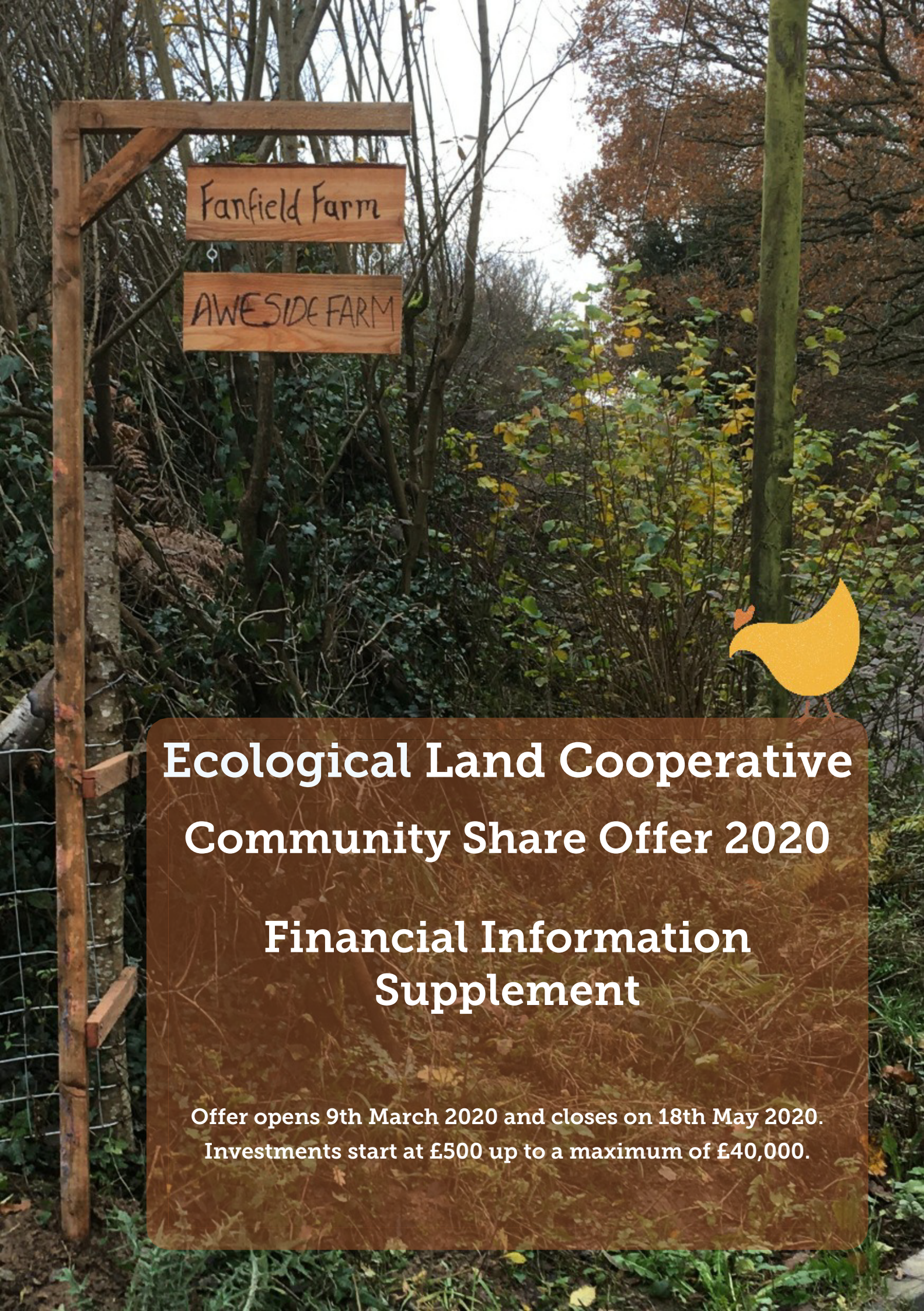


Ecological Land Cooperative

Community Share Offer 2020

Financial Information Supplement

Offer opens 9th March 2020 and closes on 18th May 2020.
Investments start at £500 up to a maximum of £40,000.

