

MAKING SPACE

FOR VULNERABLE PEOPLE TO FLOURISH

Across Cornwall & the Isles of Scilly



MUSTARD SEED PROPERTY COMMUNITY SHARE OFFER 19 JUNE 2020

Closing Date: 31 August 2020

Target Raise: £600,000

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.

MSP: mustardseedproperty.co.uk/invest

Ethex: ethex.org.uk/mustardseed2020



**MUSTARD SEED
PROPERTY**



**Community
Shares**

STANDARD

Welcome	4
Share Offer Summary	5
Key Offer Terms	7
Advisors & Contacts	9
Key Facts at a Glance	10
Social Impact	11
Our Community	14
Board & Management	16
Governance & Operational Structure	18
Operational Partners	20
Property Acquisition Strategy	22
Financial & Investment Summaries	23
Important Information	27
Frequently Asked Questions	30
Risk Factors	32
Shareholder Application Form	36
Nomination Form	38



A home in Cornwall has come to mean, in many circles, a bolt hole for the wealthiest in the UK. Cornwall in turn has become all too dependent on seasonal income through tourism on which to survive the whole year; a precarious financial existence for many, now increasingly threatened by the continuing implications of the Covid-19 pandemic. Cornwall is an amazing place and a national leader in food and farming, renewable energy, manufacturing and a home for many tech-based entrepreneurs. But with its dispersed rural population, and its natural attractiveness as a retirement destination, it has also had to become a leader in social care. Cornwall's infrastructure can't easily cope with the increasingly disproportionate number of people who need support. There is an above average number of isolated retirees, people with learning disabilities and people with dementia, all in the context of fewer jobs, more disparate communities, and higher house prices.

Mustard Seed Property 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 our partner charities and social enterprises, Mustard Seed Property acquires and develops properties which we lease to our partners that make them available as homes or workplaces for the most vulnerable in our society. When we set up Mustard Seed Property (MSP) 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. We 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.

Mustard Seed Property recently completed the purchase of a second property at Alma Place in Redruth where we will help our partner, Karrek Community CIC, house an additional 6 people. We have also begun exploring additional acquisition opportunities with our existing partners as well as new partnerships including an exciting property with Newquay Lighthouse Project. We are therefore building on a successful and impactful business model to substantially increase the scale of what we do well.

MSP is a charitable organisation, but it is also a robust commercial investor. MSP has a decade of paying shareholders a financial return every year without fail. Today we have a relationship with several amazing charities and social enterprises all growing and needing access to more property, both commercial and residential. As Gandhi once said, *"A society's greatness is measured by how it treats its weakest members."* Cornwall's hospitality is world renowned. Help us show that this is a strength not just for those who can most afford it, but to the most vulnerable in our own community.

We can only grow if you or your organisation allow us to put your money to work for the most vulnerable in Cornwall and to benefit the community at large. Please join us by becoming a member today. To do so you can either fill out the application form on the back of this document or register with Ethex.

Thank you.

Mustard Seed Property Directors

www.mustardseedproperty.co.uk

At a Glance

Minimum target to be raised	£150,000
Maximum target to be raised	£600,000
Offer period	19 June to 31 August 2020
Minimum investment	£250
Maximum investment	£100,000
Target interest rate paid annually	3.5% from 1 October 2020 4.5% from 1 October 2021

Mustard Seed Property

Mustard Seed Property Limited (“MSP” or the “Society”) is a Community Benefit Society with charitable rules which was registered on 31 July 2007 in accordance with the Industrial & Provident Societies Act 1965, with registered number 30293R (Mutuals Register – FCA), and charity number ZD01397 (HMRC), and registered office at 5 Scarne Court, Hurdon Road, Launceston, PL15 9LR.

Offer for subscription

An offer of up to 600,000 Community Shares in the Society each with a nominal value of £1. Offer period from 19 June to 31 August 2020. Accrual date is 1 October 2020. There is a non-withdrawal period of 12 months and the share withdrawal notice period is 6 months.

Documents

The Rules of MSP, MSP’s Investment Plan, 2019 Social Impact Report (SIR) and latest financial statements (as well as the application form) are available on the MSP website (www.mustardseedproperty.co.uk/invest). Applications can be made by going to ethex.org.uk/mustardseed2020.

Standard Mark

The Community Shares Standard Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice. These standards ensure that:

- The offer document and application form are easy to understand
- You are provided with all the facts you need to make an informed decision
- The facts are supported by the annual accounts and/or business plan for the society
- Nothing in the documents is purposefully incorrect, confusing or misleading

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: communityshares.org.uk.



Important information

Mustard Seed Property (“MSP” or the “Society”) accepts responsibility for the information contained in this document. To the best of the knowledge of the directors of MSP, the information contained in this document is in accordance with the facts and contains no omission likely to affect its substance. Prospective investors should read the whole text of this document and are advised to read with particular care the sections of this document headed: ‘Important information’ (pages 27-29) and ‘Key risks’ (pages 32-34).

This invitation to subscribe for community shares in MSP is not regulated by the Financial Services and Markets Act 2000 or subsidiary regulations, to the extent that it is taking deposits by issuing withdrawable shares. Therefore, the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Our shares are not “controlled investments” for the purposes of the Financial Services and Markets Act 2000. You do not therefore have the level of protection that you might otherwise

be offered by the Act. In particular, this document does not need approval (and has not been approved) by an “approved person” under the Financial Services and Markets Act 2000.

This document is not regulated by the Prospectus Rules. Those do not apply because there is a specific exemption for Community Benefit Societies that conduct their business for the benefit of the community.

You should buy shares only with money you can afford to have tied up, without interest, and without capital appreciation, for several years or longer and with money that you are prepared to lose.

