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Aylesbury Vale Estates LLP – Property Portfolio Business Plan April 2021 to March 2024

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1 EXECUTIVE SUMMARY

1.1 KEY OBJECTIVES OF AYLESBURY VALE ESTATES

The key objectives below were agreed at the inception of AVE in 2009 and are constant in every Business Plan. The strategy for achieving them varies depending on a range of circumstances including market conditions, development opportunities and the target distribution figure agreed for each financial year.

The strategy for 2021/24 is summarised under each objective below.

1. To improve, repair (if applicable) and maintain the Property:
    - Redevelopment of sites
    - Consideration of refurbishment requirements of vacant units on a case-by-case basis
    - Replacement of roller shutter doors and frontages, where required.
2. To enhance, maintain and improve income stream generated from the Property:
    - Redevelopment of assets, where possible, which will enable distribution to investors to be sustained at £600,000 per annum through increased revenue generation and efficient active asset management
3. To positively influence and promote development and economic growth in the Area through the development, improvement and maintenance of the Property, together with pro-active asset management:
    - Continuation with sales and development projects and refurbishment of assets
    - Develop strong relationships with tenants to understand their requirements, facilitating movement within the portfolio and thereby fostering economic growth
    - Any surplus capital will be reinvested into income producing assets, or redevelopment of existing stock.

Please note, the above are the original main AVE objectives, however the Business Plan is formulated with the aim of meeting all of these and improving the portfolio performance.

1.2 HIGHLIGHTS OF THE 2021-24 BUSINESS PLAN

The table below sets out the three-year headline figures which will facilitate achievement of the objectives above. These show a Base Case assumption which is predicated on planning being achieved on 2 main sites and the following milestones being achieved on those sites:

- Planning granted Rabans Lane redevelopment – Q1 2021/22
- Planning granted Stocklake redevelopment – Q2 2021/22
- Sell residential part of Rabans Lane – Q2 2021/22 - £7,000,000
- Sell part commercial Rabans Lane* – Q2 2021/22 - £1,800,000
- Procure finance for redevelopment (linked to residential sales as above) of Stocklake (£6,295,200 total development cost) and Rabans Lane (£6,753,600 total development cost).
- Gateway Phase 3** – Q3 2022/23 - £1,500,000.

*Assumption for the Base scenario is to sell part of the Rabans Lane site for commercial industrial. Preferred option is to sell this portion of the site with outline residential consent.

** The development of the remaining AVE owned land at Gateway has been programmed into Business Plans for a number of years in line with the policy of realising value from under-utilised assets. BC have asked for development action (initially planning) to be put on hold for a period whilst future Council car parking requirements are ascertained, including monitoring car parking use post Covid.

It is considered that a deferral of activity is justified for development management and funding phasing reasons on the basis that solid progress is made, as per Business Plan assumptions, on development at Rabans Lane (Cinram and 1 Rabans Lane) and Askeys, Stocklake sites.

The main financial highlights of the 3-year Base Case business plan are as follows:

	2021/22	2022/23	2023/24
1. Forecast Gross rent	£2,935,976	£2,615,442	£3,015,903
1a. Forecast unpaid rent*	-£855,620		
2. Net Operating Income	£464,454	£1,305,137	£1,817,113
3. Total cash	£5,866,340	£2,615,731	£1,342,025
4. Capital Receipts	£8,800,000	£1,500,000	£0
5. Capital Expenditure and development funding	£3,136,107	£3,178,893	£65,000
6. New Investments	£0	£0	£0
7. Void level	18.60%	16.70%	16.00%
8. Debt amortisation	£899,951	£933,698	£969,516
9. Debt repayment	£0	£0	£0
10. Proposed distribution	£600,000	£600,000	£600,000

*2021/22 - allowance for unpaid rent (20% for AVE and 60% for Hale Leys)

1. <u>Gross rent receivable:</u>

From a rental perspective the Base Case assumes the relatively strong industrial market conditions continue with limited vacancy. However, the assumption on voids is that for medium and larger units, the void period will be 6 or 9 months to reflect the softening in the market, which is mainly anticipated to be caused by Covid-19 throughout 2021.

Rental income reduces significantly from forecast portfolio rent invoiced for 2020/21 of £3,357,861 to £2,935,976 for 2021/22 and £2,615,442 for 2022/23. The reason for this drop is due to a number of key factors:

1. Sale of Hayloaders, Brill – reduction in annual rent of £170,000 in Q2 2020/21
2. Surrender of Askeys, Stocklake lease – reduction in annual rent of £120,000 in Q2 2020/21
3. Termination of Rabans Lane leases (Cinram Novum, Integral Memory and Perry's) – reduction

in annual rent in Q2 21/22 of £667,000.