ELC Financial Information Supplement for the Community Share Offer 2020

Implementing the plan for growth

Over the last three years, since our successful share offer in 2017, the ELC has tested all aspects of its model of small farm developments and we are now confident that the model works and is scalable assuming the availability of all the inputs necessary which have been outlined below.

Through our work researching and submitting planning applications and working with local planning authorities we now have a very good understanding of the issues that we must address to achieve a positive planning decision. Our planning applications are very thorough and are rooted in a desire to work with the local community and the planning authority to ensure that our sites become a local asset.

We have employed a dedicated specialist Planning Manager who has experience of, and a commitment to, low impact development and now stewards all our applications through the planning process. Whilst we have had very good relationships with planning consultants in the past, having our own in house planner means that we can get planning applications prepared and submitted in good time and at a greatly reduced cost. We can also build up our in house knowledge and react quickly to issues as they arise during the assessment process.

As an example of the improvements that we hope to continue seeing, the planning application for our fourth site was submitted eight months after we purchased the site and we are hoping for a decision eight months later. Compare this to our previous application which took twelve months to submit and eighteen months to determine. Reducing the time it takes to develop our sites and increasing the number of sites in development at any one time will enable us to reduce the costs of development, spread our overhead costs over more sites and maintain affordability for our small farm leases.

Through our experience of developing the infrastructure at two sites we have built relationships with contractors for future site development. It is hoped that the increase in development work available will enable us to secure good prices for the work needed from these contractors.

We have also initiated a new tenant application process to ensure that we are finding the best farmers for our small farms with the skills, experience and entrepreneurial spirit required to create successful ecological farm businesses on the smallholdings. We are confident that there is demand for the number of small farms that we can produce. We are also working with people and groups that are seeking land for ecological land based projects so that we can facilitate and support their work.

We are working with a number of organisations including the Landworkers' Alliance and the Community Supported Agriculture Network to offer a mentoring scheme to new entrants to ecological farming which will offer mentor support from experienced ecological farmers.

Site Development Timescales

In the light of our progress to date we have revisited our targets for delivering small farms.

With all the resources in place to buy land and develop it, we have set ourselves a target of creating 18 new small farms on 6 new sites by the end of 2023. This would bring the total of the ELC's small farms to 30. The new farm leases would be sold through outright purchase and rent to buy arrangements. We will continue to look for ways to finance rental only plots.

ELC Staff Team

Staff	**2020**
Operations Manager	32,167
Membership and Engagement Manager	12,867
Site Development Manager	19,300
Site Management (2)	1,608
Site Management (3)	500
Site Management (4)	1,608
Site Management (5,6)	1,608
Site Management (7,8)	
Fundraiser	12,867
Planning Applications and Policy Manager	16,084
Research Projects	9,650
Consultants	
Finance	2,754
Communications Manager	10,523
Total Staff - full-time equivalent	3.5
Office Costs and travel	14,000
Total Staff and Office Costs	**135,537**

We plan to retain the following consultants for the period covered by these projections: independent financial examiners; ecological footprinter; ecologist; architect; and solicitors.

At £14.21 per hour the Cooperative pays over the living wage. Staff are all paid at the same rate and wherever possible we seek consultants who are willing to work at the equivalent hourly rate. We currently have 1 full time and 7 part time members of staff in our team.

Financial Projections 2020 -2023

We have provided actual profit and loss and balance sheet figures for the last three years and developed a projection forecast for 2020-2023 to show where we aim to be in 3 years' time (below).

Our Management Accounts for 2019 show that we made a profit of £130,800 which enabled us to halve our accumulated losses to date. As the business model requires about 24 months from site purchase to leasehold sale it is necessary for us to invest heavily at the beginning of

this process. With 3 sites currently in development we will start to see returns on that investment over the next 3 years as shown in the forecasts below.

The ELC sells 150 year leases for our small farms and retains the freehold of the land. The value of the communal infrastructure on each site is also retained on the balance sheet as an asset.