Should MSP get into financial difficulty:

- We may have to suspend your rights to withdraw your shares
- We may have to write down the value of your shares
- You may lose all the money you pay for your shares



Key Offer Terms

Share offer approved by Board of Mustard Seed Property Limited	27 May 2020, with final share offer (including Standard Mark accreditation) approved by Board on 18 June 2020.
Offer opened	19 June 2020
Offer closes	31 August 2020 The Offer closes on 31 August 2020 or whenever £600,000 is subscribed, whichever is sooner. The Board reserves the right to extend the Closing Date.
Minimum raise	£150,000
Target raise	£600,000
Investment type	Withdrawable community shares
Minimum investment	£250
Maximum investment	£100,000
Target interest rate	3.50% per annum, from 1 October 2020 4.50% per annum, from 1 October 2021
Interest payment date	Paid annually within 90 days of the end of each financial year, subject to available funds.
Re-investment of share interest	MSP's current policy is to re-invest all share interest as a new share issue for all members that have less than the maximum of £100,000 of share capital. Each year investors will receive an additional share certificate to the value of the re-invested amount and they will earn share interest on those new shares in subsequent years. Members have the option to opt out of this every year so they can receive cash returns.
Date interest accrued on subscribed shares	First year's interest will be paid pro rata as it accrues from 1 October 2020.
Interest calculation	Interest is calculated on a daily basis and payable on interest accrued through the relevant financial year (the next financial year being 1 October 2020 to 30 September 2021).
Voting	Membership of the Society is afforded to holders of community shares. MSP operates on a one member, one vote principle regardless of the size or value of the member's shareholding.
Shareholders	The offer is open to individuals over the age of 16, trust funds and corporate entities, groups and associations. You can also buy and hold shares on behalf of children.
Withdrawal of shares	MSP's policy is that all shares are locked in for 12 months. The withdrawal of funds is then subject to 6 months' notice. The Directors reserve the right to suspend withdrawals, should there be insufficient funds to make repayments.

Key Offer Terms - Continued

8

Tax advice

You should seek advice from a financial adviser or accountant on tax matters, as appropriate. Under current legislation interest on community shares is paid at a gross rate.

Nomination

In the event of the death of a shareholder, the repaid value of the shares will normally be added to the estate for probate purposes. For investments up to £5,000 you may elect to nominate a recipient for the value of the shares and thus (under current legislation) remove the value of the shares (up to £5,000) from your estate for probate (but not tax) purposes.



Advisors & contacts

Corporate
advisor

Resonance Impact Investment Limited ("RIIL"), a wholly owned subsidiary of Resonance Limited ("Resonance")

The Great Barn, 5 Scarne Court,
Hurdon Road, Launceston, PL15 9LR



Resonance is one of the UK's leading social impact investment companies. Since 2002 it has worked with over 165 social enterprises and charities, enabling them to raise capital to grow their impact, and make a greater difference to the communities they serve. Resonance currently manages over £210m of investors' capital across twelve operational funds and in 2019 the company mobilised almost £34m of useful capital into the hands of 33 enterprises from 237 investors.

Receiving
agent for the
offer

Ethex

The Old Music Hall, 106-108 Cowley
Road, Oxford, OX4 1JE



Ethex is a not for profit organisation based in Oxford UK with the aim of creating a marketplace for positive investments. They want to make Positive Investing easy, so that you can invest directly into leading social businesses with the lowest charges possible.

Bankers

Triodos

Deanery Rd, Bristol, BS1 5AS



Triodos Bank

Triodos' financial and banking services are for savers, investors and organisations who want to change the world for the better. Over 700,000 customers are already playing their part in their positive movement, making Triodos one of the world's most sustainable banks.

Solicitors

Parnalls Solicitors Limited

15-19 Westgate Street, Launceston,
Cornwall, PL15 7AB



Parnalls is a firm of solicitors based in Cornwall, providing broad and sensible advice, whether dealing with personal, private or business problems. Their forte is to combine good commercial acumen, local knowledge and old fashioned values, at rates that are more competitive than the larger city based firms. They act for a wider profile of clientele throughout the region and farther afield.

For all enquiries contact:

Ethex: Tel: 01865 403304, or Email: help@ethex.org.uk

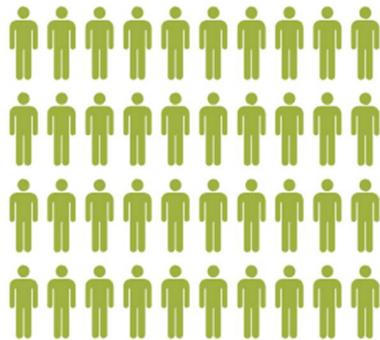
MSP: Email: info@mustardseedproperty.co.uk

Resonance Limited: Ben Wrigley, Tel: 07701 007553, or Email: ben.wrigley@resonance.ltd.uk

OUR TRACK RECORD

PEOPLE HELPED

Since 2007, through our partners, MSP has helped over 40 vulnerable adults who have learning disabilities or who are at risk of homelessness in Cornwall.



40+

INVESTMENT

MSP has raised £488,000 of community share capital and has paid an average return of 3.2% per annum to investors.

£488,000

3.2%



Capital returned in last 3 years

- Shareholder capital withdrawn - £52,000
- Debt capital repaid - £73,000

CURRENT INVESTORS

Current investors into MSP include individuals, companies and foundations from the South West and further afield.



PARTNERS

MSP works to strengthen local social enterprises to help vulnerable adults in Cornwall.



Our social enterprise partners are on the front line – in fact even before Covid-19 hit, they were on the front line. Our partners frequently support people facing everyday life or death situations, vulnerable often through no fault of their own. As Covid-19 enables many of us to withdraw into our homes, the support workers housing rough sleepers, delivering domiciliary care to adults with learning disabilities or working with victims of abuse keep on working. Like NHS and care home workers, the majority of these staff members are driven by a passion to put others first and do so willingly on typically low incomes.

Covid-19 is shaking our society, but the incomes of MSP partners are broadly intact. Rents are still being paid and the need is substantial and only likely to increase with the long term effects of the current global crisis. This gives MSP an ideal opportunity to step up and provide additional space for our partners and the people they support. MSP is backed by ordinary people prepared to pool their resources so that we can protect our communities, achieving together more than we could on our own.

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

All investments have a lasting impact, providing both a home and base for supporting the most vulnerable people in Cornwall. The properties purchased by MSP provide a stable home for as long as needed. The high-quality support provided by each of our partners reduces the number of individuals needlessly ending up in hospital or prison, creating both a more inclusive society and a strong, diverse and resilient community for us all.

Benefits to investment

Your investment allows you to become part of a greater movement that put the less fortunate and vulnerable first. Investors are presented with the opportunity to become directors and organisational investors hold the ability to nominate their staff to be part of local volunteering opportunities. Investors are the first to receive updates within the organisation through: regular newsletters, annual general meetings (to which all investors are invited) and social impact reports.



Benefits to investment

12

For the community	For individuals	For organisations
More supported accommodation and opportunities for those most vulnerable	Become part of a movement for a better, more inclusive society	Become part of a movement for a better, more inclusive society
High quality support reduces the number of people unnecessarily ending up in hospitals or prison	Opportunity to put yourself forward to become a director	Demonstrate to your employees and customers a real commitment to their community
A more inclusive society is good for all of us	Opportunity to network with like-minded individuals	Ability to nominate your staff for local volunteering opportunities
Strong, diverse and resilient community	Regular newsletters, annual review and social impact	Regular newsletters, annual review and social impact report

Impact - now and in the future

- **Property number one:** Since 2007, working with our partners, MSP has provided a home for over 40 vulnerable adults with learning disabilities or at risk from homelessness.
- **Property number two:** With the second property recently purchased, from October 2021 MSP expects to house and support an additional 6 people. In some cases this will be a first move towards further independence, but for others this could be their home for life.
- **Property number three:** With a third property identified and purchase planned, from October 2021 MSP expects (based on average stay of 12 months) to house and support an additional 10 people each year.

