Appendix 1

Dover District Council Local Property

Business Case

April 2018

Company Name Proposal:
Honeywood Properties Ltd

Contents

1. Executive Summary

This document sets out the business case and initial business plan to establish a separate local property company to provide the Council with a vehicle to invest in both residential and commercial properties. For the purposes of this report this company will be referred to as the Dover Local Property Company (DLPC).

In order to comply with the statutory requirement for the Council to approve the business case of new local authority companies (Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009/2393) this business case will be submitted to Cabinet for approval. This business case has been developed in accordance with the Secretary of State's guidance.

Once Cabinet approval is in place the DLPC will be set up and incorporated as soon as practically possible as a private company limited by shares. Any profits made by the Company will either be re-invested into the operation or paid to the Council by way of dividend as sole shareholder.

The purchase of properties will be carried out in accordance with the business plan and will be approved by the Council on a project by project basis.

2. Business Proposal

Background

In view of the reduction in central government support the Council has a responsibility to consider smarter ways of working and providing additional income. It is therefore undertaking a review of how it manages property investment to generate income to continue to maintain services and to live within its means.

The Property Investment Strategy which was approved by Council in November 2016 identified the need for the creation of one or more residential and commercial property companies to engage in property investment at arm's length from the Council for a commercial purpose. Further advice has been received which enables both residential and commercial activities to be undertaken by one arm's length company which will be solely owned by the Council. Additional subsidiaries can be created if specialist boards are required for elements of the Company's operations.

The Council's corporate plan shows that improving infrastructure and housing growth is a priority and the establishment of a separate property company will provide the means to proactively explore new methods of commercial property investment and housing delivery across the district.

The Council has considered the powers it is using in order to establish the Local Property Company and the legal justification for the establishment of the Company. The Council is authorised to undertake this course of action by virtue of its powers under s1 (General Power of Competence) and s4 (the commercial purpose power) of the Localism Act 2011 which in particular extends the existing trading scheme under the Local Government Act 2003 so that in so far as the general power permits the Council to carry out a particular activity, then s. 4 empowers it to do so for a commercial purpose. As the Council is not seeking to charge an individual for something it is required to provide by statute and is proposing to trade through a company limited by shares, then subject to proper exercise in accordance with the Wednesbury principles of reasonableness, the Council is permitted to undertake this activity.

Dover Local Property Company Objectives

It is important that the Company has enough flexibility to buy considered opportunities and work on a commercial basis. This may include joint ventures, special purpose vehicles and possibly development management agreements. The DLPC could enter into and have subsidiary companies to be able to trade effectively in the property market place e.g. special purpose vehicles for particular projects.

The DLPC objectives will be:

(a) Maximise the return to the shareholder from its asset portfolio and exploit opportunities for acquisitions, development and commercial return from assets;

(b) Create a delivery model that puts elements of the Council activities at arm's length, where the Company can be focused on the delivery of their service that operates with a degree of commerciality in line with aspirations that mirror the Council's Corporate Plan;

(c) Deliver approved property developments and to acquire and sell private market property;

(d) Stimulate and accelerate property and development delivery;

(e) Hold, manage and operate high quality private lettings;

(f) Act as a responsible and equitable landlord;

(g) Provide a range of high quality housing for the people of the Dover District;

(h) Deliver housing within the District of the appropriate quality, type and affordability to meet the needs and aspirations of residents;

(i) Provide or procure landlord services to the tenants of any rented housing;

(j) Carry out any other activities specifically or generally designed to promote regeneration, including economic, environmental or social benefit to the Dover District;

(k) Deliver long term capital appreciation;

