



**Firestone  
Society**

# **Business Plan 2022**

[www.firestonesociety.co.uk](http://www.firestonesociety.co.uk)





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## **1. Introduction**

The Firestone Society Limited (Firestone, ‘we’ and “the society”) is a community benefit society created to improve the lives of people recovering from addiction. It will do this by providing a way for local communities to come together to provide accommodation and support for them.

Communities and individuals will invest collectively in large houses, called “recovery houses” which the society will lease to partner organisations. Those organisations will provide rooms in each house for people who have made a commitment to abstinence. Each house will have live-in staff, who support residents as they work together towards recovery. This “mutual aid” model works because each resident is surrounded by like-minded individuals working towards the same goal, while being supported by expert staff.

Firestone offers a new way for local residents to support people in addiction in their communities. They will be able to invest in the society, which will use the money raised to buy houses. Each house will be let to a partner organisation at a reasonable rent, which will be met through housing benefit. The rent will be high enough to pay the society’s costs and provide a return to investors. We believe this is the first time community shares have been used in the UK purely to fund accommodation and support for people recovering from addiction.

The first recovery house we will buy is 95 Durnford Street, Stonehouse, Plymouth. Our partner is Firestone Plymouth, a community interest company, which already leases the property and has been successfully providing accommodation and recovery support to men since 2019.

If Firestone is able to buy it, we can give Firestone Plymouth a secure, long-term lease at a reasonable rent. The society will also be a supportive and understanding landlord, working with Firestone Plymouth to benefit the people it supports.

If we are able to raise the money we need and then buy and lease 95 Durnfield Street, we will have proved the model works. Then we can repeat it. We would like the next property to be a house for women, also in Plymouth.



This business plan describes our long-term approach and gives more information about the scale of addiction, as well as detailed information about our first project, with Firestone Plymouth. The financial sections focus on that project.

## **2. How Firestone can help people in recovery from addiction**

This section outlines the scale of alcohol and drug addiction nationally and in Plymouth, and notes its social and financial cost, as well as the lack of treatment available. Then it shows how our partner, Firestone Plymouth, is addressing the problem. Finally, it describes how the society can make that work more sustainable, and then help to replicate it.

### **2.1. The scale of addiction and its cost and lack of treatment**

The number of people experiencing alcohol or drug addiction, or both, is very high. So far as alcoholism is concerned there were an estimated 600,000 dependent drinkers in England in 2019, of whom 3,484 were in Plymouth. This was 1.65% of the city's population. The consequences of addiction are high for the individual and society. Alcohol misuse is the biggest risk factor for death, ill-health and disability among 15-49 year-olds in the UK<sup>2</sup>, and led to 7,423 deaths in 2020. In Plymouth in the same year, there were 25 alcohol-specific and 96 alcohol-related deaths.

Drug misuse can be as lethal. In Plymouth, there were 33 drug-related deaths in 2020-2021 (and 100 over the three years to 2021). During the two weeks preceding the completion of this business plan, there were four drug-related deaths in the city.

The cost to society takes many forms. The health-related costs of drug and alcohol addiction are very high (nationally, the cost to the NHS is £3.5 billion annually). So far as Plymouth is concerned, one recent estimate, based on

<sup>2</sup> <https://alcoholchange.org.uk/alcohol-facts/fact-sheets/alcohol-statistics> quoted at Alcohol change UK  
Alcohol change UK

police records, <sup>3</sup>was that the approximate cost to the health authority was over £9.6 million.<sup>4</sup>

This should not be surprising. People with alcohol-related conditions are admitted to hospital more often than average. According to one official measure, there were 3,410 such admissions in Plymouth in 2020-21. The ward containing the recovery house has the largest proportion of alcohol-related hospital admissions in the city.

## **2.2. The lack of access to treatment for addiction**

There is a severe lack of access to treatment for alcohol and drug addiction, nationally and locally. It is true that over 275,000 people (68% men) were in contact with drug and alcohol services in the year to March 2021 <sup>5</sup>, and that half of them successfully completed their treatment.

Nevertheless, the number of people being treated at specialised alcohol misuse services is falling (down 19% in 2020 compared with 2014). Dame Carol Black recently completed an independent review into drugs which concluded that the public provision for prevention, treatment and recovery is not fit for purpose, and urgently needs repair.<sup>6</sup>

The lack of treatment is expensive for society. The review noted that £1 of investment in treatment saves £4 from reduced demands on health, prison, law enforcement and emergency services.

Such support as does exist costs up to £1,000 per person per week. It is particularly hard to access for homeless people, because they have no address, and potentially are not registered with a local doctor or linked with any support service.

This lack of high quality support is the problem which our partner, Firestone Plymouth, exists to address.

<sup>3</sup> Drug-related crime was at its highest ever level in 2021.

<sup>4</sup> Figures in this section not otherwise reference were sourced by a Firestone Plymouth director with long experience in the sector (personal communication 1/3/22).

<sup>5</sup> 104,000 were in alcohol-related treatment in the year to March 2020. N. P. Zambon (2021) Alcohol Statistics: England House of Commons Library p. 11

<sup>6</sup> It also noted that addiction is a chronic health condition



### **2.3. How Firestone Plymouth helps people recovering from addiction**

There are very few successful models for helping people recover from addiction. One of them is called “Mutual Aid Recovery”, which is used by Firestone Plymouth. There are two keys to its success. One is that it provides safe, high quality accommodation, with staff who have themselves experienced addiction. The other is that the people who join the house have made a commitment to working together towards recovery, and agree to abide by an absolute abstinence rule.

#### **What is mutual aid recovery?**

At its most simple level, mutual aid can be described as people with similar experiences helping each other to manage or overcome issues.

In terms of addiction recovery, mutual aid is based around groups of like-minded individuals who come together to form networks of support.