As such, from 2022 MSP expects to be able to house, and with its partners support, at least 16 more people each year – and this is just the start. With your investment, and support, MSP has exciting ambitions to build on its successful model. Once we have three properties operational and fully let – the ambition is to scale up substantially adding one to two new properties each year and significantly increase the impact generated and positive change across Cornwall and beyond.



What do other people say?

The resident's view

*"I have been here since January 2018. I was sleeping in a car after my mum died and I was evicted from our home of 50 years. People put in a good word for me with St.Petroc's and coming into this house, well, all my worries were answered! **I now have an address so I can look for work and I have a safe home.** It was a challenge sharing a house, but it's the only answer when you have little hope of getting back into employment or housing."*

Jonathan

The resident's view

"I've been here for about 2 years and making the place homely has been like therapy for me. I am glad to be able to live in the area I was brought up in and have connections and know the geography. A lady who used to live here came back to visit because she missed us all now that she's found her own flat. We have house meetings to sort things out like cleaning up after ourselves in the kitchen."

David

What do other people say?

The partner's view

"Homelessness is a complex issue and cannot be solved by any one agency or housing provider alone. MSP are the perfect partners for St. Petroc's and are regarded with the upmost respect as a socially aware property investor willing to partner with a homeless services provider like St. Petroc's, and work together to support vulnerable and potentially homeless people."

Steve, St Petroc's

The partner's view

*"It's really refreshing to have a relationship with a property investor like Mustard Seed Property. They buy the property we need with the best interests of the people being supported in mind, and then customise it to their needs. **It means we can focus our efforts on supporting people, not on becoming a property development company.** And we have security of tenure in a property that's fit for purpose and affordable for everyone involved."*

Geeta, Karrek

What do other people say?

The investor's view

"I've been an investor since the beginning of Mustard Seed Property. It is great to be able to use some of my savings to invest in the community that has been my home for so many years. As well as the fact that my money is helping provide opportunities for people who really need it, my investment has outperformed many of my mainstream investments, paying a consistent and increasing return in challenging economic times."

John

Track Record: Community Share Raises & Membership

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

Member Share Capital Year Ending 30 September		2017 A	2018 A	2019 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)
Closing balance of member share capital	£	173,965	179,188	487,901

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

Membership Levels Year Ending 30 September		2017 A	2018 A	2019 A
Number of members at the beginning of the year	#	27	25	23
Number of new members joining	#	0	0	53
Number of members leaving	#	(2)	(2)	(1)
Number of members at the end of the year	#	25	23	75

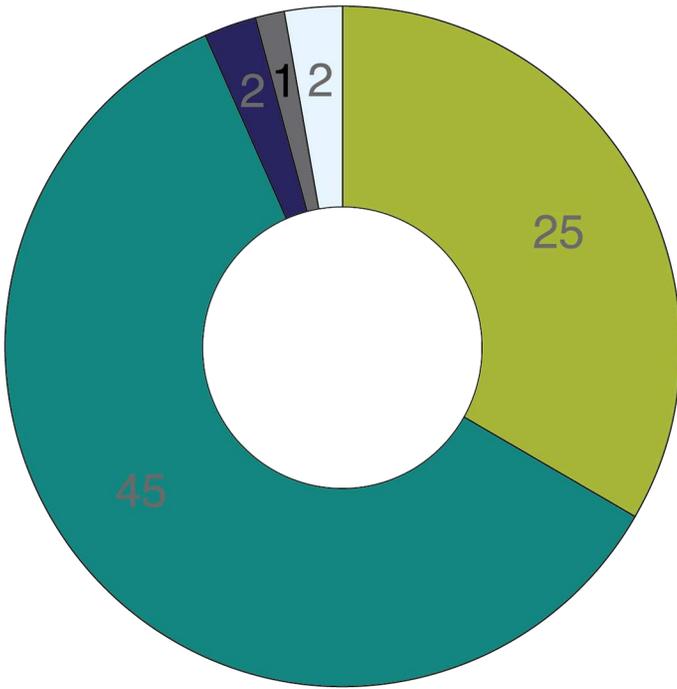
Source: MSP

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.

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, whilst they have some connection to Cornwall, live outside the county; the chart to the left 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.



Investor engagement and campaign

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

Our 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: online engagement with members and potential investors and attendance at fairs, festivals and other community events (if possible, in context of Covid-19) throughout the fundraising period.

Board of Directors



Mike Lowe - Chair

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.



Liz James

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.



Paul Ashton

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 became 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.



Daniel Brewer

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-exec of a small number of high impact social enterprises and sits on the investment committee for a leading impact investment foundation.

Management support



Nick Smith

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.



Jacob Lee

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. 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.

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 we operate in and make more property available to our partners and vulnerable people across Cornwall. Our Board of Directors is made up of local residents with a passion for helping the less fortunate in society as well as representatives from our operational partners; our social mission is defined in our governing documents. We recruit our Board from our membership and partners, and everyone is invited to attend and participate in our Annual General Meeting (AGM) where all new director appointments must be proposed and seconded by existing members. We also hold events, regularly send out email newsletters, conduct an annual survey, and use social media to keep everyone informed and respond in a timely fashion to any enquiries we receive. And finally, we foster a culture whereby our members and investors are encouraged to get in touch with us 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 company, 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
- Risk and resources

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



Conflicts of interest

Because we encourage our partners to put forward directors, there are a number of conflicts of interest that occur from time to time. These are documented clearly in meeting minutes and conflicted parties are not allowed to vote on the relevant board decisions.

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.