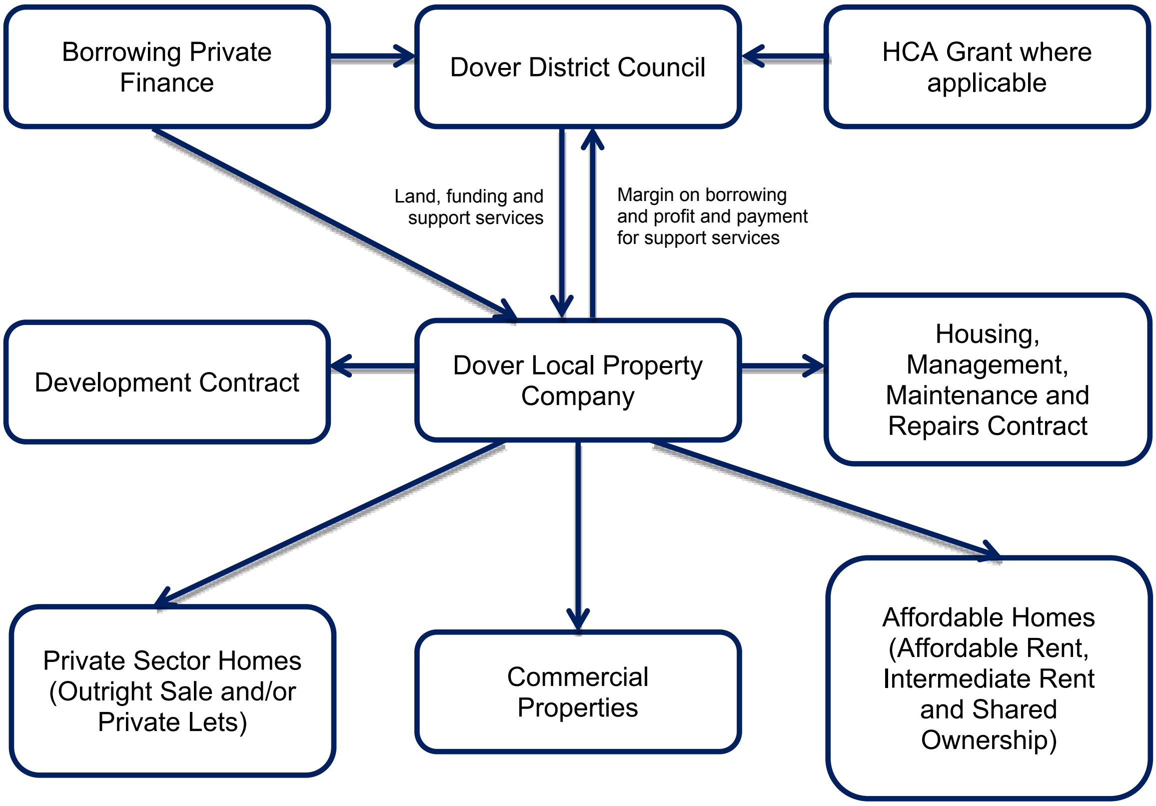
(l) Encourage and promote house building activity within the District;

(m) Generate income from commercial investments;

(n) Always seek to obtain best value for purchases and sales.

3. Business Arrangements

The proposed cash flows and operating relationships are illustrated in the diagram below.



Support and Operational Services

One of the key considerations will be to negotiate with the Council's support services the level of service and to pay the costs associated with these activities. Services extended to DLPC via SLAs by the Council will be charged for at the prevailing market rate.

- Legal Services

  Initially legal services and the role of Company secretary will be procured from the Council's legal department.

- Finance Services

  Financial services will be provided by the Council's finance department but there will be a need to purchase some specialist company accounting advice and audit/examination services.

- Property/Housing Management Services

  Private residential properties will initially be let on assured shorthold or non-secure tenancies to provide the Company with the greatest flexibility with the long term management arrangement of the properties. Affordable housing developments may also include shared ownership arrangements.

It is proposed that these services will be acquired from either East Kent Housing, DDC, through the DLPC or an external provider depending on the volume and nature of the tenancies.

- <u>Human Resources</u>

  The new Company should not have any implications for staff currently employed by the Council as it is not proposed to transfer any staff to the Company.

- <u>Support Arrangements</u>

  The requirements for office accommodation to support the Company is likely to be minimal but if required, it is intended to license office space from the Council at the market rate.

  The DLPC will be responsible for ensuring that arrangements are in place for insuring all property owned by the Company.

- <u>Performance Management</u>

  In its strategic role, the Council will be able to set and monitor various performance measures for the DLPC to ensure that it is getting good value for money and performance in return for its investment.

  Example performance indicators for the Local Property Company could include:

  (a) Number of new homes completed
  (b) Commercial properties acquired
  (c) Tenant satisfaction rates
  (d) Void levels
  (e) Rent arrears
  (f) Asset Value
  (g) Company Liquidity (Working Capital)
  (h) Investment rate of return
  (i) Investment income levels

  The Council will need to have regard to performance when making decisions to invest further in the Company.