Many of these networks include 12-Step principles.

Firestone Plymouth supports mutual aid recovery at 95 Durnford Street by:

- Providing a safe and homely environment where residents can participate and support one another.
- Supporting residents to be responsible for working on their own recovery programme.
- Encouraging residents to attend local recovery meetings at least three times a week.
- Signposting residents to healthcare, employment and other welfare services.
- Providing “check-in” meetings each weekday morning



## **Adapting to COVID-19**

Historically, group meetings and being part of a “cafe culture” were an important part of mutual support. Since the pandemic, this has become harder, but Firestone Plymouth has helped to find alternative ways of meeting. In particular, it supplied a tablet for every room.

This created new opportunities. One resident said “People were suddenly able to attend meetings from all over the world, which was very interesting. That was an extraordinary experience”

Firestone Plymouth’s mutual recover model works. An impact report in July 2021 (available online here) noted that the house had supported 31 men in their recovery towards lifelong abstinence, and that 57% of former residents left the project abstinent.

Firestone Plymouth is putting together an impact framework, so it can monitor and demonstrate its effectiveness over time.

### **2.4. How the Firestone model is part of the solution**

While the mutual aid recovery model used by Firestone Plymouth works, it is very difficult to find and rent suitable houses. As a result, there are very few examples at present. This is where Firestone can make a huge difference.

By identifying and buying suitable properties, Firestone can help its partners to open new houses much more quickly than they could otherwise. Over the next few years, Firestone will launch a more share offers to buy individual houses.

By doing this, Firestone will be enabling local people to help address the problem of addiction in their own communities - and slowly reduce it across the country.



### **3. Firestone's long-term business model**

Firestone will buy, manage and let houses to its partners. It will raise the money for the purchases from investors, many of whom will be people living in the local community where each house is located.

People from across the country will be very welcome to invest as well. We also expect to attract investment from “social investors”. These are organisations such as Resonance Limited, which provide matching investment with that coming from individuals, pound for pound.

Where we need to, we will take out loans, for example to make up any shortfall in the money raised from shares.

People will invest mainly because they believe in what we are doing, but we also intend to pay interest, and to return people's capital over time.

The money to pay interest will come from the rent. We will agree a market-related rent with each partner organisation. In turn, that organisation will negotiate with the local authority to determine a housing and support payment (called “exempt housing benefit”) for each resident. The intention is that the payment will cover all the operating costs of the house, including each person's rent.

Each partner CIC will then pay rent to Firestone, which should cover all Firestone's continuing costs. The main cost will be interest on shares and any loans, but there will also be some administration and insurance expenses. We will not normally need to pay for building maintenance. This is because the properties will be let on full repairing leases, with the tenant responsible for maintaining the external and internal structure.

We would like to buy our first house in summer 2022. After that, we would like to buy a house for women.

After this, we will take stock. We will review the society's finances and whether the model needs to change significantly. We will also talk to our members and directors, and the people living in our houses, to learn how we could do better in future. We will look at our strengths and weaknesses, and particularly whether our board needs to grow, to include people with the skills needed to manage a bigger organisation.





We will hold a general meeting of our members before we launch a share issue for any new house. We will present a new business plan and draft share offer, and answer questions. In particular, we will explain what effect the new share issue, and subsequent house purchase, will have on existing shareholders - for example, whether it will make a difference to when they can ask the society to withdraw their shares, and so recover their capital. Our aim is that the new share issue should not make any difference to this. All the houses will be part of the society's assets, though, so any risk will be spread equally among existing and new shareholdings.

At the end of the discussion, we will ask the members at the meeting (or who have given proxy votes) to approve the plan.

We hope that existing shareholders will invest in our new offers.



#### **4. Our first share offer aims to raise the money to buy 95 Durnford Street, Plymouth.**

This is a 10 bedroom end of terrace property on the corner of Durnford Street and Pound Street, on the Stonehouse peninsula. It is close to beaches and Devil's Point, which has views over Plymouth Sound. The setting is tranquil and the proximity to water aids serenity.



#### **4.1. Buying the house**

We are confident we will be able to buy the house, for two reasons. The first is that we have reached an informal agreement with the present owner to sell to us for £395,000.

The second is that, if that agreement falls through, Firestone Plymouth has an option to buy the house, which it can exercise any time up to 19th December 2022. Firestone Plymouth would then immediately sell it to the society. The detailed process is as follows:

1. Firestone raises the purchase price from the share issue, topped up, if necessary, by a loan.
2. Firestone Plymouth exercises its option to purchase.
3. The final purchase price is determined, either by agreement or an expert (as provided for in the option).
4. Firestone Plymouth purchases the property and simultaneously sells it to Firestone.

#### **4.2. Raising the purchase price**

While we know the sale price will be £395,000 if the informal agreement comes to fruition, we do not yet know the final purchase price if we need to rely on the options to purchase. There is a clear process for determining it, though, based on the representations made by both sides to the expert. We believe the expert will assess a figure close to £395,000, and so this is our estimate of how much we need to raise from the share offer.



Once we have bought the house, we will immediately lease it to Firestone Plymouth. We have agreed the heads of terms for the lease, which will include:

1. A 25 year term, with break clauses for the tenant every five years.
2. Rent based on the open market rent for a 10 bedroom house in multiple occupation.
3. Rent increasing in line with CPI annually, and adjusted upwards every 5 years, to bring it into line with open market rent. The rent cannot be reduced.

The agreed heads of terms are available on our website here.