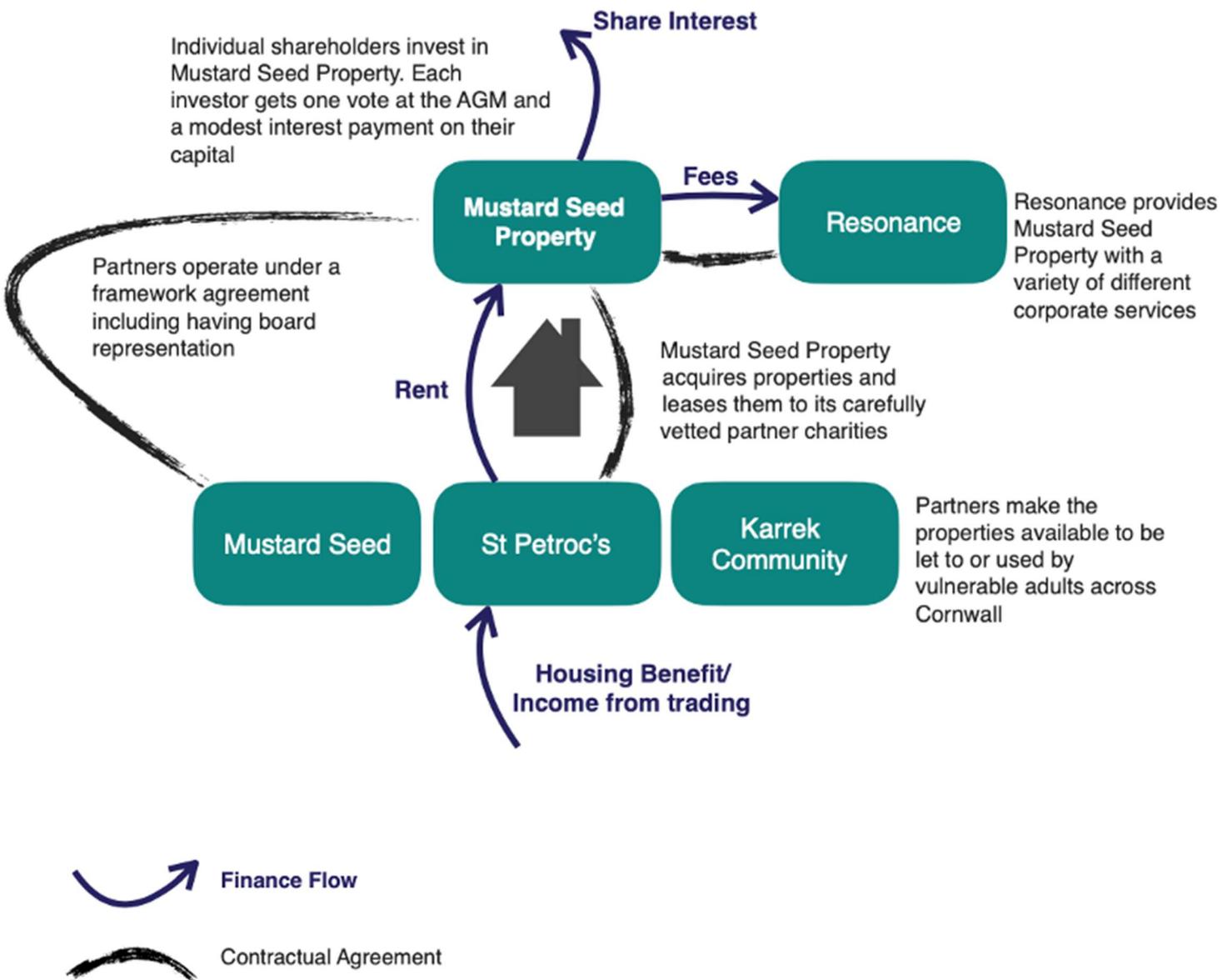
MSP also uses local suppliers where needed for all professional services – solicitors, architects, Quantity Surveyors, builders, etc.

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.

Operational structure

The diagram below shows how MSP operates – working closely with its charity and social enterprise partners to make property available for vulnerable adults, and to generate a social and financial return for the community share investors.





St Petroc's Society (St Petroc's)

St Petroc's provides accommodation, support, advice, training and resettlement services to single homeless people in Cornwall aged 16-65 years for whom no provision is made within the community, either statutory or otherwise.

St Petroc's currently leases **MSP's first house in Helston.**



Karrek Community CIC (Karrek)

Karrek works with people with learning and/or physical disabilities, mental health and/or behavioural challenges, autism and people with certain forms of brain injury. The organisation currently supports over 70 individuals with a mixture of care packages, ranging from 2:1 support, 24/7 support to a small number of set hours per week. Its vision is to "empower vulnerable people to have greater control over their lives and to enjoy their lives to the full."

Karrek has a number of people it supports in accommodation that doesn't best suit their needs and has identified a strategic requirement for new accommodation for people in further locations - Redruth, St Austell and Camborne. Karrek will therefore nominate the people it supports for **MSP's second house in Redruth.**

Karrek has a partnership with Hollywell Housing, a specialist supported housing provider. Hollywell provides housing support, and Karrek individual care and support.



Hollywell Housing Trust (Hollywell)

Hollywell Housing Trust is an award winning charity and social enterprise set up to offer a bespoke housing and tenancy management service for people with additional support needs who might not otherwise be able to access a sustainable home, learn life skills or manage a tenancy alone. They are not like a traditional housing association with a stock of housing to fill, they start with the individual and look at what they want and need before sourcing and securing the right property for them on the private rented sector. Hollywell takes a tenancy directly with the landlord and provides the individual with the housing related support and tenancy management they need to ensure that they are able to sustain their tenancy.

Hollywell will work with Karrek to provide housing and tenancy support for the people who will be accommodated in **MSP's second house in Redruth.**



Newquay Lighthouse Project

The Plymouth Lighthouse Project is a Community Interest Company providing supported accommodation for addicts seeking to maintain abstinence-based recovery using mutual aid fellowships. Support and housing management is provided by skilled and experienced staff. The residents attend meetings of local mutual aid fellowships (e.g. Alcoholics Anonymous) and are responsible for working their own recovery programme, within a supportive community. There are already successful Lighthouse Projects in Bideford and Plymouth both operating with a strict rule about the need for abstinence but otherwise encouraging a culture of self-responsibility. Lighthouse projects provide a safe environment for like-minded people to actively engage in maintaining and fostering a healthy community of mutual aid.

Building on the success of the Lighthouse Projects in Bideford and Plymouth, Newquay Lighthouse Project is planning to accommodate an estimated ten recovering addicts at **MSP's planned third house in Newquay.**



Mustard Seed (SW)

Mustard Seed runs The Open Door Café from which the charity supports people to learn valuable work-related and life skills and provides 'suspended' meals for individuals who are unable to pay for meals. The Helston and Lizard Foodbank, an information advice and guidance provision, is also run out of Open Door. The support enables people to learn the skills to live independent lives, looking after themselves and others with whom they also come into contact.

The Mustard Seed team helps to foster an environment which enables people to gain self-confidence in the workplace after illness or circumstances that may have changed. Work experience placements are regularly taken up from schools, colleges and external employment agencies with whom Mustard Seed works closely.