We recognise that our finances are complex and are more than happy to discuss the figures presented here in further detail. Please get in touch with Sonia Sinanan, Operations Manager, **sonia@ecologicalland.coop**

When preparing our financial projections we have made the following assumptions:

- Land is purchased at an average of £8,000 per acre.
- Each smallholding has on average six acres of land.
- We will be able to raise the share capital and grants that we need between now and 2023.
- The cost of borrowing will average 2.5%.
- We are offering Investor Members up to 3% in interest on share capital annually. Some investors choose to waive their return to further support our work.
- In our business model we have allowed ourselves 24 months to go from the point of identifying a site to selling the smallholdings although we hope this will reduce over time.
- At an average sales price of £110,000 per smallholding, after overheads and interest on shares and loans, the profit margin on a site of three smallholdings is 22% (although this margin is only achieved at the end of the entire 27 year payment lifetime of a site, see below).
- At, on average, £430 per month, rising annually with inflation, the first year's rent yield from rental properties represents 4% of the total costs. Both overhead and per-site costs are fully recouped after 25 years.

Overheads

Annual overheads are projected as follows:

Overhead Costs	2020	2021	2022
Non-Capitalised Staff Costs*	75,210	72,941	83,400
Office Costs and Travel	15,253	18,154	21,628
Professional Fees	13,561	1,873	13,247
Depreciation	7,644	12,843	17,732
Contingency	5,000	5,000	5,000
Total Overheads	**116,668**	**110,811**	**141,007**

* In accordance with our accounting policies, staff time/ cost is split between overhead (i.e. organisational) and site-specific costs. Site-specific costs (e.g. the staff time involved in preparing and submitting a planning application for a particular cluster of smallholdings) are capitalised to our balance sheet, and only brought through to our profit and loss account at the point of lease sale.

Typical Site Costs - Projected Income and Expenditure on a Three-Holding Cluster

Calculated over 27 years with 2 years of site development and 25 years of rent to buy with one sale and two rent to buy small farms. The most expensive items are: land purchase; the staff cost of applying for planning permission and then developing the site.

Expenses	
Land	150,000
Staff Cost	50,000
Site Infrastructure	85,000
Travel and Subsistence	8,000
Ecological Surveys	2,500
Professional and legal fees	10,000
Conveyancing	2,500
Overheads	60,000
Depreciation	18,000
Total	**386,000**

Income	
Sales Income	330,000
Rental Income (Rent-to-Buy)	174,162
Grants	40,000
Monitoring Fee	13,500
Other Land Use Income	3,500
Management Fee	9,750
Bareland Rentals	1,350
Total	**572,262**

Cost of borrowing at 2.5% (over 27 years)	59,493
Total Project Cost	445,493
Profit/(Loss) with borrowing	**126,769**

The profit over the whole 27-year payment life of a site is healthy, but it is important to note that this profitability is long-term in nature.

Our Financial Model: The Organisation as a Whole

The financial projections for the Cooperative are based on delivering the sites described above, using the site costs and overheads given.

Lease sales in 2019 have generated a profit for the year. As the number of smallholdings increases, and with them rent payments from both rentals and rent-to-buys, we expect annual profits to grow. Our projections show this continuing in the next three years as work to grow the number of sites developed by the Cooperative each year towards owning sufficient holdings for our overheads and member interest to be covered by income from existing rent and rent-to-buy land arrangements.

Financing

We would like to raise £500,000 in 2020 to enable us to grow the output of the small farm clusters that we produce from 1 site per year up to 2 sites per year by the end of 2023. We plan for £100,000 of this to be grant funding. We continue to seek grant funding and in kind donations towards infrastructure development for our small farm sites so that we can keep the price of the leases for future stewards as low as possible. Our projections (see below) show that we are working towards becoming self-sustaining through leasehold sales, rent to buy and rentals with these volumes over this period.

