1,082,461	1,077,049	1,071,664	1,066,306	1,060,974
P&L account	£ 185	6,238	(12,782)	(32,058)	(84,306)	(43,655)	(2,251)	41,311	86,597
<b>Shareholder Funds</b>	£ <b>174,150</b>	<b>185,426</b>	<b>475,119</b>	<b>1,055,843</b>	<b>998,155</b>	<b>1,033,395</b>	<b>1,069,413</b>	<b>1,107,616</b>	<b>1,147,571</b>
<i>Difference</i>		0	0	2	2	2	2	2	2

*Source: MSP audited annual accounts to 30 September 2017, 2018, 2019 & MSP financial forecasts*

### Commentary:

- Fixed assets increase this year (FYE20) with purchase of Property #2 and forecast to increase substantially to over £1.5 million in FYE21 as Property #2 refurbished and Property #3 purchased.
- Current senior debt of c. £110k (mortgage with Triodos on property #1) against valuation of approximately £340k. This represents a gearing ratio (debt as a percentage of total capital) of 19%.
- Senior debt increases to c. £640k in FYE21 secured against new properties. Debt will be paid down and the short term (5 year) senior debt facility with OpenBox Developments is planned to be refinanced with long term bank debt once the expanded operational track record can be evidenced.
- The gearing ratio will increase to 37% (in FYE22) as a result of increased debt before gradually reducing. Historically MSP successfully operated the business with a gearing ratio of c. 40-42% (in FYE17 and FYE18) so management are confident this is sustainable.
- Members' capital expected to increase from c. £490k (FYE19) to over £1 million in the next financial year with planned share raise.

## Forecast financial performance: Sensitivity with 2 properties under management

The table below shows the historic and forecast Profit & Loss Account for MSP, assuming MSP only raises £150k in additional share capital and only manages two operational properties:

### MSP: Profit & Loss summary (2017-24)

Financial year ending (FYE) 30 September		2017	2018	2019	2020	2021	2022	2023	2024	2025
		A	A	A	E	F	F	F	F	F
<b>Revenue</b>	£	<b>25,320</b>	<b>26,363</b>	<b>27,457</b>	<b>29,973</b>	<b>27,756</b>	<b>79,033</b>	<b>79,152</b>	<b>79,953</b>	<b>80,622</b>
Revenue growth			4.1%	4.1%	9.2%	(7.4%)	184.7%	0.2%	1.0%	0.8%
<b>EBITDA</b>	£	<b>12,551</b>	<b>19,295</b>	<b>1,005</b>	<b>10,823</b>	<b>23,583</b>	<b>72,267</b>	<b>72,293</b>	<b>72,963</b>	<b>73,504</b>
EBITDA margin	%	50%	73%	4%	36%	85%	91%	91%	91%	91%
Financial expenses	£	(11,643)	(11,204)	(20,470)	(30,763)	(45,351)	(47,093)	(47,030)	(46,489)	(46,062)
Depreciation	£	(796)	(797)	(796)	(796)	(796)	(796)	(202)	0	0
Taxation	£	0	(1,241)	1,241	0	0	0	0	0	0
Revenue grants	£	9,352	0	0	14,960	0	0	0	0	0
<b>Net surplus / (deficit)</b>	£	<b>9,464</b>	<b>6,053</b>	<b>(19,020)</b>	<b>(5,776)</b>	<b>(22,564)</b>	<b>24,377</b>	<b>25,061</b>	<b>26,474</b>	<b>27,442</b>
Net margin	%		23%	nm	nm	nm	31%	32%	33%	34%

*Source: MSP audited annual accounts to 30 September 2017, 2018, 2019 & MSP financial forecasts*

### Commentary:

- Lower net deficit of c. £6k expected in FYE20 (this current financial year) due to much lower costs of share raise (£150k vs. £600k target raise).
- MSP forecast to still generate healthy net surpluses (> £24k p.a.) from FYE22 as Property #2 operational and fully let.
- Profit and cash generation comfortably covers all financial obligations, expenses and an increased return (4.50% p.a. target interest to shareholders) from FYE22.