Mustard Seed was the first operational partner leasing a property from Mustard Seed Property. It does not currently have expansion opportunities that Mustard Seed Property can support, but they remain a partner.

MSP business model

MSP buys and refurbishes properties so that our 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 acquire properties which are then refurbished to a pre-agreed specification for its partners and to lease it to them on internally repairing and insuring 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 plus 3 studios and an 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.

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 our first property in Helston, if we can reduce the utility bills for our tenants and simultaneously generate a return from feed-in-tariffs and/or renewable heat incentives, we will look to invest in low carbon technologies. Even before Covid-19 hit, our 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 our properties.

Property returns

Our 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 we seek for renewable energy installations (on our properties) is at least 8%.

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. We believe this helps to reduce the risk to investors and enables us to be responsive to need across the county. However, we also have to be pragmatic and focus on acquiring properties with partners that are ready to expand.

The future

We are constantly looking to create opportunities for our 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. Our 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.

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. The comprehensive operating and investment plans (including detailed financial forecasts and commentary) are set out in a separate document: MSP’s ‘Investment Plan’ which is available on the MSP website at www.mustardseedproperty.co.uk/invest

Track record: returns to community shareholders

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

Use of Society Funds Year Ending 30 September		2017 A	2018 A	2019 A
Member share capital at year end	£	173,965	179,188	487,901
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, once the new properties are generating income.
- 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 stable existing revenues and the projected financial performance – see ‘Investment Plan’ – with healthy profits generated from October 2021 as new properties are fully let to operational partners.
- The target interest rate will therefore be maintained at 3.50% and only increased to 4.50% once profits are again generated.

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.

Financial Summary (2017-19) Year Ending 30 September		2017 A	2018 A	2019 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
Net profit (loss) after depreciation, interest on capital and tax	£	9,464	6,053	(19,020)
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)
Net Assets	£	174,150	185,426	475,119

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 a 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

The tables 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.

Sources of Funds Property		#1	#2	#3
Community shares	£		150,000	450,000
Cash	£		95,100	
Senior debt: OpenBox	£		350,000	
Senior debt: mortgage	£	50,000		150,000
Total capital	£	50,000	595,100	600,000
<i>Surplus cash (cumulative)</i>	£	10,000	31,508	225,508

Source: MSP acquisition strategy & financial forecasts

Notes

- Property #1 operational, Property #2 purchased (refurbishment), Property #3 planned.
- Minimum target of £150k, maximum target of £600k.
- Cash available on balance sheet.
- Facility in place for part-refurbishment of Property #2.
- £50k re-mortgage on Property #1, £150k mortgage on Property #3.

Uses of Funds Property		#1	#2	#3
Refurbishment costs	£	40,000	567,592	50,000
Property purchase	£	0		350,000
Fees	£		6,000	6,000
Total capital expenditure	£	40,000	573,592	406,000

Source: MSP acquisition strategy & financial forecasts

Notes

- Refurbishment: Property #1 (agreed); Property #2 (QS & Architect's report); Property #3 (estimated).
- Property #3: Several properties identified for purchase in late 2020 / early 2021.

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.

Forecast financial performance

- Revenue expected to increase substantially in FYE22 as Property #2 and Property #3 are fully let to operational partners from 1 October 2021.
- Net deficits forecast for the financial years ending 30 September 2020 and 2021, in period of expansion, as additional properties purchased and refurbished with additional debt and share capital raised, and share interest continuing to be paid.
- MSP will therefore incur net losses and will be carrying forward accumulated losses, and negative reserves, until the financial year ending 30 September 2023.
- Healthy net surpluses of over £40k each year are expected to be generated from the financial year ending 30 September 2022 as new properties fully let; with positive reserves recorded from 1 October 2023.
- Operational cash flows expected to increase significantly from FYE22 as two additional properties forecast to be fully let.
- 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 is planned to be refinanced with long term bank debt once the expanded operational track record can be evidenced.
- Members' capital expected to increase from c. £490k (FYE19) to over £1 million in the next financial year with planned share raise.

Share type

These are 'withdrawable' shares that cannot be sold, traded or transferred between Members, unlike the 'transferable' shares typical of a limited company, and only Mustard Seed Property Limited can repay them at the same value at which they were invested.

Who can invest?

Individuals over the age of 16, charities and other organisations may invest in this offer. You can also buy and hold shares on behalf of children.

How much can I invest?

We are offering £1 shares with a minimum investment of £250 and maximum investment of £100,000. The maximum £100,000 includes any existing investment you may hold in Mustard Seed Property Limited, including any held on behalf of children.

How do I invest as an individual?

Ethex is managing the share administration of this share offer. It is a not-for-profit investment platform, based in Oxford, which makes positive investing easy to understand and easy to do.

You can either:

Invest online at ethex.org.uk/mustardseed2020. This will take you through to the Ethex website where our share offer is listed. This paperless process is our preferred mechanism and is the most efficient method for investing. If you have any problems, or need help, then please call 01865 403304 or email help@ethex.org.uk.

Or, if you would prefer, you can send a cheque with a paper application to Ethex and they will process your investment. (See application form at the end of this document for more details.)

If you would like to apply for and hold shares on behalf of children, you will need to submit a paper application accompanied by the additional Holding shares on behalf of children form at the end of this document. Unfortunately, we do not have the facilities to accept this form online. This must be done at the time of application and cannot be done retrospectively.

All monies invested will be held within a segregated client account by Ethex. As such, investors are not exposed to any liabilities of the Society until such time as the offer is deemed a success; when the investors are allocated their shares and the monies are transferred to the Society.

How do I invest as an organisation?

Please contact Ethex directly.

What are the benefits?

The biggest benefit you receive as an Investor Member is the knowledge that your funds are being used to provide accommodation, homes and workplaces in which vulnerable local people can flourish and, through that, you are making a tangible difference to the future of the community. In addition, we offer:

- A stake in a successful social enterprise with a proven track record, and which has paid a financial return every year for over a decade to its investors. Please note that past performance is neither a guarantee nor a reliable indicator of future results.
- Democratic voting rights, with one member, one vote, at our AGM. So even if you invest the minimum amount, you have the same voting influence as those who have invested the maximum.
- The opportunity to put yourself forward to become a director and elect the Board who govern Mustard Seed Property Limited.
- Interest accrued from 1 October 2020.
- The right to apply to withdraw your capital after 12 months of investment.

Is my investment safe?

You can be sure that your funds will make a positive difference to local communities but there is no guarantee of receiving a financial return on your investment. Investors may receive back less than their original investment and may not get it back at all. Please do not invest funds that you cannot afford to lose. You can read more about the risks of investing in the 'Key risks' section (p. 32-34).