Whilst the drop in rent will cause an impact in the short-term, both the Rabans Lane and Stocklake premises are old and beyond their economic life. It would, therefore, not be possible to re-let them in the open market as cost to get them into a lettable state would be too high and they are not up to specification.

Once redeveloped it is anticipated Rabans Lane commercial industrial will generate c. £620,000 per annum, although this is only on a third of the overall site. Stocklake is anticipated to generate £565,000 per annum, which overall, more than balances out the loss of rent suffered in the short-term and is key to delivering a number of main aims of AVE, such as improving the income stream, positively upgrading the stock, promoting development and economic growth in the area.

2. Capital Receipts:

The main capital receipts for the Business Plan are outlined above. In addition, Akeman will assess the non-core assets (see section 4) within the portfolio and present sales / development opportunities to the Board as they arise. Please note, these are not shown in the Base Case figures above or included in the business plan financials which are in the cash flow appendices.

By completing the expected sales this will enable a combination of solutions to be achieved i.e. debt to be reduced, thereby reducing future amortisation obligations, and / or part-finance of development schemes.

3. Capital expenditure:

The Business Plan includes construction costs for the re-development of the Stocklake site, for a total of £6,295,200 and also the re-development of the (non-residential part) of the Rabans Lane site, for a total of £6,753,600.

Additionally, £30,000 is allocated to provide an additional entrance to unit 1-2 (unit on right hand side as you enter from the High Street) in Hale Leys Shopping Centre and enhancements to the Market Square entrance.

Capital expenditure also includes an allowance for electrical upgrades and roller shutter door on the multi-let industrial estate. This varies and has been estimated depending on expiry profile of the individual leases.

4. Reinvestment

The decision of Askeys to leave their long-established site on Stocklake Road presents AVE with an exciting possibility to redevelop that site for new commercial uses, creating modern units, new jobs and increased income for AVE. All of which meets the AVE prime objectives. Based on the anticipated total capital receipts and debt repayments it is anticipated there will be a surplus of £10,300,000 by Q2 2021/22 which will be partly used for the Stocklake re-development project. By using surplus funds in this way, AVE will be both increasing revenue for the investors but also creating new commercial accommodation and opportunities in the local economy.

Additionally, the intention is also to redevelop part of the Rabans Lane (Cinram) site which will enable AVE to continue to hold the asset as a new investment, whilst the remainder of the land will be sold for either residential or commercial development, for employment use, by others. The Rabans site is simply too large for AVE to develop the whole and thus sale of part will provide part of the funding for the retained-developments. Whilst the Base Case scenario assumes part of the site, with commercial industrial consent will be sold, the preferred option would be to achieve outline consent for residential and sell to a developer, the net receipt should be higher.

5. Void level of portfolio:

Hale Leys continues to present significant challenges for the portfolio, with numerous tenants seeking improvement on terms as the sector battles to right itself from the effects of the ongoing pandemic. Occupancy has, for the time being, remained at a similar level to before the crisis and the main challenges moving forwards will be maintaining these levels, reducing landlord's overheads and growing net rent collectable.

The main industrial estates have been at or above 98% occupancy for nearly 2-years and, as at the end of September 2020, there was only one vacant unit. The aim is to continue to keep as close as possible to this level of occupancy. However, it should be born in mind that over the long term, multi-let industrial estates have a structural void of between 5% and 10%, so it will be unreasonable to assume a sub 2% void level indefinitely, especially with the continued uncertainty around the Covid pandemic.

The increase in the void percentage to 18.6% in 2021/22 is due to Stocklake and part-Rabans Lane becoming vacant. As previously discussed, this is for redevelopment purposes and strictly should not be considered "void" during that development period.

6. Debt Repayment:

The remainder of the Hale Leys Sub Debt stands at £1,900,000 (7% pa interest). The intention is for this to be paid off, however, this is not currently included in the business plan and repayment of the loan will depend on timing of the capital receipt for Rabans Lane and requirement to fund the re-development projects.

The main loan in AVE has a coupon of 6% and a fixed amortisation schedule currently totalling £518,155 per annum and this will be paid as normal.

7. Distributions:

Currently distributions are forecast in the 2021-24 Business Plan at £600,000 annually, as in the current Business Plan. The 2019/20 distribution has been paid in October 2020. The 2020/21 distribution is forecast to be paid in Q4 2021/21. If the distribution target is met this will help achieve the aim of improving the income stream for investors.

8. KPTs:

It is anticipated that the majority of the KPTs will be met in the Business Plan period.