## Property management

### Property One: Refurbishment of Godolphin Road

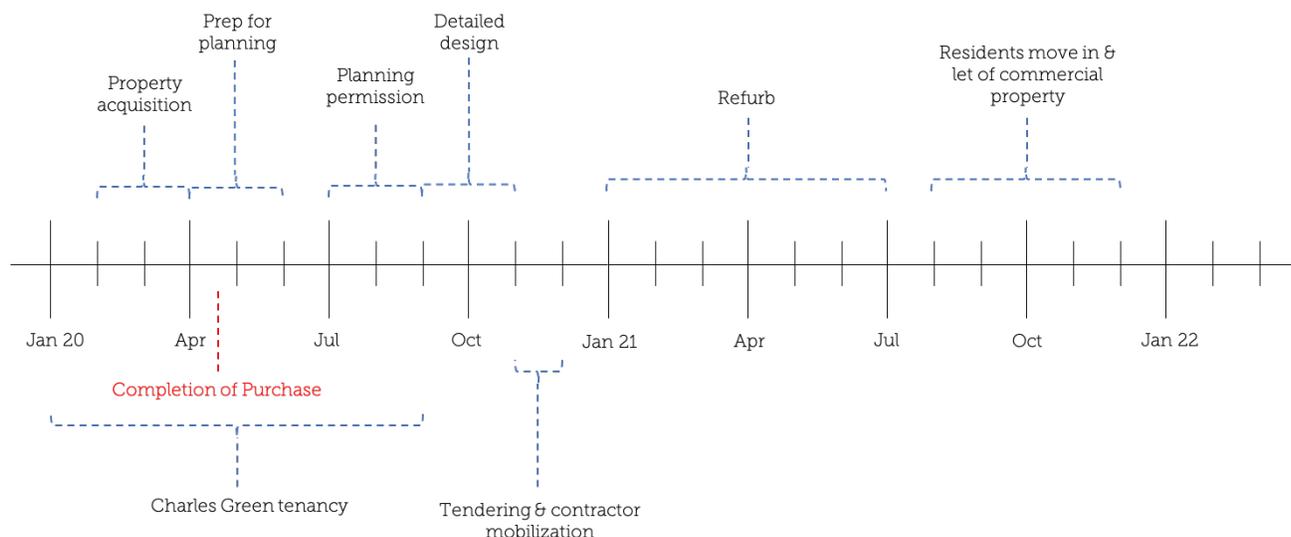
The first property purchased by MSP has been undergoing a refurbishment (with the tenant, St Petroc's, making some contribution to the capital costs) that is focused primarily on bettering the living experience of the tenants and updating elements to ensure that the tenants are safe. The works include:

- Addition of MVHR (Mechanical Ventilation with Heat Recovery) air recycling units;
- Updated fire alarm system and fire doors;
- Replacement of remaining single glazed windows;
- Increased loft insulation to meet current building regulations;
- Internal and external wall insulation & decorations; and
- Complete bathroom refit.

### Focus on Property Two: Alma Place

#### Timeline for purchase & development

Phase	Time
Property acquisition	February – April 2020
Completion of purchase	16 <sup>th</sup> April 2020
Charles Green tenancy *	January – September 2020
Preparation for planning	April – June 2020
Planning permission	July – September 2020
Detailed design	September – November 2020
Tendering & contractor mobilisation	November – December 2020
Refurb	January – July 2021
Residents move in	August – December 2021
Let of commercial unit	August – December 2021



\* Charles Green are an Architectural firm that were already renting one of the shops included in the property when MSP completed on purchase. They are continuing to use the premises and their lease is set to finish in September.

Design team for Alma Place

Alma Place - Design Team	CV & Operational Sectors	Examples
KOHA – Architect Gary Wyatt, Director & Architect  	Senior Architect for over 6 years before setting up his own Architectural firm, which he has run for the last 8 years. Previous work has been on commercial, residential, conservation and Health & Wellbeing projects.	<ul style="list-style-type: none"> <li>- Old Cathedral School, Truro</li> <li>- South Parade, Penzance</li> <li>- Esher rugby club feasibility, London</li> </ul>
Currie & Brown – QS James Wickett, Director 	Director at Currie & Brown for the last 12 years. The organisation works internationally – have been involved in many largescale projects from commercial property and healthcare to government led projects.	<ul style="list-style-type: none"> <li>- Victoria and Albert Museum - Photography Centre, London</li> <li>- Tate St Ives redevelopment</li> <li>- Cayan Tower, Dubai</li> <li>- Bickleigh Down eco village, Plymouth</li> </ul>
GPJ Consulting – M&E Gareth Jones, Director  	Director at GPJ consulting for over 17 years. Prior to this he worked in Biosecurity for 30 years, this also being one of the sectors GPJ operate within. Other sectors include; residential, healthcare, heritage and education.	<ul style="list-style-type: none"> <li>- Liverpool University, Veterinary school</li> <li>- Lighthouse apartments, Newquay</li> <li>- Royal Cornwall Hospital</li> </ul>
Parnalls – Solicitors Ben Mitchell, Solicitor  	Solicitor at Parnalls for over 5 years, specialising in Commercial Property and advising in Residential Property, sales and purchases of businesses and general commercial matters. Acting for both landlords and tenants in connection with leases, including industrial buildings, office space and renewable energy installations.	