4. Governance

Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the 'general power of competence'. A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others i.e. this includes the setting up of a property company as described in this report. In exercising this power, a local authority is still subject to its general duties (such as the fiduciary duties it owes to its rate and local tax payers) and to the public law requirements to exercise the general power of competence for a proper purpose.

Section 4 of the Localism Act 2011 in particular extends the existing trading scheme under the Local Government Act 2003 so that in so far as the general power permits the Council to carry out a particular activity, then s. 4 empowers it to do so for a commercial purpose. As the Council is not seeking to charge an individual for something it is required to provide by statute and is proposing to trade through a company limited by shares, then subject to proper exercise in accordance with the Wednesbury principles of reasonableness, the Council is permitted to undertake this activity.

It is recommended that the Company should be formed as a Company Limited by Shares, with 100% of the share capital retained by the Council. As sole shareholder, the Council would retain control of the Company, including the flexibility to change aspects of its purpose and operation or even cease, transfer or dispose of the Company in the future. The Council in its corporate capacity would be the sole shareholder of the Company.

A Board of directors will be put in place to oversee and manage the Company in accordance with the objectives set by the Council. The proposed board structure is set out below.

Directors and Company Secretary

It is proposed that the Company will be registered at Companies House as a Limited Liability Company, with a share capital. The sole owner and shareholder of the Company will be Dover District Council and the Company will run by a Board of Directors supported by a Company Secretary. The Company will be subject to Company Law and Controlled Company legislation. Due to a potential conflict of interests which could arise if a DDC Member or Director was appointed as a director of the Local Property Company these appointments will be Council Officers as follows:

<u>Directors</u>:
Head of Finance
Head of Assets & Building Control
Corporate Projects Manager

<u>Company Secretary</u>:
Commercial Solicitor

Shareholder Agreement

A Shareholder Agreement will operate in addition to the Articles of Association. The Articles of Association are a requirement of Company Law. A Shareholder Agreement is not.

A Shareholder Agreement can cover anything that the Company and Dover District Council want it to cover. Unlike the Articles of Association, it is a private contract between the Company and Dover District Council and will therefore not be registered at Companies House.

Among other things, this means that a Shareholder Agreement can cover internal matters that both parties might consider confidential.

It could therefore be used to represent a finer level of detail and control and could include:

- The setting of investment targets each year and the associated budget
- Agreement of any borrowing arrangement and giving security in respect of borrowing
- Considerations before making a planning application or lodging an appeal
- Ensuring certain aims and values

- Management of risk
- Investment decisions in respect of particular projects
- Any other significant transactions of a size and type that the Company and the Council might agree, for instance:
    - Substantial expenditure (whether on properties or otherwise);
    - Substantial disposals
    - Hiring of senior employees
- Any matter that the Council shall advise the Company of in writing

Consideration has been given to ensuring that key expertise (such as financial and legal advice) is available to advise both the Council as shareholder and the company. From time to time it may be necessary to buy in specialist corporate, property, marketing, legal and financial advice on a normal commercial basis to supplement the experience on the Board.

5. Financial Analysis

The Property Investment Group has carried out supporting financial modelling to assess the potential viability of the DLPC to deliver new housing in the District. The following points should be considered when assessing the viability of the Company.

a) Will the proposed Company be a going concern? i.e. will it be able to discharge its liabilities in the normal course of business.

   The Company's Directors will have a number of fiduciary responsibilities under the Companies Act 2006, among them to promote the success of the Company and consider its long term prospects. One to be particularly aware of is that the Directors are responsible to ensure that the Company does not undertake "wrongful trading", which is allowing a business to carry on, and incur debts, when it is known that there is no reasonable prospect of the Company repaying them.

b) Will the Company be able to generate a return on the Council's investment?

   The latter point is important as the Council is wishing to establish a corporate entity which will be self-sustaining. In this context, the Council should treat transactions with the Company at arm's length, considering whether they are sound investments which third parties would be willing to make.

The modelling work presented below represents an option for the first phase of the investment in the Company.

Initial Proposal

The Financial Modelling has been conducted on a basis where the DLPC purchases between 10 and 15 properties, spending approximately £2m per annum on investment properties in the Dover District for the first 5 years of operation. The proposed portfolio of properties is based on purchasing mainly 2-3 bedroom properties with an average price of £150k including Stamp Duty Land Tax, fees and an allowance for refurbishment.