The financial projections later in this business plan give full details of the capital costs, income and regular outgoings

### 4.3. How the share offer works

Our share offer target is shown in the table below, together with the stretch target (which is also the maximum we will accept).

|   |                           |
|---|---------------------------|
| <b>Target</b><br>(Enough to buy the recovery house with a loan and repayable grant)         | <b>£320,000</b>           |
| <b>Stretch target</b><br>Enough to buy the recovery house without a loan or repayable grant | £440,000                  |
| <b>Projected annual interest rate</b>   | 3.6%                      |
| <b>Maximum investment for an individual investor</b>  | £100,000                  |
| <b>Minimum investment</b>   | £100                      |
| <b>Share offer opening date</b>   | 5 <sup>th</sup> September |
| <b>Offer closing date</b>   | 2022<br>5 <sup>th</sup>   |

The directors may decide to extend this offer for up to one month.  
Anyone aged at least 16 can buy shares.

If we raise our target, the share capital will be used to buy the property, pay the costs of raising the money and provide £10,000 of working capital, as a float for the first year.



If we only raise our target, we will take out a £60,000 loan from Resonance Limited and a £60,000 refundable grant from The Rank Foundation, to make up the full amount of money we need. We will pay interest on the Resonance loan at 7.5% per year until it is repaid, and then repay the loan in one sum after a maximum of six years. The Rank Foundation grant is interest free and repayable after three years. In practice, we plan to repay both after three years, from a new share issue or a mortgage. In either case, the rent is expected to meet the resulting interest payments.

If we raise our stretch target, we will be able to buy the property without a loan or repayable grant. This is our preference.

#### **4.4 More about our community shares**

Community shares are a way for local people to own buildings and other assets in their community. We hope many local people will join us in owning 95 Durnford Street. To help them do this, we have kept the minimum amount anyone can invest as low as possible, at £100. Anyone aged at least 16 can buy shares.

The main reason to invest is to support the work we are doing, but we also aim to pay interest on the shares, at 3.6% each year. Our financial forecasts allow for this, but we cannot guarantee it. The directors will decide each year whether the business can pay interest, and how much.

Buying shares is a long-term investment, and we hope many people will keep their shares for 20 years. We know that not everyone will be able to do this, though, and shares cannot be sold to other people. To help people who need their money back, Firestone plans to allow some shares to be withdrawn. If an investor asks for their shares to be withdrawn, they get their capital back (as long as the society has enough assets to withdraw all capital in full), and the shares are cancelled.



We can only allow share withdrawals when we have made enough profit to pay people back. We expect that this will be after three years of trading. Our projections indicate the society could withdraw up to 1.5% each year of the money originally invested in shares, beginning in 2026. It could add another 1.5% each year to a capital repayment reserve. This could help the society to withdraw all the shares eventually, if a share issue to do this did not raise quite enough money.

We may be able to withdraw more shares, if there is a demand for this. One way of doing so would be to raise money to do this as part of a future share issue. Another would be to refinance the house using a mortgage. We will look at these options in our annual strategic reviews.

The shares we issue won't go up in value, but they could go down, if the value of the society goes down. In normal circumstances, we will value the society mainly according to the market value of 95 Durnford Street, and any other properties it owns in future. If property prices fall, however, we would consider valuing the properties based on the future income they can generate, which may lead to a higher figure.



## 5. More about Firestone

Firestone is registered with the Financial Conduct Authority (number 8669) and its purpose (or “objects”) is laid out in its rules<sup>8</sup>, which are available on our website. The objects can be summed up as

“to be a business which benefits people recovering from addiction by”:

1. buying, owning, managing and leasing land and buildings and
2. supporting organisations working with people recovering from addiction, for example by raising community awareness, or promoting volunteering.”

### 5.1. Firestone is a democratic organisation

Firestone is democratic, with key decisions being made by its members. When a person buys shares, they become a member. We are very keen for our members to take an active part in the work we do.

Firestone holds general meetings at least once a year. All the members have one vote at general meetings, no matter how many shares they have. At each meeting, members elect some of the directors (the elected directors have a majority on the board). Any member can stand for election.

Because the society wishes to maximise involvement and decision-making by its members, it has a comparatively high quorum for its general meetings. This is at least one fifth of the membership (though members will be able to attend meetings by zoom, or a similar teleconferencing service).

The society recognises that it will need to interest, energise and enthuse a large proportion of its membership to achieve its meeting quorum. It will do so in a range of ways, including those described below.

1. We will have a regular newsletter, to tell people the latest news about Firestone, and events which are coming up.
2. We will work closely with Firestone Plymouth to see how our members can support them. This might include holding local events, such as walks or bike repair sessions.
3. Spreading the word, among local organisations such as churches, about the work that Firestone Plymouth and the society are doing.

Doing these things will benefit the people Firestone Plymouth supports and our members. It will also benefit the society, by making it more dynamic and involved in the community, and so more able to gain community support for establishing further houses.





## **5.2. Firestone's directors**

Our directors are all volunteers. They form the board, which takes day-to-day decisions, develops Firestone's strategy and oversees its finances. Details of our current board are on our website.

We will hold an annual general meeting by 30th December 2022. All the directors will stand down then, and the members will elect new representatives. The existing directors may stand for re-election.

One director is also nominated by Firestone Plymouth, our first partner providing the recovery housing and support. This ensures its voice can be heard in board meetings. We intend that every partner running a recovery house will be able to nominate a director. Another directorship is reserved for a person who has experienced addiction. This ensures the voice of the people we exist to help can be heard in board meetings. We believe this is the right thing to do, and will also help us make better decisions than would be possible otherwise.

The society will need to ensure it maintains a flow of people with the right set of skills, who can become directors in future. It will do this by creating a plan for director recruitment, with the following elements:

1. A recognition that the membership is a principal source of directors, and so interested members should be identified, and supported. This could include inviting them to board meetings as observers.
2. A recognition that, while it is very important to have people with financial skills on the board, it is particularly challenging to recruit such experts. The plan will describe ways to address this, including by approaching retired accountants and financial directors of private companies.
3. A recognition that experience of addiction is very important to ensure the society acts in a way which ultimately benefits people in recovery as well as it can. The plan will address this by developing ways to engage people with such experience, working with its delivery partners such as Firestone Plymouth.