Will the value of my shares ever increase?

No, unlike company shares co-operative and community benefit society shares cannot go up in value, but they can go down meaning that you could lose some or all of the money you invest.

Why do I get an interest payment, not a dividend?

Due to our structure as a Community Benefit Society our shareholders can receive interest payments on their investment (rather than dividends) and these are limited under legislation to what is necessary to attract and retain the investment. Please also see 'Share Interest re-investment' below.

What is a 'target' interest rate?

We set a target interest rate for investment held in the Society; this is the rate we will strive to deliver, based on the anticipated performance of our business. The Society has set a target interest rate of 3.50% per annum and aims to increase this to 4.50% for the financial year ending 30 September 2022 but this remains a target not a guarantee. The interest rate is paid yearly at the discretion of the Board dependent on the financial performance of the business.

Share withdrawals

Whilst individual requests to withdraw will be at the discretion of the Board, MSP has been able to honour 100% of share capital withdrawal requests since incorporation. The scope for being able to withdraw shares in the future will be dependent upon the Society continuing to operate a successful business and hence generate cash flows to pay out share withdrawals, or contingent on the Society raising additional capital for the purpose of paying out share withdrawals. Please note that in this context also past performance is neither a guarantee nor a reliable indicator of future results.

Shares will be repaid at the original price (subject to comments hereafter). The Directors of the Society have the right to change the withdrawal facility, or to suspend withdrawals. Similarly the Directors have the right to write down the value of shares, if the liabilities of the Society (and its share capital) should exceed the value of its assets. Members who then withdraw their shares will only receive the written down value of their shares.

However, the Society does not anticipate writing down the value of shares during the forecast period of losses planned for as MSP adds new properties and continues to pay share interest:

- MSP is expected to generate net deficits in the financial years ending 30 September 2020 and 2021, and will therefore be carrying forward accumulated losses, and negative reserves, until the financial year ending 30 September 2023.
- Healthy net surpluses of over £40k each year are expected to be generated from the financial year ending 30 September 2022 as new properties fully let; with positive reserves recorded from 1 October 2023.

Please refer to the detailed Financial Forecasts in MSP's 'Investment Plan' which is available on the MSP website at www.mustardseedproperty.co.uk/invest

The value of your shares may fall and their value will not exceed the original value of £1.00 per share. Although shares are withdrawable, you may not be able to withdraw the full price you pay for them if MSP does not have funds available at the time you want to withdraw your shares.

Share Interest re-investment

It is MSP's current policy to re-invest all share interest as a new share issue for all members that have less than the maximum of £100,000 of share capital. This is a small but valuable source of capital expansion for MSP but it is also a way for investors to experience the benefit of compound returns. Each year investors will receive an additional share certificate to the value of the re-invested amount and they will earn share interest on those new shares in subsequent years.

We will give members the option to opt out of this every year so they can receive cash returns if that is preferable.



What happens to my shares if I die?

If a Member dies, the repaid value of the shares will normally be added to the estate for probate purposes. The simplest way to ensure your shares will be transferred in line with your wishes is to complete and return a **Nomination of shares on death** form to Mustard Seed Property Limited. This will be sent out with share certificates and can also be downloaded from Mustard Seed Property's website 'Invest' page.

If a Member dies more than two years after investing, the shares can qualify for 100% relief under Business Relief for Inheritance Tax because the shares are unlisted.

How do I apply to withdraw capital?

MSP's policy is that all shares are locked in for 12 months. There will be an annual process by which investors can apply to withdraw some or all of their equity in any one year. We will confirm if your application has been successful, with applicants having their capital returned within 6 months of notification of their success.

Because MSP has a policy to hold approximately 5% of share value in cash, requests to withdraw capital will be met where possible. However, ultimately any withdrawal remains at the discretion of the Directors who have an obligation to put the overall financial wellbeing of Mustard Seed Property Limited first.

Can I hold shares on behalf of children?

Members must be at least 16 years of age. You have the option of holding shares on behalf of someone who is under 16 subject to the individual maximum investment limit of £100,000 (which includes shares held by the individual and on behalf of any children). Following that person's 16th birthday they may become a Member of the Society and those shares can be passed on to them. If you would like to hold shares on behalf of children, complete the **Nomination** form at the end of this document. Unfortunately, we do not have the facilities to accept this form online. Please complete a paper application and return it to Ethex.

Can we hold shares in joint names?

We have historically had very few people applying to hold shares in joint names, so we have decided to not offer this option at this stage.

Voting

Each member has one vote regardless of the size and value of their shareholding. Members will be kept informed of developments through the Mustard Seed Property website, by e-mails where the member so wishes, newsletters, surveys, annual reports and Annual General Meetings.

What happens if the share offer is undersubscribed?

If we fail to meet our minimum target, we will not process applications and any monies received will be returned.

What happens if the share offer is oversubscribed?

Should the offer be oversubscribed, we will accept additional investment as we have sufficient property projects and partners in our pipeline to quickly make use of the additional capital. We also have the ability to repay some debt and so could comfortably over raise by at least £500,000. Should circumstances change, we will not exceed the target in order to avoid overcapitalisation. In which case, we will prioritise investment in order of receipt of application.

Dissolution

In the event of the society being dissolved, after paying creditors any remaining surplus would then go to paying back initial investments on a pro rata basis, plus any interest due. Should there be any surplus after this point, it will be distributed to other organisations in Cornwall with similar objectives, as chosen by the members.

What are community shares?

There is no legal definition of community shares. The term is used to refer to a unique form of share capital called 'withdrawable shares' which can only be issued by co-operatives or community benefit societies registered with the Financial Conduct Authority (FCA). Co-operative societies are for the mutual benefit of their members, whereas community benefit societies are for the broader benefit of the whole community. A withdrawable share can be withdrawn from investment, subject to the terms and conditions of the Society. This provides a straightforward way of getting your money back when you want to cash-in your shares although please note that it is not a guarantee that you will get your money back. Withdrawable shares are very different from 'transferable shares', which are the type of shares normally issued by companies. To cash-in transferable shares you must first find a buyer to whom you can 'transfer' (i.e. sell) your shares, at an agreed price. 'Transferable shares' in larger companies are bought and sold through stock markets, but these markets do not cater for smaller companies where there are very few buyers or sellers. Finding someone willing to buy 'transferable shares' in a small venture can be very difficult.

What are the benefits of community shares for enterprises?

Community shares can potentially offer a number of benefits to community enterprises seeking to raise finance.