The properties may be acquired through purchase of existing properties or development of new builds. When selecting the properties the key criteria applied will be to achieve a 6% or higher ratio of capital cost to annual rent. When modelling the first phase the key aim has been to select properties that offer the greatest return.

Additionally, where appropriate, some properties will be consider for sale where a surplus can be achieved from the sale and additional objectives can be achieved, for example providing a mix of tenure on a new development. It is intended that these sales proceeds will be utilised by the DLPC to reinvest in future purchases or to reduce the level of long term borrowing required for schemes.

Base Financial Assumptions

In calculating the viability model the following assumptions have been included:

- Inflation 3% per annum;
- Borrowing costs 5% per annum on a 50 year annuity basis;
- Management costs per unit £500 per annum;
- Responsive maintenance costs per unit £400 per annum;
- Major repairs provision 0.5% per annum from year 5;
- Occupancy level 96%.

Set Up and Running Costs

The Company will have operational overhead costs from its inception (i.e. financial management and reporting, governance and audit) along with direct delivery costs of procurement and contract management. It has been assumed in the early years the Council will provide these services on a contractual basis to the Company and that no permanent staff will be employed by the Company. If and when the Company reaches a critical mass of operations then permanent staff might be employed directly.

It is the Council's view, however, that the Company will not require any permanent members of staff at this stage of the development of the business plan to manage the procurement and on-going delivery of the constructions contracts. The modelling has assumed company costs in the region of £20,000 per annum.

On the basis of the initial development programme, it has been assumed that the DLPC will contract services from the Council at the prevailing market rate.

It is assumed that the Council will meet all set up costs directly and these have not been included within the business plan of the DLPC. External set up costs anticipated to be incurred will be predominantly legal costs and financial advice.

Financial Forecast

A 50 year cash flow has been used for the business plan of the DLPC. On the basis that assets are well-designed, planned and maintained and suitable provision is made for capital repairs during the lives of the assets housing asset lives typically extend up to 100 years. On this basis, assets should remain in a good condition at the end of the 50 year cash flow and, therefore, have a residual value. The business plan has excluded increases in house prices however it is anticipated that this is an area where additional returns on investments can be made.

The assumption in preparing the profit and loss account and balance sheet for the DLPC is that the housing stock developed would be held as investment property, as determined under IAS40 (property held for capital appreciation or to earn rentals). There would therefore be no depreciation charge on the assets. However, falls in the asset valuations would be charged to the profit & loss account.

The financial forecast, detailed at Appendix 2, shows the DLPC forecasting a loss for the first three years of operation. This is to be expected in the establishment of a new company and does not create cause for concern as the forecast moves this into a surplus from year four and into the future.

6. Financing

Potential Funding Sources

In considering the funding of the Company the Council must consider from where funds will be sourced from to meet the investment needs of the DLPC and how these funds will be repaid. Primarily these funds will be in the form commercial rate loans from the Council to the Company and the sale of share capital to the Council. It is proposed that an initial investment of £100 share capital will be made by the Council.

It is anticipated that initial project setup costs (e.g. financial assessments, design advice, agent’s fees, etc.) and cash flow will be funded from a working capital loan estimated at £100,000.

The potential investment sources for the Local Property Company in the short term are:

(a) Equity investment by the Council at market rate;
(b) Debt investment by the Council at market rate;
(c) Land transfer by the Council for best value;
(d) Grant from the Homes and Community Agency;
(e) External affordable housing contributions.

In addition, it has been assumed that the Council will make loan finance available to the DLPC through the use of prudential borrowing. The modelling is therefore based on a secured annuity at market rates including a margin which will provide DDC a return on the funds invested.

The Council will be the sole shareholder in the DLPC and will own 100% of the share capital. The traditional approach to investment of resources into a company is through share capital and the Council could therefore make an investment of the total value of the investment through this route into the DLPC in addition to, or as an alternative to, loan finance.

Fiduciary Responsibilities

The Council is establishing a company for residential and commercial development which will be a separate corporate entity with profit making abilities. As such it will need to discharge its liabilities in the normal course of business and be able to generate a return on the Council's investment.