Grants

Since 2017 we have raised £185,000 in grant funding towards our infrastructure and operational costs. We will also apply for grants which support community businesses and services, social enterprise development, policy and campaign work, ecological agricultural and environmental stewardship. We are very happy to have received support from a number of charitable trusts and foundations including The Esmée Fairbairn Foundation, The Bannister Charitable Trust, The Elizabeth Creak Foundation, The Lush Foundation, Polden Puckham Charitable Trust.

Loans

We have been successful in attracting social investment loan facilities with two charitable foundations, The A Team Foundation and the Esmée Fairbairn Foundation. The latter is a rolling fund over ten years. These loans will enable the Cooperative to buy land to develop into smallholding clusters. Once the smallholding leases are sold we repay the loans and, in the case of the rolling fund, the money becomes available again for a new land purchase.

Once we have been granted permanent planning permission for a smallholding site we are able to apply for mortgages for our existing rent-to-buy properties. Our leaseholders may also be able to attract mortgages to pay off their rent to buy loans.

Projections

On the pages below you will find:

7. ELC Cashflow Projection to 2023

8. Profit and Loss Projection to 2023

9. Balance Sheet Projection to 2023

ELC Cashflow Projection	2020	2021	2022	2023
Opening Balance	*384,624*	*342,881*	*36,402*	*24,876*
Smallholding sale	308,000	220,000	242,000	220,000
Rent to Buy Monthly Payments	18,830	61,560	66,720	92,520
Rent	1,575	-	-	-
Monitoring/Management fees	5,400	8,181	9,640	12,518
Donations	3,308	3,638	4,002	4,402
Secured Loans	150,000	150,000	300,000	300,000
Shares	400,000	-	-	300,000
Other income	551	579	607	638
Grants	110,000	110,000	110,000	99,000
Total Cash In	997,664	553,958	732,969	1,029,078
Land Purchase	346,000	153,000	306,000	306,000
Site Infrastructure	120,000	120,000	30,000	150,000
Staff Salaries inc. on costs (capitalised)	54,000	42,000	31,000	37,000
Staff Salaries inc. on costs	70,518	60,941	68,400	63,888
Staff Salaries: Monitoring	6,000	12,000	15,000	21,000
Accountancy and Bookkeeping	1,561	1,873	2,247	2,697
Professional / Consultancy Fees	2,000	2,400	2,880	3,456
Board Expenditure	1,000	1,050	1,103	1,158
Share Offer Costs	12,000	-	11,000	-
Site Maintenance	5,513	5,788	6,078	6,381
Planning	30,000	15,000	15,000	15,000
Communications and Events	4,692	4,927	5,173	5,432
Share Interest Paid	6,027	5,846	5,963	7,582
Share Withdrawals	60,266	58,458	59,627	75,820
Loan Interest	11,577	8,000	9,500	11,000
Loan Repayments	289,000	160,650	-	-
Loan Facility Repayment	-	186,400	150,000	150,000
Office Costs	14,253	17,104	20,525	24,630
Contingency	5,000	5,000	5,000	5,000
Total Cash Out	**1,039,406**	**860,437**	**744,495**	**886,043**
New Balance c/f	342,881	36,402	24,876	167,911