- **Capital:** Community shares can provide patient and flexible long-term risk capital linked to the performance of the Society
- **Leverage:** Community shares can help secure further funding based on the 'first move' of the community
- **Governance:** Community shares can give members meaningful involvement in the running of the Society
- **Operation:** Community shares can promote member involvement in the operation of the enterprise

What are the risks of community shares?

The sale of community shares is not regulated by the Financial Conduct Authority, because investors are deemed to be investing for social returns, not financial gain. This is good news for community ventures, which would otherwise face prohibitively expensive regulations when marketing community shares. But it comes at a cost to community investors, who have no right of complaint to the Financial Ombudsman Service and cannot apply to the Financial Services Compensation Scheme.

Community shares are much riskier than keeping your money in a savings account with a bank or building society, where currently the first £85,000 is usually fully protected. You can lose everything you invest in a community shares offer. This is why it is important to look carefully at a community share offer, paying particular attention to the 'Key Risks' section, before deciding to invest.

What return can I expect from my community shares?

Mustard Seed Property currently offers a target financial return of 3.50% per annum on your investment which it aims to increase to 4.50% from 1 October 2021, together with the scope to cash-in (withdraw) your shares. The interest rate is paid yearly at the discretion of the Board dependent on the financial performance of the business.

However, you should be aware that, unlike companies, there are legal limits to financial returns / interest payments on shares in co-operative and community benefit societies, based on the principle that interest should be no more than is sufficient to attract and retain the investment. Also, unlike company shares, community shares cannot go up in value but they can go down, meaning that you could lose some or all of the money you invest.

What is a community benefit society?

A **community benefit society** is run primarily for the benefit of the community at large, rather than just for members of the Society. This means that it must have an overarching community purpose that reaches beyond its membership. An applicant enterprise must also have a special reason for being a community benefit society rather than a company, such as wanting to have democratic decision-making built into its structure. Although a community benefit society has the power to pay interest on members' share capital, it cannot distribute surpluses to members in the form of dividends.

As a charitable community benefit society, MSP has a charity asset lock.

What's the difference between an ordinary or transferable share and a community share?

Community shares refers to a distinct type of share capital called Withdrawable Shares which behave differently to conventional share capital, also known as ordinary or transferable shares:

Transferable Shares

Most companies use a form of share capital known as transferable or ordinary shares, which can be transferred or sold by shareholders to a third party at a mutually agreed price based on their personal valuations. Investors buy shares in the expectation of two types of financial return: a regular dividend on shares, and the possibility of capital appreciation, in which case they would expect to sell the shares at a higher price than they paid for them.

If these shareholders want to cash in their shares, they will usually find a buyer who will purchase all the shares in the company. Larger companies that decide to go public will normally be listed on a stock market, which provides a mechanism for buying and selling shares. Market forces and speculation on the future value of those shares determine share prices.

Withdrawable Shares

Withdrawable share capital is completely different. This type of share capital cannot be transferred between people. Instead, the Society allows shareholders to withdraw their share capital, subject to terms and conditions that protect the Society's financial security. The value of shares is fixed and not subject to speculation, although some societies have the power to reduce share values if the Society is experiencing financial difficulties.

Voting and maximum shareholdings

Shareholders have only one vote, regardless of the size of their shareholding, so the Society is democratic. There is a limit on personal shareholdings, currently up to £100,000.

Asset lock

MSP as a Charitable Community Benefit Society has adopted a charitable asset lock, which prevents the Society being sold and the proceeds of the sale being distributed amongst shareholders. This removes the possibility of capital appreciation and the scope for investor speculation. In the event of dissolution, any residual assets would be distributed to other charitable organisations sharing the same objects.

Why should I buy community shares?

The main reason for buying community shares is to support the social aims of the venture concerned. Unlike shares in private companies, where personal financial gain is the main motive, community shares are subject to laws that limit financial gain and emphasise social benefit. The following are all possible reasons for purchasing community shares:

- You want to do something good for the community in which you live or work
- You want to be part of a democratic organisation
- You want to have more control over where your money goes and how it is used to benefit society
- You are looking for alternative options for how you use your money

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 for investors	Comments
<p>The money you pay for shares is not safeguarded by any depositor protection scheme such as the Financial Services Compensation Scheme (FSCS).</p>	<ul style="list-style-type: none">• This Share Offer is exempt from regulations under the Financial Services and Markets Act 2000 and Financial Services and Markets Act 2000 (Prospectus) Regulations 2019 and therefore you do not have the protection provided by these acts. This means that there is no right to complain to an Ombudsman; and this share offer has not needed to be approved by an approved person under the Act.• The shares are not tradable and the full value may not be returned if certain risks described below are realised.• The shares are an illiquid financial instrument which means you may not be able to get your capital back immediately or when needed.• MSP provides for withdrawal of share capital after a certain point - see 'Important Information' section of this document.
<p>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.</p>	<ul style="list-style-type: none">• 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.• 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).
<p>The shares are illiquid, and the Board of Directors may not consider they are in a position to allow withdrawal if and when required, so you may not be able to have your money back when you request it.</p>	<ul style="list-style-type: none">• 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. Please note that past performance is neither a guarantee nor a reliable indicator of future results.• The Financial model provides for 2.0% of total share capital (at previous year end) being withdrawn each year.
<p>The value of the shares may be written down so you may not receive all, or any, of your money back.</p>	

Operational risks	Comments
<p>That we are undertaking a significant increase in the scale at which we operate.</p>	<ul style="list-style-type: none"> • MSP has operated a successful business model for over a decade, generating net surpluses in years when capital not raised / property purchased. • 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.
<p>Impact of Covid-19 on business model (additional cost and reduced income).</p>	<ul style="list-style-type: none"> • There are some operational cost increases which have been planned for to ensure the required PPE and additional cleaning is provided for all properties. • MSP does not expect there will be any reduction in income or reduced density in terms of accommodation (numbers of people living at properties).
<p>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.</p>	<ul style="list-style-type: none"> • MSP leases properties to partners on internally repairing and insuring leases, meaning this is a risk that is shouldered by the partner. • Rents are set to allow for some level of voids as well as maintenance and management costs.
<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"> • Valuations and appropriate surveys by qualified personnel, including detailed costs reports for all significant refurbishment work, are carried out ahead of purchases.
<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"> • MSP has successfully raised share capital to date and has also built solid relationships with lenders (including Triodos Bank and OpenBox Developments).

Commercial risks

Comments

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.

- MSP leases properties to partners on internally repairing and insuring leases, meaning this is a risk that is shouldered by the partner.
- In most instances the alternative to existing support contracts is residential care or 'hospital', both of which are more expensive to the state.