2 PERFORMANCE AGAINST 2019-20 BUSINESS PLAN

The 2019-20 Business Plan followed on from the strategy of the 2018-19 Business Plan where AVE were required to meet the core objectives plus increased investor revenue flows and support for the council's economic development programme.

The strategy outlined to achieve this was as follows:

- Sale of high value land with low income - improved planning consents to maximise land value of low-income sites, for either development or sale and reinvestment
- Pay off expensive debt in order to reduce cost of finance and de-risk the portfolio
- Reduce amortisation, which soaks up surplus income
- Target a distribution of £600,000 pa
- Occupancy levels:
    - Maintain low levels of vacancy within the industrial portfolio
    - Maintain current tenants at Hale Leys, let vacant units and improve future income stream

Achievement against the above strategies was as follows:

2.1 SALE OF HIGH VALUE LAND WITH LOW INCOME

- Stocklake – sale to Lidl of vacant part of the Stocklake site completed in April 2019, following intensive and lengthy involvement in the planning process, at a gross price of £2,000,000 plus VAT.
- Adams Close, Buckingham – vacant site sale completed to Brickhill Properties for £240,000 plus VAT in July 2019. Development of 4 x 3-bed houses has completed.
- Gateway Phase 2 – as at the end of FY 2019/20 further delays caused by the planning process meant the vacant land sale completion had not occurred. Completion of the sale has subsequently occurred (April 2020).
- Rabans Lane redevelopment – Design and planning of the redevelopment of the site at Rabans Lane (Cinram site) and 1-2 Rabans Lane had started. These areas formed part of the HEELA submission, put forward within the Local Plan for redevelopment as commercial/residential space. The planning application has now been submitted (July 2020).

Despite the sales outlined above, rent invoiced increased year-on-year by 8% overall from £3,299,616 to £3,552,461, although as at the year-end £463,000 of this was unpaid, mainly due to Cinram Novum situation.

2.2 PAY OFF EXPENSIVE DEBT AND REDUCE AMORTISATION

During 2019/20 £1,000,000 of Hale Leys debt was paid down following the Stocklake sale. Hale Leys Loan now stands at £1,900,000 and this has reduced quarterly payments accordingly.

2.3 TARGET DISTRIBUTION

A distribution of £600,000 for 2019/20 was due to be made in Q3 2020/21, delayed due to the uncertainty created by the Covid-19 process. This has now been paid (October 2020).

2.4 OCCUPANCY LEVELS

- At the end of March 2020, vacancy of the portfolio was 3.0% versus a year-end (March 2020) target of 9.2%. This high occupancy was achieved by very low vacancy level across the industrial portfolio of 1.7% combined with low vacancy at Hale Leys of 7.5%.
- Various asset management initiatives were implemented on the Rabans Lane Industrial Estate to enhance the estate, attract and retain tenants and build relationships:
  - Installation of speed bumps and bollards on Bessemer Crescent and Edison Road
  - Line painting to improve parking efficiency
  - Installation of a defibrillator
  - Clearing fire escape routes and putting pathways in on Edison Road units
  - Continuation of quarterly tenant's meetings to greater understand tenant's issues and develop relationships.
- The main lease completion within the industrial portfolio to YE March 2020 was Hayloaders, Brill (May 2019) – 15-year lease to Emblem Developments at an annual rent of £150,000 plus VAT. This has subsequently been surrender, due to the sale of the site to the occupier.
- There were 25 new leases across the portfolio (excluding Hale Leys) with a total annual rent of £358,125. Additionally, there were 17 renewals with an annual rent of £205,300.

Several key transactions occurred in 2019/20 at Hale Leys, which improved the occupancy of the centre:

- Bar Noosh Ltd took unit 6 Market Square on a 10-year lease from 24.05.19. Annual rent of £15,000 with 6-months' rent free and a rent review in year 5.
- Poundstretcher Limited t/a Bargain Buys signed a 3-year lease on unit 5-8 from 24.06.19 with an annual rent of £100,000 inclusive of insurance, service charge and rates. Poundstretcher has subsequently announced their CVA process (June 2020).
- The Aylesbury Bar Company t/a The Manor agreed a 15-year lease for 15A to operate a bar and restaurant. Base rent of £40,000 per annum with turnover top-up and 24-months' rent free.
- Stay and Play Aylesbury Limited completed a 10-year lease from 25.09.20 paying annual rent of £55,000 with 12-months' rent free and 12 months' half-rent.