## **5.3. Firestone is a co-operative**

As a co-operative community benefit society, Firestone abides by the Co-operative values and principles. The principles are shown on the next page.





## The Co-operative Principles

1.

### **Voluntary and Open Membership**

Anyone over 16 who likes the way we do business can join.

2.

### **Democratic Member Control**

All our members have one vote and all can stand for election to the board.

The board is accountable to its members including through general meetings.

The general meetings approve the overall strategy and any proposal for share issues

3.

### **Member Economic Participation**

All members can buy shares, and all shareholders are members. They provide capital to the co-operative.

Shareholders receive reasonable interest, and may be repaid their capital.

Members can decide, in a general meeting, how profits should be spent to benefit the community, or develop the co-operative.

4.

### **Autonomy and Independence**

We are only accountable to our members.

If we enter into agreements with other organisations, we will make sure our members can keep control of what we do.

5.

### **Education, Training and Information**

We make sure our directors, staff and volunteers have the training they need to perform well.

We'll give members what they need to play a full part in our business, and make informed choices.

6.

### **Co-operation Among Co-operatives**

We buy from other co-operatives whenever we can.

We will be members of Co-operatives UK.

We learn from, and support other co-operatives.

7.

### **Concern for Community**

Everything we do is ultimately for the benefit of the community.

**These are guidelines by which the co-operatives put their values into practice**



#### **5.4. Firestone's provider partners**

Firestone's key provider partners are the organisations which will lease properties to provide recovery houses. We expect that these will normally be CICs, like the first, Firestone Plymouth. The society will benefit strategically from its close relationship with these providers. In the case of Firestone Plymouth, for example:

1. Dominic Robinson, the manager of Firestone Plymouth, comes to all our board meetings, and has been closely involved in developing our plans. The society benefits from his strategic knowledge, but also day-to-day experience, so the society is made aware of changes and potential challenges quickly
2. Angie Brooks, one of its directors, is also a Firestone director. The society benefits, again, from her strategic perspective as a CIC board member, and well as her 30 years of experience working with health, homelessness and recovery organisations.
3. Dave Graham, Firestone's chair, is a former resident of the recovery house, who brings personal knowledge of both recovery issues and the way the house works from the perspective of residents.

#### **5.4. Firestone's professional partners**

Firestone does not have any employed staff. Instead, it pays outside providers to supply the professional support it needs. At present, it uses the following providers:

1. Bromhead, who are a firm of accountants and auditors based in Plymouth. They oversee our accounts and have good experience of providing accounting services to community benefit societies. They can also provide book-keeping services if required.
2. Air Register. This is a membership management system developed with the support of Co-operatives UK and designed for community benefit societies. We will use it to maintain our membership register and records of each member's investment and any interest due or paid. The system also allows members to manage their profiles online.
3. Unity Trust Bank, which prides itself on being an ethical bank, pays at least the real living wage, and is a signatory to the Women in Finance Charter.
4. Wolferstans Solicitors, who are based in Plymouth.
5. Andrew Shadrake who is a Community Shares Licensed Practitioner and will advise us on any issues related to community shares.
6. Resonance Limited, a social lender which has provided financial advice, access to grant funding totalling almost £20,000, a loan offer of up to £60,000 and matching share investment up to £30,000. Resonance has expressed its keen interest in working with us to establish additional recovery houses.

## 5.6. Firestone's trade competencies

The board believes that the skills and experience brought by its directors and provider and professional partners means the society can access all the trade competencies it requires to fulfil its role. That role involves: identifying and financing the purchase of properties for use by partners as recovery houses, acting as a supportive and effective landlord, and managing its estate.

For example:

1. Regarding identifying and financing the purchase of properties for use by partners, it will:
  - a. Identify addiction recovery needs by working with, initially, Firestone Plymouth's directors and manager. By doing this, it has already identified an unmet need for a women's recovery house in Plymouth. Angie Brookes, a director of the society and Firestone Plymouth, has driven this focus. Angie has recently retired as Registered Manager at the Jasmine unit, part of Trevi House, a treatment centre for women in recovery.
  - b. Identify potential properties through the local knowledge of its directors and Firestone Plymouth's manager.
  - c. Prepare financial packages for purchasing the freehold of each property, accessing support from Andrew Shadrake and Resonance Limited.
  - d. Undertake further share issues, with support from Andrew Shadrake
  - e. Working with Firestone Plymouth, support creation of a new CIC to manage each house.
2. Regarding acting as a supportive and effective landlord, it will:
  - a. Build on the existing heads of terms for a lease to provide security of tenure at a fair rent to Firestone Plymouth. It will use its experience and both documents to give new provider partners the similar security and rent.
  - b. Require regular management accounts from its provider partners, so it can identify any potential financial issues well in advance, and work with the partners to avoid or resolve them.
  - c. Invite the general manager of each provider partner to attend each board meeting (together with its nominated director), to discuss how delivery is progressing, and what help might be needed.



3. Regarding managing its estate, it will:
  - a. Commission an annual inspection and valuation of each property, to identify any issues regarding condition. It will benefit from the knowledge and experience of Pete Warm, one of its directors, who has many years for experience in understanding the condition of buildings as director of a Passivhaus and low energy building design company.
  - b. Through the board, work with the relevant provider to ensure any issues are addressed
  - c. Create a timetable of recurrent actions, to be reviewed at each board meeting, to ensure that, for example, building insurance is renewed and rent reviews undertaken. The timetable will identify a director responsible for each action.
  - d. Require and review a bank statement and management accounts at each board meeting.