The Company's Directors will have a number of fiduciary responsibilities under the Companies Act 2006, among them to promote the success of the Company and consider its long term prospects. One to be particularly aware of is that the Directors are responsible to ensure that the Company does not undertake "wrongful trading", which is allowing a business to carry on, and incur debts, when it is known that there is no reasonable prospect of the Company repaying them.

The Council should therefore treat transactions with the Company at arm's length, considering whether they are sound investments which third parties would be willing to make. The position of an arm's length investor is a useful benchmark when considering investment of Council resources.

Funding initial schemes

Depending on purchase costs, it is likely that the Council will need to loan the Company sufficient sums to fund the initial schemes / purchase the first properties including all acquisition expenses. The Company may wish to optimise its loan portfolio requesting a number of loans rather than a single annuity to allow it to benefit from low short term interest rates on offer.

Taxation

In the preparation of this business case tax advice has been sought from PS Tax the Council’s tax advisors on the key tax issues to be considered. They are raised below.

VAT

The Company will incur VAT on the cost of any services procured from third parties (including the Council), which it will not be able to recover as the provision of rental housing is an exempt supply. This will include any management, maintenance, repairs services or supplies procured.

It may be possible to reclaim some VAT on overhead costs, and this will be dependent on the Company's partial exemption calculation. Accordingly the preparation of the business case has assumed no recovery of VAT.

It is presumed that construction costs will be exclusive of VAT on the basis that the DLPC is buying new housing and that contractors will treat this as a zero-rated supply.

VAT cannot be reclaimed on any white goods within the construction contract however and cannot be reclaimed on any professional services outside of the construction contract. It would therefore be more tax efficient from a VAT perspective for the Council to procure a 'design and build' contract.

Corporation Tax

As a Company limited by shares, the DLPC will be liable to tax on any profit made. The base assumptions used for consideration of the taxable profits of the DLPC are:

(a) Income for the DLPC comprises
    (i) Rental / lease income;
    (ii) Property sales;
    (iii) Shared ownership sales income.
(b) Interest payable on borrowings will be an allowable expense;
(c) There will be no capital allowances on the initial cost of properties;
(d) There will be no capital allowances on the cyclical works as these are capital in nature and not a revenue expense although a 10% allowance could be claimed if the properties were let as furnished;
(e) Management, maintenance and running costs will be an allowable expense;
(f) Corporation tax is payable on net profit at 19%, reducing to 17% for the year beginning 1 April 2020;

(g) Consideration will be given to potential deferred tax assets arising from losses made by the DLPC.

Stamp Duty Land Tax (SDLT)

SDLT is a charge on property transactions. The sale of land and / or property from a third party to the DLPC has the potential to incur an SDLT charge. This will be allowed for in the calculation of the initial purchase cost of land / properties.

It is possible to obtain group relief from SDLT when transferring properties between companies within a group. The transfer of land and property from the Council to a wholly owned subsidiary in the form of the DLPC should therefore be entitled to group relief.

Vision

The Council's Corporate Plan states that "We will concentrate on growing a thriving economy, a clean and green environment, healthier people and communities and developing our own organisation to achieve our vision". This includes seeking to encourage and support reasonable levels of housing growth and business development as well as revenue creation. The Company will be an integral part of the delivery of these aims, supporting the provision of housing across the district, working in partnership with the Council to support regeneration and to create a financial return for its shareholder.

The DLPC has the ability to generate a viable business plan. In order to justify the investment by the Council in establishing the DLPC, however, and to enable the DLPC to sustain its overheads as an on-going business, there must be a growth plan in place.

Further Options

The Council has a number of sites that have the potential for to be future development sites for the DLPC to develop.

The Council is supporting the establishment of the DLPC through equity investment and potentially the transfer of land parcels suitable for housing at an appropriate value. On larger sites, however, the Council will have to consider the value of sites being disposed of, particularly where they are likely to contain significant levels or private units (either for sale or rent). In these cases the Council may look to dispose of the sites to the DLPC in return for an equity investment equivalent to the residual land value of the sites. By adopting this approach the Council would receive a return on its investment in the long term, but would ease the cash requirements of the DLPC in the short term.

The DLPC may look to expand business through partnership working. This could either be in the form of site specific partnerships with Registered Providers or developers, through a joint venture approach or an equity investment approach. This latter approach could be taken through a subsidiary of the DLPC.