Our partners may get into financial difficulty or fail to provide appropriate support to individuals.

- Mustard Seed Property carefully assesses its partners based on quality and experience.
- Partners are required to share their annual accounts and provide an annual impact report for each property they lease.
- 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 Housing Benefit so this is not adjudged to present much risk to the business model.

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.

- 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%).
- Senior debt facility agreed with OpenBox Developments fixed at 4.00% for first 3 years.
- 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.



SHAREHOLDER APPLICATION FORM



MUSTARD SEED
PROPERTY

36

We would prefer you to apply for shares online at: ethex.org.uk/mustardseed2020. However, if you would rather use a paper application **PLEASE COMPLETE BOTH SIDES OF THE SHARE OFFER APPLICATION IN BLACK INK AND CAPITALS AND SEND A CHEQUE TO THE ADDRESS AT THE END OF THIS FORM**. You can also make a BACS payment. If you wish to do this, please tick the box at the end of this page and be sure to include your email address.

If you would like to nominate someone to receive shares on death or are applying for children, then please complete the Nomination Form available online at ethex.org.uk/mustardseed2020 and post alongside this form.

An individual set of application form and nomination form will be needed for each investment and nomination application.

INVESTMENT

<p>I wish to invest a total amount of in Mustard Seed Property Limited based on the Terms and Conditions of the Share Offer document at the price of £1 per share.</p>	£
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YOUR DETAILS

First name:	Surname:
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Address:
Postcode:

Previous address (if less than 3 years at above address):
Postcode:

Date of birth:	Nationality:
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Telephone:	Email:
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How did you find out about Mustard Seed Property Limited?

I would like to pay by BACS transfer. Please send me an email with payment details.

I CONFIRM MY UNDERSTANDING THAT:

When accepted by Mustard Seed Property Limited, this Application forms a contract subject to the law of England and Wales on the Offer Terms of the Share Offer document.

An Applicant who/which is not a UK resident is responsible for ensuring that this Application complies with any laws or regulations applicable outside the UK to which he/she/it is subject, and that he/she/it will need to provide a UK based or sterling bank account.

If the Offer is oversubscribed it is possible that an otherwise eligible Application will not be accepted in part or in whole.

I CONFIRM THAT:

I have read the Share Offer document and accept the terms of the Share Offer and the Rules of Mustard Seed Property Limited.

I understand that the payment supporting this Application will be presented upon receipt and I warrant that it will be paid on first presentation. I understand that my Application will be handled by Ethex who may need to contact me for further information to be able to complete my Application.

I understand that:

- This Application may be withdrawn if a supplementary Share Offer document is issued, but not otherwise and if and when accepted by the Society forms a contract subject to English law on the Terms and Conditions of the Share Offer document
- This Offer closes on 31 August 2020 or whenever £600,000 is subscribed, whichever is sooner; The Board reserves the right to extend the Closing Date
- If the Offer is oversubscribed it is possible that an otherwise eligible Application will not be accepted in part or in whole; and that
- If insufficient funds are raised by the Offer, my payment may be returned.

I confirm that:

- I have read the Share Offer document, including the 'Key risks' section, the Rules and this Application Form and am not relying on any information or representation in relation to the Offer which is not included in the Share Offer document
- I am responsible for obtaining any financial and tax advice concerning this Offer and I have not relied on the Society or its advisers for any such advice.

I authorise the Society and/or Ethex to make such enquiries as are deemed necessary to confirm the eligibility of my Application

- I am not making an Application or multiple Applications for a total of more than 100,000 Shares in the Society
- I will provide any additional information on request from the Society or Ethex in connection with this Application (including any information to provide the Society or Ethex with satisfactory evidence of my identity)
- If signing this Application on behalf of any person, I have their explicit authority, and
- I understand if my Application is successful, I will become a Member of the Society and agree to be bound by its Rules.

I consent to using the email address above as the primary means of communication for official documents from Mustard Seed Property Limited.

PLEASE NOTE THAT BEFORE COMPLETING THIS FORM YOU SHOULD HAVE:

- Read the Share Offer document
- Considered the Offer Terms and the Risks as set out in the Share Offer document
- Considered whether you need to take any financial advice in relation to the Offer Terms

NB: The data that you provide on this application form will be stored within a computerised database, by the Receiving Agent, Ethex and Mustard Seed Property Limited and its corporate advisers Resonance Impact Investment Limited. Your information will only be used for the purposes of this Share Offer and will not be disclosed to any third party.

I understand that the cheque supporting this application (if enclosed) will be presented for payment upon receipt and

I warrant that it will be paid on first presentation. **All applications received will be acknowledged by Ethex.**

Signature:

Date:

ONCE COMPLETED PLEASE SEND YOUR APPLICATION TO:

Ethex, The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE

Cheques should be made payable to 'Ethex Investment Club Ltd'

MUSTARD SEED PROPERTY LIMITED NOMINATION FORM

38

USE THIS FORM IF YOU WISH TO:

- Hold shares on behalf of a child under 16, and/or
- Nominate someone to whom you wish your shares to be transferred in the event of your death.

These nominations cannot be made online. Print and complete this form in capital letters and return it with an accompanying completed Application Form for each investment to:

Ethex, The Old Music Hall, 106-08 Cowley Road, Oxford, OX4 1JE

HOLDING SHARES ON BEHALF OF A CHILD

If you wish to hold shares on behalf of someone who is under 16 years of age, please fill in that person's details below.

First name:	Surname:
Date of birth:	Nationality:
Address:	
Postcode:	

TRANSFERRING SHARES UPON YOUR DEATH

You can nominate a person aged 16 or over to whom you wish your shares to be transferred upon your death. Trustees will have to be appointed for a nominee aged under 16 years.

First name:	Surname:
Date of birth:	Nationality:
Address:	
Postcode:	

Mustard Seed Property Limited will respect your wishes in so far as the law and our Rules permit.

If you have already placed your order online then please add your 5 digit reference number here:

I understand that it might not be possible for Mustard Seed Property Limited to action this request and I and my Heirs will not hold the Society responsible for its actions. I understand that these instructions can only be revoked or amended by my giving clear written instructions to Mustard Seed Property Limited at its Registered Office. I understand that Trustees will need to be appointed if my nominee is under 16 years of age.

Signature:

Print name:

Date:



To apply contact:

Ethex: Tel: 01865 403304, or Email: help@ethex.org.uk

For enquiries contact:

Resonance Limited: Ben Wrigley, Tel: 07701 007553, or Email: ben.wrigley@resonance.ltd.uk



@MSPCornwall



@Mustard Seed Property



@MSPCornwall



**MUSTARD SEED
PROPERTY**