**Property Three: Planned acquisition of next property in Newquay**

MSP has engaged with members of Plymouth Lighthouse Project who have aspirations of expanding their support to Cornwall; providing supported accommodation for addicts who want to maintain their abstinence. Continuing the process during COVID-19, MSP has completed some initial development appraisals on potential properties as a starting point. MSP is very excited at the prospects of working with a Cornwall based Lighthouse Project and initiating a partnership with them in the near future.

## Community and member engagement

### Track record: Community Share raises and membership

The table below shows the share capital raised from, and withdrawn by, members over the last three years.

#### MSP: Member Share Capital

Year ending 30 September		2017	2018	2019
		A	A	A
Opening balance of member share capital	£	171,940	173,965	179,188
New share capital invested during year	£	2,025	20,940	344,713
Share capital withdrawn during year	£	0	(15,717)	(36,000)
<b>Closing balance of member share capital</b>	£	<b>173,965</b>	<b>179,188</b>	<b>487,901</b>

*Source : MSP audited annual accounts to 30 September 2017, 2018, 2019*

#### Notes:

- Community share capital of c. £345k was raised in the financial year to 30 September 2019 (FYE19), when the Society also released funds through withdrawals by some early investors.
- £36k of withdrawals in one year is untypical - many investors choose to re-invest their interest each year.
- However, over the past 10 years the society has been able to provide liquidity of approximately 2-6% in any given year, with 100% of shareholder requests for withdrawal of share capital being honoured.

#### Membership

The table below shows how MSP has grown its membership and investor base over the last three years.

#### MSP: Membership levels

Year ending 30 September		2017	2018	2019
		A	A	A
Number of members at the beginning of year	#	27	25	23
Number of new members joining	#	0	0	53
Number of members leaving	#	(2)	(2)	(1)
<b>Number of members at the end of the year</b>	#	<b>25</b>	<b>23</b>	<b>75</b>

*Source : MSP*

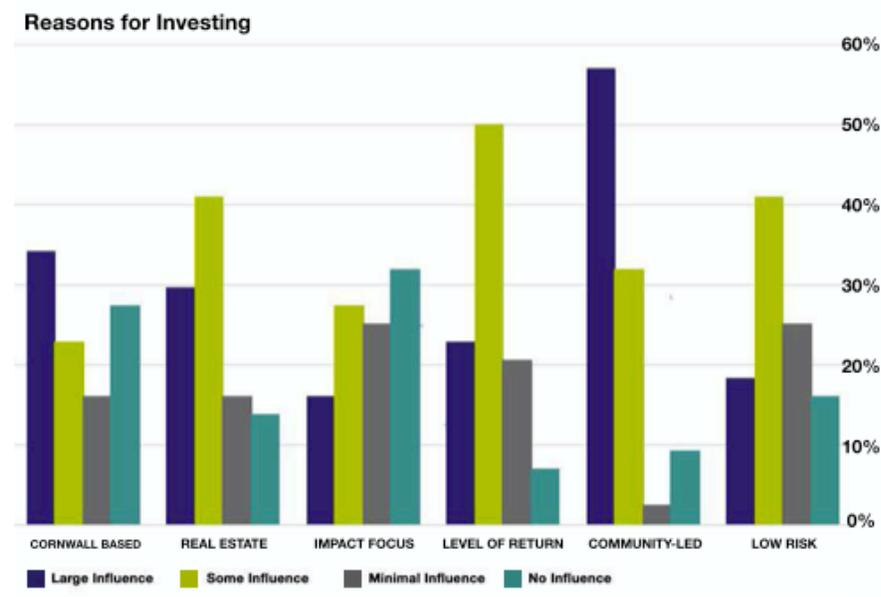
### Notes:

- Membership more than trebled in FYE19, from 23 to 75 members, as the Society raised c. £345k in new community share capital, with £36k of withdrawals in the year (including one investor withdrawing all their shares (£20k) and ceasing to be a member).
- MSP has four organisations which are members and investors, two of whom are large community shareholders: Esmee Fairbairn who have invested £100,000, and Andrews Charitable Trust who have invested £50,000.
- The other 71 investors (as at 30 September 2019) each had an average shareholding of approximately £4,600.