7. Staffing

Council officer time may be allocated to the trading company as and when required to carry out individual projects or tasks, this will be charged at full cost. The Company is not intending to directly employ, but this may expand as activity develops.

Should direct employment be required this may be based upon the same terms and conditions of employment and will mirror those of the Council for Company employees, depending on skill sets required and market conditions. Pension arrangements can be through the Council scheme, or the Company can source its own equivalent scheme. Analysis of this to be carried out before employment commences any permanent staff.

Consideration will need to be given to any capacity issues that arise due to additional workloads however an allowance will be made for these costs in the financial model and project appraisals.

8. Risk Management

The key delivery risks and their likely impact are summarised below along with mitigating actions. A robust risk management plan has been developed as part of the implementation plan.

In undertaking future developments sites and or acquisitions, the Council will need to consider the capacity of the DLPC to deliver this development on its own, or adopting a partnership or joint venture approach.

The Council might wish to limit the level of its financial exposure, however, and might not be willing to lend further resources beyond the initial development programme.

For future development, once the DLPC has established itself as a standalone business, it could therefore look to source finance from private sector sources. For construction finance this is likely to be in the form of senior debt from a commercial bank. In order to obtain bank finance on acceptable terms, without guarantees being required from the Council, the DLPC will need to have proven that it is a successful standalone business. In practice this will require it being able to evidence that it has:

- Assets it can use as security;
- Delivered a construction programme to time and budget;
- Managed operational properties effectively, with good void and bad debt performance;
- Met debt servicing requirements of loans from the Council; and
- Managed the business of the DLPC effectively from corporate governance and reporting perspective.

Appendix 1 – Risk Assessment

	Risk Type Council Risks	Risk	Probability	Impact	Risk Management
1	Legal	Failure to set up the Company in compliance with the relevant legislation and guidance issued by MHCLG	Low	Medium	Legal advice to be taken to ensure that the Company is created correctly and the guidance is followed. Guidance to be circulated to project team. Appropriate governance arrangements to be put in place.
2	Legal	Possibility of trading ultra vires and the failure to follow governance arrangements	Low	Low	Guidance to be followed and clear governance arrangements to be put in place in accordance with the guidance. Company Law has now removed the concept of vires and so, unless the Company chooses to restrict its own powers, it will have sufficient powers to enable it to trade.
3	Legal / Finance	Breach of EU state aid rules	Low	Medium	The Council must ensure that any services provided to the Company are done on a full cost recovery basis or at a market rate – this will include the use of staff, finance & systems. Any loans given to the company must be at an appropriate rate. If Council land is going to be put into the Company then consideration has to be given as to the use of that land and whether the Council obtains best value for it.
4	Finance	Failure to arrange adequate insurance cover for the Company's liabilities and assets	Low	Low	Ensure insurance broker is kept up to date with the set up and operation of the Company. Regularly review insurance cover and before accepting any order/contract.

	Risk Type	Risk	Probability	Impact	Risk Management
	Council Risks				
5	Finance	Consequences of proposed investment decisions – impact on Prudential borrowing	Low	Low	The Council is required to have regard to CIPFA's Prudential Code for Capital Finance and regard to borrowing decisions. Therefore any decision from the Council to borrow to invest in the Company will need to be included within the Council's prudential indicators reporting the revenue consequences on the decision.
6	Finance	Consequences of adverse financial impact on General Fund and hence taxpayer	Low	Medium	Robust contract and governance arrangements, i.e. contract monitoring, budget monitoring, contract administration procedures.
7	Finance	Challenge from Council's auditors re: financial model and group accounts.	Low	Low	The accounting structure will ensure that all transactions applicable to the Company can be identified using unique transaction records and coding structures.
8	Finance	Failure to comply with taxation laws – corporation tax and VAT	Low	Low	Advice sought and will follow tax advice.
9	Operational	Conflict of interest over workload priorities of Council projects / initiatives / programmes and Company projects	Low	Low	Effective resource planning meetings, continued liaison with key Council programmes and compliance at all times with Corporate themes / objectives strategies at this stage.
10	Operational	Lack of capacity to manage additional work	Low	Low	Careful programming of staff resources, ensuring core responsibilities and services are maintained to Council and constant review of balance of staffing needs, at this stage.
11	Other	Failure to manage reputational impact of the Company on the Council	Low	Medium	A full marketing and communications plan will be developed and maintained to ensure that the branding and image of the Company is in keeping with the Council's wishes and contributes to a positive view of the Council's services.