## **6. Firestone's marketing strategy**

Nudge Community Builders (Nudge) has prepared our marketing plan and will help us deliver it. Nudge is a well-established community benefit society, also based in Stonehouse, with an excellent track record of acquiring and developing properties for community use. It recently completed its second share issue. The marketing plan has the following elements:

1. Ensuring appropriate and consistent language and message.
2. A stakeholder analysis, including the following categories (with individuals or organisations identified within each):
  - a. Potential local match-funding institutional investors
  - b. Press contacts
  - c. Other organisations in the alcohol and drug support sector able to access contacts and connections
  - d. Wider networks accessible by board members
  - e. Local businesses
  - f. Recovery-related businesses and connections
  - g. Individual personal connections
  - h. Political connections.



The plan identifies the best method of approaching individuals or organisations in each category (including through face-to-face meetings or by phone, email, social media, press release etc.).

3. A timetable and checklist of actions, some to be completed before the share offer is launched, some at the time of launch and others weekly thereafter.

A second, vital, part of our marketing strategy is our partnership with Crowdfunder. This leading crowdfunding platform provides an easy way for people to invest online. Crowdfunder is very experienced in raising share investment, and can help us reach people outside Plymouth who believe in our aims and would like to invest. It charges fees, which have been allowed for in our financial projections.

There are four groups we believe will be keen to invest:

#### **1. Local people**

Most of our marketing will be to local people, because we would like them to form the majority of investors. Many will be approached individually.

Our directors all live locally, and many are involved in different local groups or activities. They will meet people and invite them to invest, and we will hold public meetings as well (physically if possible, and also using Zoom).

#### **2. The wider recovery community**

We believe many people across England will want to invest because they are in recovery themselves, or have members of their family or friends who are in that position. We expect them to be keen to support Firestone Plymouth's recovery model, particularly if we can finance new houses in other communities in the future. We anticipate reaching this group through word of mouth and articles in relevant e-newsletters.

#### **3. Ethical investors from across the UK**

There is a group of people who often invest in community shares because they like the combination of social benefit and financial return these provide. Some of these people may be accessed through Crowdfunder.



#### **4. 4. Social match investors**

Two social match investors may buy shares. These are:

- Plymouth City Council, which offers matching investment through its City Change Fund. This means it may invest £1 for every £1 which individuals invest, up to a maximum of £30,000. The fund is expected to re-open in September 2022.
- Resonance, which offers matching investment when it provides a loan to make up the total amount needed in a share offer. The maximum matching investment is half the loan. Resonance already supports our partner, Firestone Plymouth, and secured two grants towards the cost of developing our share offer and business plan. If we reach our target, but not our stretch target, we will take out a Resonance loan. The maximum loan would be £60,000, and so the matching investment could be £30,000.

The third part of our marketing strategy is to make sure that people who wish to invest are able to do so. For most investors in Plymouth, and all further afield, this is straightforward, because they will be able to visit the Crowdfunder website using a link in the offer document, complete an online application, and pay by debit or credit card.

There may be a small number of investors who live in Plymouth, but who either are not able to use the Crowdfunder website, or cannot pay by card. To support them, we will list a contact phone number in the share offer document. Once we are contacted, we will arrange for one of the directors to help the person to either:

1. access the Crowdfunder website and pay by card, or
2. pay Firestone in cash, so we can invest that money in their name through the Crowdfunder website. We will only do this where we are confident the society will meet money-laundering requirements.



## 7. Firestone's financial projections

This section lays out the society's profit and loss, cash flow and balance sheet, in turn. All these projections are based on reaching our target. In the appendix, there are figures which apply if we reach our stretch target.

### 7. .

|  | 0        | 2023    | 2024   | 2025   | 2026   | 2027   | Total   |
|--|----------|---------|--------|--------|--------|--------|---------|
| Income   | £        | £       | £      | £      | £      | £      | £       |
| Rents  | -        | 33,920  | 34,598 | 35,290 | 35,996 | 36,716 | 176,521 |
| Total Income                                   | -        | 33,920  | 34,598 | 35,290 | 35,996 | 36,716 | 176,521 |
| Expenditure                                    |          |         |        |        |        |        |         |
| Platform Fees                                  | 17,765   | -       | -      | -      | -      | -      | 17,765  |
| Insurance                                      | -        | 1,500   | 1,530  | 1,561  | 1,592  | 1,624  | 7,806   |
| Building Maintenance                           | -        | 600     | 612    | 624    | 637    | 649    | 3,122   |
| Legal  | 720      | -       | 1,000  | -      | -      | -      | 1,720   |
| Accountancy                                    | -        | 1,794   | 1,830  | 1,866  | 1,904  | 1,942  | 9,336   |
| Consultancy                                    | -        | 1,000   | -      | -      | -      | -      | 1,000   |
| Membership Management                          | -        | 1,106   | 1,128  | 1,151  | 1,174  | 1,197  | 5,756   |
| Licenses Fees And Subscriptions                | -        | 1,588   | 1,620  | 1,652  | 1,685  | 1,719  | 8,264   |
| Total Expenditure                              | 18,485   | 7,588   | 7,720  | 6,854  | 6,991  | 7,131  | 54,769  |
| Earnings Before Interest, Tax And Depreciation | (18,485) | 26,332  | 26,879 | 28,436 | 29,005 | 29,585 | 121,752 |
| Share And Loan Expenditure                     |          |         |        |        |        |        |         |
| Loan Interest                                  | -        | 4,500   | 4,500  | 4,500  | 4,500  | -      | 18,000  |
| Share Interest                                 | -        | 11,520  | 11,520 | 11,520 | 11,520 | 14,774 | 60,854  |
| Total Share And Loan Expenditure               | -        | 16,020  | 16,020 | 16,020 | 16,020 | 14,774 | 78,854  |
| Earnings Before Tax And Depreciation           | (18,485) | 10,312  | 10,859 | 12,416 | 12,985 | 14,811 | 42,898  |
| Tax  | 0        | 0       | 510    | 2,359  | 2,467  | 2,814  | 8,151   |
| Earnings After Tax And Depreciation            | (18,485) | 10,312  | 10,348 | 10,057 | 10,518 | 11,997 | 34,747  |
| Cumulative Earnings                            | (18,485) | (8,173) | 2,176  | 12,233 | 22,751 | 34,747 |         |



Note: The column headed year 0 shows the payments made before the business starts, but which belong in the Profit and Loss Account. It is important to show them because they reduce the initial profit (and tax liability) of the business.