Profit and Loss	Actual		Management Accounts	Projection			
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Revenue							
Grants & Donations	2,956	50,000	144,111	113,308	113,638	114,002	103,402
Rental Income	3,516	2,532	2,773	20,405	61,560	66,720	92,520
Management & Monitoring Fees		2,817	2,996	5,400	8,181	9,640	12,518
Leasehold Sales			214,000	750,000	660,000	330,000	660,000
Other Income (interest)	100	525	723	551	579	607	638
Total Revenue	**6,572**	**55,874**	**364,603**	**889,664**	**843,958**	**520,969**	**869,078**
Direct Costs							
Development & Infrastructure	3,409	3,508	128,820	468,003	484,034	188,900	433,140
Other Direct Costs	7,213	6,254	3,532	13,513	20,188	23,958	30,837
Total Direct Costs	**10,622**	**9,762**	**132,351**	**481,515**	**504,222**	**212,858**	**463,977**
Gross Profit	**- 4,050**	**46,112**	**232,252**	**408,148**	**339,735**	**308,112**	**405,101**
Operating Costs							
Staff Costs (Including on-costs)	47,581	48,643	53,060	75,210	72,941	83,400	84,888
Office Costs and Travel	16,299	13,167	15,839	15,253	18,154	21,628	25,788
Professional Fees	2,730	125	4,535	13,561	1,873	13,247	2,697
Depreciation	3,871	3,792	11,021	7,644	12,843	17,732	19,600
Contingency				5,000	5,000	5,000	5,000
Total Operating Costs	**70,481**	**65,727**	**84,455**	**116,668**	**110,811**	**141,007**	**137,972**
Operating Profit/Loss	**- 74,531**	**- 19,615**	**147,796**	**291,480**	**228,924**	**167,105**	**267,129**
Interest to Members	14,758	25,219	16,996	30,133	29,229	29,814	37,910
Total Operating Profit/Loss	**- 89,289**	**- 44,834**	**130,800**	**261,347**	**199,695**	**137,291**	**229,219**
Profit/Loss B/F	- 231,919	- 276,753	- 145,953	115,395	315,090	452,381	681,600