### Why do people invest?

People invest for a variety of different reasons. The largest influence for the majority of people was that Mustard Seed Property is led by the community. If you want to go fast, go alone; if you want to go far, go together! [#communityled](#)

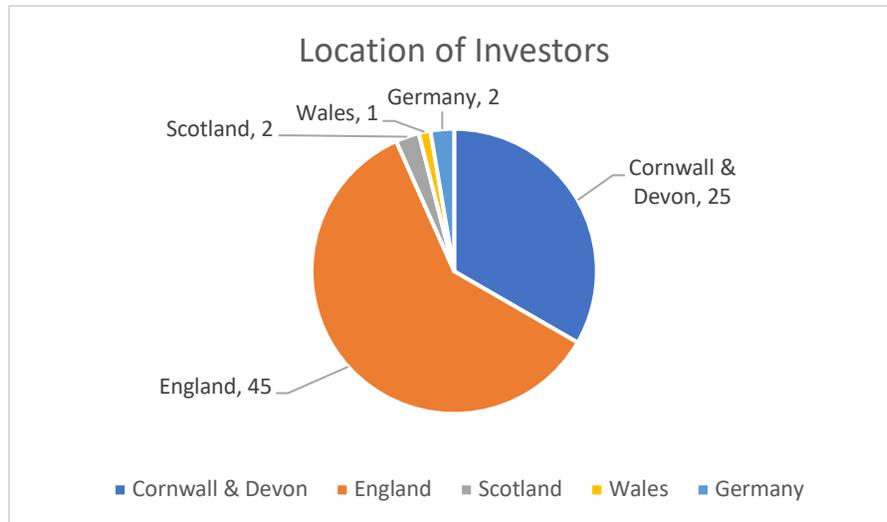
The graph below shows the reasons why people have continued to invest in MSP:



The 2019 SIR included the results of a survey of investors that MSP carried out to help understand their connections to Cornwall. 57% of investors said that Community Leadership was their top reason for investing.

### Membership from Cornwall and the wider community

By investing into MSP, investors are helping to build a better and more resilient society as a whole, not just limited to Cornwall. Most of MSP's investors come from further afield; the chart below shows that a third of investors (25 out of 75) come from Cornwall and Devon, with 45 from other parts of England and five investors from other countries.



### Engagement with membership

MSP engages on a consistent basis with the membership – sharing information on impact and commercial developments, and seeking views and input into the direction the Society takes. Some members are just investors. Other members are active in the local community – whether through volunteering or managing social enterprises and charities with a need for property to support the people they work with.

MSP will continue to engage with the membership as it expands with the current share offer (June 2020) to bring new people onto the board, explore opportunities to help more people, and to expand the network of operational partners with whom further properties can be developed.

### Investor engagement and campaign

#### Investor engagement

All existing members and shareholders have been involved in the process leading up to current share offer:

- Regular communication concerning MSP's plans for acquiring and developing new properties;
- Informed about the third share offer; and
- Given the first option to invest in the Society.

#### Ethex platform

MSP use Ethex as their platform for raising investment and administering community share purchases. This is MSP's third community share raise and second raise via the Ethex platform. The second raise (bringing in investors from across the UK) demonstrated the wider benefit of the MSP model to a nationwide audience and attracted investment from across the UK, which was very valuable and enabled the purchase of the second property. All investors to date have

received a consistent financial return and seen their investment making a clear difference to the lives of vulnerable people.

### Fundraising campaign

MSP's fundraising strategy involves:

- Staging a public share offer launch, using the Ethex platform, with a marketing campaign with assistance from the Ethex team and Resonance's Communications team;
- Contacting existing investors (mix of relationships with MSP, Resonance and Ethex);
- MSP's Directors contacting their private and corporate networks, using the mailing list, and reaching out to local councillors, business leaders, people of influence and activists to help promote the share offer;
- MSP's directors and Resonance contacting Cornwall based community organisations to facilitate cooperation (now and in the future) and to increase awareness of the MSP business model and share offer;
- MSP's advisors contacting potentially larger investors including Trusts & Foundations, and socially minded private investors (through their wealth managers and IFAs);
- Running a social media campaign on Twitter, Facebook and LinkedIn;
- Distributing flyers and putting up posters in the local area;
- Distributing press releases to the local digital and printed press; and
- Other initiatives may include: a launch event and attendance at fairs, festivals and other community events (if possible, in context of Covid-19) throughout the fundraising period.