These figures are based on the following assumptions:

- 1 Utilities and building maintenance payable by tenant.
- 2 No depreciation shown, as revaluation model used for annual valuation, assumed to rise in accordance with long term trends. Annual revaluation cost allowed for in Licences fees and subscriptions.
- 3 No share capital repayment in early years following an issue.
- 4 Corporation tax will be charged at the 2023 small profits rate during the term.





## 7.2. One Year Cash Flow Forecast

| Month                             | 0       | 1     | 2     | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11     | 12      | Total   |
|-----------------------------------|---------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
|                                   |         |       | £     | £      | £      | £      | £      | £      | £      | £      | £      | £      | £       |         |
| Opening Balance                   | -       | 8,705 | 7,909 | 9,201  | 10,892 | 11,078 | 13,370 | 15,661 | 17,953 | 18,451 | 20,742 | 23,034 | 25,326  |         |
| Receipts                          |         |       |       |        |        |        |        |        |        |        |        |        |         |         |
| Share Capital                     | 320,000 | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 320,000 |
| Loan Capital                      | 120,000 | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 120,000 |
| Rents                             | -       | 2,667 | 2,667 | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667   | 32,000  |
| Total Receipts                    | 440,000 | 2,667 | 2,667 | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667  | 2,667   | 472,000 |
| Expenses                          | 413,530 | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 413,530 |
| Purchase                          | 413,530 | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 413,530 |
| Platform Fees                     | 17,765  | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 17,765  |
| Insurance                         | -       | 1,500 | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 1,500   |
| Building Maintenance              | -       | -     | -     | 600    | -      | -      | -      | -      | -      | -      | -      | -      | -       | 600     |
| Legal                             | -       | -     | -     | -      | 1,000  | -      | -      | -      | -      | -      | -      | -      | -       | 1,000   |
| Accountancy                       | -       | -     | -     | -      | -      | -      | -      | -      | 1,794  | -      | -      | -      | -       | 1,794   |
| Consultancy                       | -       | -     | 1,000 | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 1,000   |
| Membership Management             | -       | -     | -     | -      | 1,106  | -      | -      | -      | -      | -      | -      | -      | -       | 1,106   |
| Licenses Fees And Subscriptions   | -       | 1,588 | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | 1,588   |
| Share Interest                    | -       | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | 11,520  | 11,520  |
| Loan Interest                     | -       | 375   | 375   | 375    | 375    | 375    | 375    | 375    | 375    | 375    | 375    | 375    | 375     | 4,500   |
| Loan Capital                      | -       | -     | -     | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       | -       |
| Total Expenses                    | 431,295 | 3,463 | 1,375 | 975    | 2,481  | 375    | 375    | 375    | 2,169  | 375    | 375    | 375    | 11,895  | 455,903 |
| Balance Of Receipts Over Expenses | 8,705   | (796) | 1,292 | 1,692  | 186    | 2,292  | 2,292  | 2,292  | 498    | 2,292  | 2,292  | 2,292  | (9,228) | 16,097  |
|                                   | 8,705   | 7,909 | 9,201 | 10,892 | 11,078 | 13,370 | 15,661 | 17,953 | 18,451 | 20,742 | 23,034 | 25,326 | 16,097  |         |



### 7.3. Five Year Balance Sheet Projection

|      |  | 0              | 2023           | 2024           | 2025           | 2026           | 2027           |
|------|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Note |  | £              | £              | £              | £              | £              | £              |
| 1    | Fixed Assets                                   | 412,810        | 412,810        | 412,810        | 412,810        | 412,810        | 412,810        |
|      | Net Current Assets<br>(Working Capital)        |                |                |                |                |                |                |
| 2    | Balance At Bank                                | 8,705          | 20,811         | 31,706         | 43,648         | 44,711         | 47,493         |
|      | Less Current Liabilities                       |                |                |                |                |                |                |
|      | Creditors                                      | -              | 1,794          | 1,830          | 1,866          | 1,904          | 1,942          |
|      | Tax  | -              | -              | 510            | 2,359          | 2,467          | 2,814          |
|      | Total Current Liabilities                      | -              | 1,794          | 2,340          | 4,226          | 4,371          | 4,756          |
| 3    | Long Term Liabilities<br>(Loans)               | 120,000        | 120,000        | 120,000        | 120,000        | -              | -              |
|      | <b>Total Assets Less<br/>Total Liabilities</b> | <b>301,515</b> | <b>311,827</b> | <b>322,176</b> | <b>332,233</b> | <b>453,151</b> | <b>455,547</b> |
|      | <b>Represented By:</b>                         |                |                |                |                |                |                |
|      | Share Capital                                  | 320,000        | 320,000        | 320,000        | 320,000        | 430,400        | 420,800        |
|      | Reserves (Retained<br>Profit)                  | (18,485)       | (8,173)        | 2,176          | 12,233         | 22,751         | 34,747         |
|      | <b>Total Capital &amp;<br/>Reserves</b>        | <b>301,515</b> | <b>311,827</b> | <b>322,176</b> | <b>332,233</b> | <b>453,151</b> | <b>455,547</b> |

#### Notes:

1. Fixed assets
  - a. Basis of valuation under FRS 102/1A is as property, plant and equipment, initial cost including legal and brokerages fees and non-refundable purchase taxes, and any borrowing costs.