	Risk Type Council Risks	Risk	Probability	Impact	Risk Management
12	Other	Risks relating to Council's reputation and public perception of its efficiency and effectiveness in the event of the Company's failure	Low	Medium	Risk assessment regularly reviewed.
13	Legal	Contractual Disputes	Low	Medium	The Company to take appropriate legal advice before entering into contracts and the proper governance procedures are to be followed to ensure that contracts which need to Council to approve them are approved correctly. All staff doing work for the Company are to be made aware of the procedures.
14	Finance	Failure of housing to be competitive and/or attractive to tenants	Low	Low	The Company will have to consider this as part of the process for deciding whether to proceed with a development scheme or a street purchase. Consider subsidiary companies with specialist boards and ability to ring fence risk.
15	Finance	Failure to comply with government guidance on investments	Low	Medium	Treasury management advice to be sought on proposed transactions.
16	Other	Inaccuracy/inadequacy of stock condition information on the properties acquired	Low	Low	Robust stock condition survey information obtained prior to purchase.
17	Other	Welfare Reform and implications – Rent payments not being met	High	Medium	Effective housing management to identify and manage arrears
18	Other	Damage to Property – not covered by deposit. Time delay results in further rental loss.	Medium	Medium	Experience indicates there will be some damage. Limit by way of good pro-active management.
19	Other	Property Market – Sales / Rentals – may not command required income	Medium	Medium	Be flexible on tenancies. Keep up to date with market activity.
20	Other	Right-to-buy extended to council owned subsidiaries	Low	Medium	Keep up to date with any proposed legislative changes and assess any resultant impact.

Appendix 2 – Financial Modelling

	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Year 5 £000	Year 6 £000	Year 7 £000	Year 8 £000	Year 9 £000	Year 10 £000	Year 20 £000	Year 30 £000	Year 40 £000	Year 50 £000
Income														
Private Rental Income	116	235	358	484	615	633	652	672	692	713	958	1,287	1,730	2,324
Total Income	**116**	**235**	**358**	**484**	**615**	**633**	**652**	**672**	**692**	**713**	**958**	**1,287**	**1,730**	**2,324**
Costs														
Management Costs	(5)	(11)	(16)	(22)	(28)	(28)	(29)	(30)	(31)	(32)	(43)	(58)	(78)	(104)
Repairs and Maintenance	(7)	(13)	(20)	(27)	(35)	(36)	(37)	(38)	(39)	(40)	(54)	(72)	(97)	(131)
Allowance for Major Repairs and Maintenance	0	0	0	0	0	(8)	(17)	(26)	(35)	(46)	(85)	(153)	(312)	(419)
Company running costs	(20)	(21)	(21)	(22)	(23)	(23)	(24)	(25)	(25)	(26)	(35)	(47)	(63)	(85)
Total Costs	**(32)**	**(44)**	**(57)**	**(71)**	**(85)**	**(95)**	**(106)**	**(118)**	**(130)**	**(144)**	**(217)**	**(330)**	**(550)**	**(739)**
Financing Costs														
Interest	(100)	(200)	(299)	(397)	(495)	(492)	(490)	(487)	(484)	(480)	(438)	(369)	(257)	(73)
Total Financing	**(100)**	**(200)**	**(299)**	**(397)**	**(495)**	**(492)**	**(490)**	**(487)**	**(484)**	**(480)**	**(438)**	**(369)**	**(257)**	**(73)**
Grand Total Costs	**(132)**	**(244)**	**(356)**	**(468)**	**(580)**	**(587)**	**(596)**	**(605)**	**(614)**	**(624)**	**(655)**	**(699)**	**(806)**	**(812)**
Profit / (Loss)	(16)	(9)	2	17	35	46	56	67	78	88	303	588	923	1,512
Corporation Tax	0	0	0	3	7	9	11	13	16	18	61	118	185	302
Profit / (Loss) after tax	**(16)**	**(9)**	**2**	**14**	**28**	**37**	**45**	**54**	**63**	**71**	**242**	**470**	**739**	**1,210**