## Key risks

The list of Key Risks below is not necessarily comprehensive, and you should consider other risks that may impact the value of your investment.

RISKS	COMMENTS
<b>Operational risks</b>	
That we are undertaking a significant increase in the scale at which we operate.	<ul style="list-style-type: none"> <li>• MSP has operated a successful business model for over a decade, generating net surpluses in years when capital not raise / property purchased.</li> <li>• Strong evidence has been used to underpin the assumptions, in our business plan and forecast financial model, around the new properties – including capital costs and rental incomes - and the revenue growth that will drive.</li> </ul>
Impact of Covid-19 on business model (additional cost and reduced income)	<ul style="list-style-type: none"> <li>• There are some operational cost increases which have been planned for to ensure the required PPE and additional cleaning is provided for all properties.</li> <li>• MSP does not expect there will be any reduction in income or reduced density in terms of accommodation (numbers of people living at properties).</li> </ul>
Impact of Covid-19 on property prices; should house prices fall this may reduce the equity available for borrowing (and make it more difficult to raise the required debt for refurbishment against properties) and potentially require MSP to write-down the value of the share capital	<ul style="list-style-type: none"> <li>• MSP does not expect there will be any reduction in income or reduced density in terms of accommodation (numbers of people living at properties) meaning that property prices should be supported by the fundamentals of the business.</li> <li>• MSP will only seek a sensible amount of leverage in terms of mortgage finance from social banks, alongside a sensible blend of equity (community shares) and lending from other socially minded investors (e.g. OpenBox Developments for refurbishment of Property #2)</li> </ul>
Voids caused by residents either moving out or being slow to take up anticipated occupancy; some rooms may be left vacant for a time, putting pressure on the partners.	<ul style="list-style-type: none"> <li>• MSP leases properties to partners on internally repairing and insuring leases, meaning this is a risk that is shouldered by the partner.</li> <li>• Rents are set to allow for some level of voids as well as maintenance and management costs .</li> </ul>

<p>Property development; buying and developing property carries both cost and time overrun risk. Both affect the ability to deliver expected financial yields.</p>	<ul style="list-style-type: none"> <li>• Valuations and appropriate surveys by qualified personnel, including detailed costs reports for all significant refurbishment work, are carried out ahead of purchases.</li> </ul>
<p>The business model is asset rich, and for that reason expansion requires significant cash outlay, share capital and debt finance.</p>	<ul style="list-style-type: none"> <li>• MSP has successfully raised share capital to date and has also built solid relationships with lenders (including Triodos Bank and OpenBox Developments).</li> </ul>
<p><b>Commercial risks</b></p>	
<p>Government policy change where revenues from leases are currently underpinned by housing benefit. Our partners also rely on support contracts, which are usually funded through Local Authority budgets. Changes in policy can affect the levels of funding.</p>	<ul style="list-style-type: none"> <li>• MSP leases properties to partners on internally repairing and insuring leases, meaning this is a risk that is shouldered by the partner.</li> <li>• In most instances the alternative to existing support contracts is residential care or 'hospital', both of which are more expensive to the state.</li> </ul>
<p>Our partners may get into financial difficulty or fail to provide appropriate support to individuals.</p>	<ul style="list-style-type: none"> <li>• Mustard Seed Property carefully assesses its partners based on quality and experience.</li> <li>• Partners are required to share their annual accounts and provide an annual impact report for each property they lease.</li> <li>• Operational partners are currently managing the social and financial challenges from Covid-19. The rents for the people they support (in properties provided by MSP) are paid for through Local Housing Allowance so this is not adjudged to present much risk to the business model.</li> </ul>
<p>Interest rates where current senior debt with Triodos Bank is borrowed at a rate of 3% above base rate. MSP also intends to take on additional senior debt as it purchases and develops more properties. If the Bank of England raises interest rates our mortgage payments would increase and this may begin to impact on the return available to investors.</p>	<ul style="list-style-type: none"> <li>• Our financial model and forecasts assume a base rate of 0.50% in the medium term, with a minimum overall rate for lending with Triodos (existing and planned) of 3.50% (0.50% base rate + 3.0%).</li> <li>• Senior debt facility agreed with OpenBox fixed at 4.00% for first 3 years.</li> <li>• Mustard Seed Property has a policy to maintain a sensible and affordable level of gearing (amount of debt relative to equity) which is not expected to exceed 40% over the forecast period.</li> </ul>