- e. This very conservative approach allows for FRS 102/1A 17.15 “Where the revaluation model is selected, this shall be applied to all items of property, plant and equipment in the same class of asset (ie having a similar nature, function or use in the business”. Thus the total opening fixed asset value is adjusted, rather than the premises only.
- 2 Long term liabilities (loans)
  - a. This includes any Rank Foundation repayable grant.
  - b. This item is shown even where there is no loan or repayable grant, to show this is the case. If we reach our target, but not our stretch target, this line shows the outstanding capital under the loan from Resonance Limited and the repayable grant, or any replacement for them in later years.
- 3 Reserves exclude any share capital redemption reserve, which is reflected in balance at bank.



## 8. The Risks

We have assessed the principal risks faced by the society and put in place a strategy to manage them. Both are shown in the following table.

### The Risk

### Risk Management

#### Failure to Pay Rent

This would only arise if Firestone Plymouth got into financial difficulties. We have a close relationship with the CIC, with a board member in common and are confident we will become aware of any financial issues at an early stage. We would then support our partner to address them.

Furthermore, the rent is a cost which is included in the housing licence fees paid by residents at 95 Durnford Street. Those fees are set and met by Plymouth City Council under Firestone Plymouth's exempt accommodation award. We expect the fees to cover our rent (both being index-linked to the Consumer Price Index). Fees are only paid in respect of each person occupying the 10 bedroom house, but there are many people keen to move in. Void periods are likely to be short.

It is possible that exempt housing benefit payments levels could fall in future, but we think this is very unlikely. The benefit is paid by Plymouth City Council, which is very supportive of Firestone Plymouth's work.

Exempt housing benefit comes from money given by the government to councils. It is possible that government policy might change, with the result it would not pay enough benefit to cover the rent. If that happened, though, other costs that the government pays would rise (such as NHS care).

## The Risk

## Risk Management

### Lack of liquidity

Our financial projections show that we are able to meet our planned interest payments and withdraw capital over time. We will not agree to requests from shareholders to withdraw their investment (or part of it) for the first three years. After that, we will ask for six months' notice. Our financial projections allow for 3% capital withdrawals each year from 2026.

### Failure to purchase property

If the informal agreement to purchase falls through, an option to purchase is in place. While this is between Firestone Plymouth and the owner, we will support the former to exercise it in due time. Our solicitors have confirmed that it will be possible to transfer it to the society immediately (without incurring additional stamp duty).

### Inability to refinance loan

If we reach our target, we will require a loan and a repayable grant.

Our intention is to repay both of these after three years, replacing the capital with equity from a new share issue. We anticipate that investors will be keen to participate, because we will have a three-year track record, and be able to offer a good return (by 2022 standards). This is because the loan carries interest at 7.5%, which is expected to be met annually from revenue, and so paying investors at 3.6% (or higher if necessary to secure investment) is perfectly possible.

If we are unable to raise the funds required from a share issue, we expect to be able to secure a high street mortgage. This is because we will be able to offer a low loan-to-value ratio as well as the track record.

For these reasons, we believe we will be able to refinance the loan.



## **The Risk**

**Departure of  
Firestone  
Plymouth manager**

## **Risk Management**

The manager of the recovery house is very good at what he does, and that is one of the reasons the recovery house has worked so well. We hope he will stay, but people do move on. If that happens, we will work with Firestone Plymouth's directors to find a high quality replacement.

## **Appendix 1: Financial projections for minimum and maximum share offer investments**

This appendix shows the stretch target investment projections in respect of five year profit and loss, one year cash-flow forecast, and balance sheet.



**A: : Five year profit and loss projection for stretch target**

|   | 0        | 2023     | 2024   | 2025   | 2026   | 2027   | Total   |
|---|----------|----------|--------|--------|--------|--------|---------|
| Income  | £        | £        | £      | £      | £      | £      | £       |
| Rent  | -        | 33,920   | 34,598 | 35,290 | 35,996 | 36,716 | 176,521 |
| <b>Total Income</b>                                   | -        | 33,920   | 34,598 | 35,290 | 35,996 | 36,716 | 176,521 |
| <b>Expenditure</b>                                    |          |          |        |        |        |        |         |
| Platform fees   | 20,765   | -        | -      | -      | -      | -      | 20,765  |
| Insurance   | -        | 1,500    | 1,530  | 1,561  | 1,592  | 1,624  | 7,806   |
| Building maintenance                                  | -        | 600      | 612    | 624    | 637    | 649    | 3,122   |
| Legal   | 720      | -        | 1,000  | -      | -      | -      | 1,720   |
| Accountancy   | -        | 1,794    | 1,830  | 1,866  | 1,904  | 1,942  | 9,336   |
| Consultancy   | -        | 1,000    | -      | -      | -      | -      | 1,000   |
| Membership management                                 | -        | 1,106    | 1,128  | 1,151  | 1,174  | 1,197  | 5,756   |
| Licenses fees and subscriptions                       | -        | 1,588    | 1,620  | 1,652  | 1,685  | 1,719  | 8,264   |
| <b>Total Expenditure</b>                              | 21,485   | 7,588    | 7,720  | 6,854  | 6,991  | 7,131  | 57,769  |
| <b>Earnings before interest, tax and depreciation</b> | (21,485) | 26,332   | 26,879 | 28,436 | 29,005 | 29,585 | 118,752 |
| Share and loan expenditure                            |          |          |        |        |        |        |         |
| Loan Interest   | -        | -        | -      | -      | -      | -      | -       |
| Share interest  | -        | 15,840   | 15,840 | 15,840 | 15,840 | 15,365 | 78,725  |
| <b>Total share and loan expenditure</b>               | -        | 15,840   | 15,840 | 15,840 | 15,840 | 15,365 | 78,725  |
| Earnings before tax and depreciation                  | (21,485) | 10,492   | 11,039 | 12,596 | 13,165 | 14,220 | 40,027  |
| Tax   | 0        | 0        | 9      | 2,393  | 2,501  | 2,702  | 7,605   |
| <b>Earnings after tax and depreciation</b>            | (21,485) | 10,492   | 11,030 | 10,203 | 10,664 | 11,518 | 32,422  |
| <b>Cumulative earnings</b>                            | (21,485) | (10,993) | 37     | 10,240 | 20,904 | 32,422 |         |