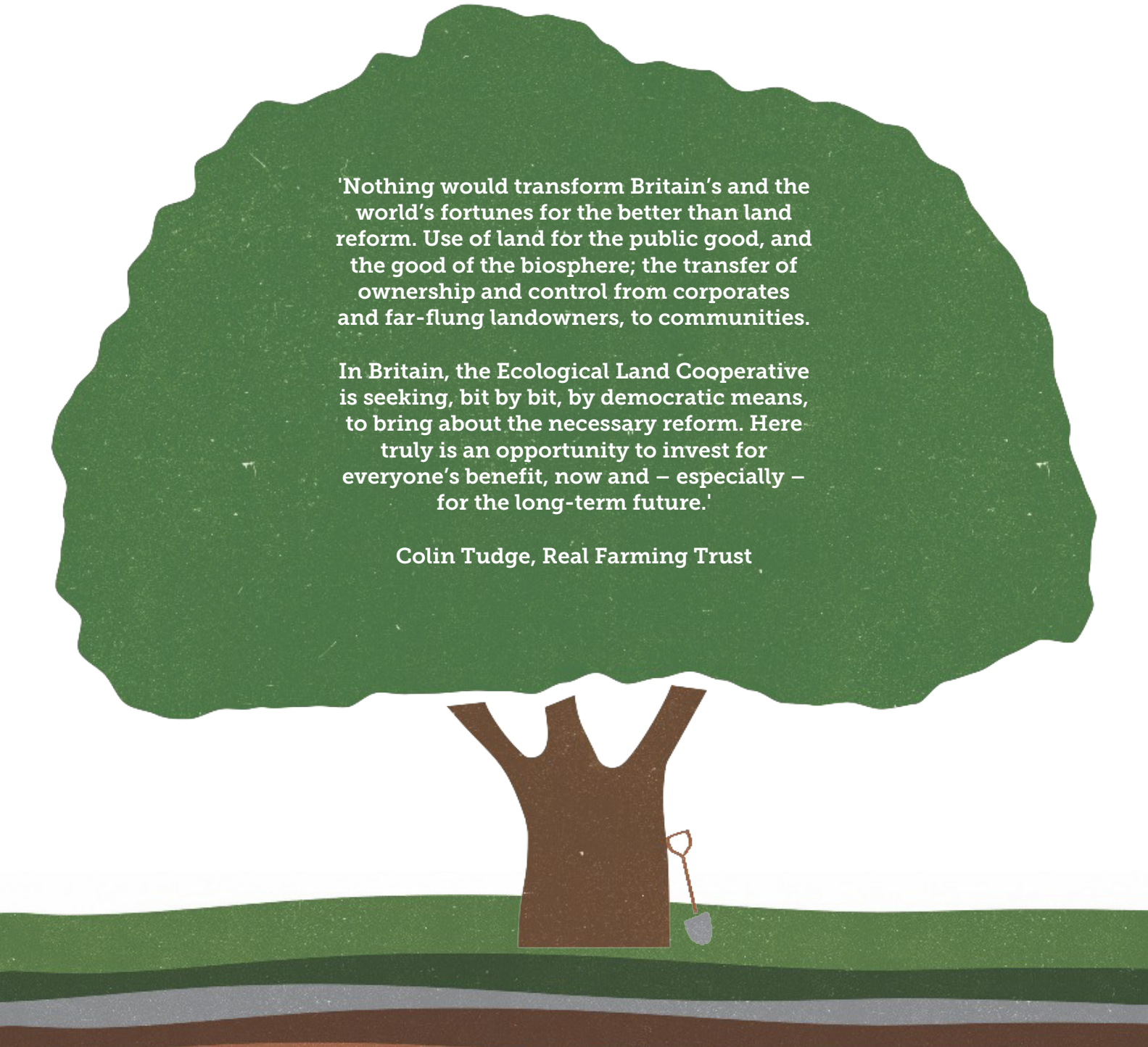
Balance Sheet	Actual		Management Accounts	Projection			
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Fixed Assets							
Land & Buildings	460,086	653,959	700,186	798,991	464,223	681,737	748,381
Office Equipment	585	385	389	292	219	164	123
Plant & Machinery	35,357	32,453	29,904	123,127	216,018	238,057	293,773
Organisational Development	65,157	65,157	53,157	35,157	23,157	17,157	5,157
Total Fixed Assets	**561,185**	**751,954**	**783,636**	**957,567**	**703,617**	**937,115**	**1,047,434**
Current Assets							
Cash	338,279	273,784	384,624	342,881	36,402	24,876	167,911
Debtors (Loan & Other)			3,057	3,057	3,057	3,057	3,057
Unsold Portions of R2B	57,620	20	191,526	545,526	1,073,526	1,161,526	1,601,526
Total Current Assets	**395,899**	**273,804**	**579,207**	**891,464**	**1,112,985**	**1,189,459**	**1,772,494**
Liabilities							
Non-Current Liabilities	352,386	504,474	692,044	553,044	355,994	505,994	655,994
Current Liabilities	50,948	12,794	11,431	11,431	11,431	11,431	11,431
Total Liabilities	**403,334**	**517,268**	**703,475**	**564,475**	**367,425**	**517,425**	**667,425**
Assets less Liabilities	**553,750**	**508,490**	**659,368**	**1,284,556**	**1,449,177**	**1,609,149**	**2,152,503**
Shares in Issue	780,869	785,243	805,321	1,169,161	1,134,087	1,156,768	1,470,904
Profit & Loss Account	- 231,919	- 276,753	- 145,953	115,395	315,090	452,381	681,600
Other Reserves/Adjustments	4,800						
Total Shareholder Funds	**553,750**	**508,490**	**659,368**	**1,284,556**	**1,449,177**	**1,609,149**	**2,152,504**

Please Note: Forward-looking statements are unaudited projections based on a number of assumptions and should not be relied upon as indicators of future performance. There is no guarantee these projections will be achieved, however we have calculated them using the information and assumptions detailed above and they reflect the work we aim to carry out if we are successful in raising our maximum investment of £400,000.

If you would like to know more about ELC's finances please get in contact with Sonia by email: **sonia@ecologicalland.coop**.

Ecological Land Cooperative

February 2020



'Nothing would transform Britain's and the world's fortunes for the better than land reform. Use of land for the public good, and the good of the biosphere; the transfer of ownership and control from corporates and far-flung landowners, to communities.

In Britain, the Ecological Land Cooperative is seeking, bit by bit, by democratic means, to bring about the necessary reform. Here truly is an opportunity to invest for everyone's benefit, now and – especially – for the long-term future.'

Colin Tudge, Real Farming Trust

Ecological Land Cooperative is the trading name of Ecological Land Limited, registered with the FCA under the Co-operative and Community Benefit Societies Act 2014, Reg. No 30770R.
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