The assumptions are as for the target projection.





**B: : One year cash flow forecast for the stretch target**

|                                   | 0       | 1     | 2     | 3     | 4     | 5     | 6      | 7     | 8      | 9      | 10     | 11     | 12       | Total   |
|-----------------------------------|---------|-------|-------|-------|-------|-------|--------|-------|--------|--------|--------|--------|----------|---------|
| Opening balance                   | -       | 5,705 | 5,284 | 6,951 | 9,017 | 9,578 | 12,245 |       | 17,578 | 18,451 | 21,117 | 23,784 | 26,451   | 171,071 |
| Receipts                          |         |       |       |       |       |       |        |       |        |        |        |        |          |         |
| Share capital                     | 440,000 | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | 440,000 |
| Loan capital                      | -       | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | -       |
| Rents                             | -       | 2,667 | 2,667 | 2,667 | 2,667 | 2,667 | 2,667  | 2,667 | 2,667  | 2,667  | 2,667  | 2,667  | 2,667    | 32,000  |
| Total Receipts                    | 440,000 | 2,667 | 2,667 | 2,667 | 2,667 | 2,667 | 2,667  | 2,667 | 2,667  | 2,667  | 2,667  | 2,667  | 2,667    | 472,000 |
| Expenses                          |         |       |       |       |       |       |        |       |        |        |        |        |          |         |
| Purchase                          | 413,530 | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | 413,530 |
| Platform fees                     | 20,765  | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | 20,765  |
| Insurance                         | -       | 1,500 | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | 1,500   |
| Building maintenance              | -       | -     | -     | 600   | -     | -     | -      | -     | -      | -      | -      | -      | -        | 600     |
| Legal                             | -       | -     | -     | -     | 1,000 | -     | -      | -     | -      | -      | -      | -      | -        | 1,000   |
| Accountancy                       | -       | -     | -     | -     | -     | -     | -      | -     | 1,794  | -      | -      | -      | -        | 1,794   |
| Consultancy                       | -       | -     | 1,000 | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | 1,000   |
| Membership management             | -       | -     | -     | -     | 1,106 | -     | -      | -     | -      | -      | -      | -      | -        | 1,106   |
| Licenses fees and subscriptions   | -       | 1,588 | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | 1,588   |
| Share interest                    | -       | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | 15,840   | 15,840  |
| Loan interest                     | -       | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | -       |
| Loan capital                      | -       | -     | -     | -     | -     | -     | -      | -     | -      | -      | -      | -      | -        | -       |
| Total Expenses                    | 434,295 | 3,088 | 1,000 | 600   | 2,106 | -     | -      | -     | 1,794  | -      | -      | -      | 15,840   | 458,723 |
| Balance of Receipts over Expenses | 5,705   | (421) | 1,667 | 2,067 | 561   | 2,667 | 2,667  | 2,667 | 873    | 2,667  | 2,667  | 2,667  | (13,173) | 13,277  |
| Closing balance                   | 5,705   | 5,284 | 6,951 | 9,017 | 9,578 |       | 14,911 |       | 18,451 | 21,117 | 23,784 | 26,451 | 13,277   |         |



### C: Five year balance sheet projection for the stretch target

This table shows the projections assuming the society raises its minimum investment.

|  | 0        | 2023     | 2024    | 2025    | 2026    | 2027    |
|--|----------|----------|---------|---------|---------|---------|
|  | £        | £        | £       | £       | £       | £       |
| <b>Fixed assets</b>                        | 412,810  | 412,810  | 412,810 | 412,810 | 412,810 | 412,810 |
| Net current assets<br>(working capital)    | -        | -        | -       | -       | -       | -       |
| Balance at bank                            | 5,705    | 17,991   | 29,066  | 41,690  | 39,299  | 37,856  |
| Less current liabilities                   |          |          |         |         |         |         |
| Creditors                                  | -        | 1,794    | 1,830   | 1,866   | 1,904   | 1,942   |
| Tax  | -        | -        | 9       | 2,393   | 2,501   | 2,702   |
| <b>Total current liabilities</b>           | -        | 1,794    | 1,839   | 4,260   | 4,405   | 4,644   |
| Long term liabilities (loans)              |          | -        | -       | -       | -       | -       |
| <b>Total assets less total liabilities</b> | 418,515  | 429,007  | 440,037 | 450,240 | 447,704 | 446,022 |
| <b>Represented by:</b>                     |          |          |         |         |         |         |
| Share capital                              | 440,000  | 440,000  | 440,000 | 440,000 | 426,800 | 413,600 |
| Reserves (retained profit)                 | (21,485) | (10,993) | 37      | 10,240  | 20,904  | 32,422  |
| <b>Total capital &amp; reserves</b>        | 418,515  | 429,007  | 440,037 | 450,240 | 447,704 | 446,022 |

Notes and assumptions are as for the target.