2.5 MAINTAIN CURRENT TENANTS AT HALE LEYS

Hays Travel Limited took over occupation of the former Thomas Cook unit following their demise in September 2019. 10-year lease from 01.02.20 with annual rent of £45,000 and 12-months' rent-free period.

2.6 MANAGEMENT OF RABANS LANE INDUSTRIAL ESTATE

In addition to the projects carried out on the main industrial estate as mentioned above i.e. installation of speed bumps and bollards, line painting, clearing fire escape routes there were also works carried out to Edison Workspace which included upgrading lighting, new heating, reception area upgrade and re-carpet throughout the shared areas.

Overall annual costs attributed to Edison Workspace have reduced from £50,000 to £28,000 mainly through reduced electricity charges and transferring business rates to tenants, which have had minimal adverse effects on tenants due to their ability to claim small business rates relief.

2.7 KEY PERFORMANCE TARGETS

Income

Portfolio income increased year-on-year by 8% overall from £3,299,616 in 2018/29 to £3,552,461 in 2019/20, although as at the year-end £463,000 of this was unpaid, mainly due to Cinram Novum situation. Hale Leys was slightly lower than budget (£1,289) and the commercial industrial section of the portfolio was £34,040 ahead of budget at £2,882,124.

Bad debts

No bad debts were written-off in the year ending March 2020.

Collection rates

The 3-month collection rate for the whole portfolio for the March 2020 quarter was 80.5% which was under the 3-month KPI of 90% due to the continued arrangement with Cinram Novum. The 12-month collection rate was 99.75%, well above the 12-month KPI of 95%.

Portfolio Performance

The Loan to Value as at 31 March 2020 was 69%, below the maximum limit of 72%. The portfolio value was £44,086,500, which was stable compared to the previous year (£43,871,500), with the 4.1% increase of the AVE portfolio offsetting the write down of Hale Leys (£1.5m).

AVE's gross assets (including cash) at the end of March 2020 fell from £44,900,000 in 2019 to £42,890,000, solely due to sales. However, debt also fell, from £32,420,000 to £30,400,000 due to amortisation of senior debt within AVE and the loan from AVDC on Hale Leys plus the repayment of £1,000,000 of the subordinated debt on Hale Leys.

Net asset value was £12,410,000 down marginally from £12,500,000 which is unsurprising as we are reusing last year's values, using cash from sales to pay down debt and nearly £600,000 was distributed. This produces an overall total return since inception of 10.13% pa. Total return is calculated using the starting value of the portfolio at inception, writing off one twentieth of the set-up costs each year then including any distributions made and the end of current year value.

3 PERFORMANCE AGAINST 2020-21 BUSINESS PLAN

The core objectives and strategy for the current year are the same as the previous year.

3.1 SALE OF HIGH VALUE LAND WITH LOW INCOME

- Gateway Phase 2 – sale to Shanly Homes for net sale price of £2,078,588 plus VAT completed in April 2020.
- Hayloaders, Brill – sale to Emblem Developments of £2,570,000 completed in July 2020. This compared to March 2019 valuation of £1,750,000.
- Moreton Road – sale to Romdox UK Ltd for £620,000 plus VAT completed in September 2020. This compared to a valuation of £80,000.
- Meadowcroft Surgery – sale to occupier for £100,000 plus VAT completed October 2020. This compares to a valuation of £5,000 (for entire site).

Of the above sales, only Hayloaders (£170,000 per annum) provided a significant income. The decision to proceed with the sale was due to risk around the site (one tenant had already gone into administration), the potential for residential development was reduced (not identified in the Local Plan) and also the sale price was significantly higher than valuation. The decision was therefore taken to proceed with the sale and use the capital receipt to either pay down expensive debt or contribute to other development activity.

3.2 PAY OFF EXPENSIVE DEBT AND REDUCE AMORTISATION

No additional debt (above agreed amortisation level) has been paid off in the current financial year. Ideally, the remaining Hale Leys debt of £1,900,000 would be paid off, however consideration needs to be given to the timing of equity requirements for redevelopment projects.

3.3 TARGET DISTRIBUTION

It is anticipated that a distribution of £600,000 for 2020/21 will be achievable before the end of the financial year and this is forecast to be paid in Q4 2020/21.

3.4 OCCUPANCY LEVELS AND RABANS LANE MANAGEMENT

- At the end of September 2020, vacancy of the portfolio was 6.3% versus a year-end (March 2021) target of 5.8%. Hale Leys vacancy was 7.7% and the rest of the portfolio 5.9%. The increase was due to surrender of Askeys lease at Stocklake, which would not be suitable for re-letting and is due to be redeveloped as soon as possible. This will now be excluded from vacancy calculations until the development is completed.
- Akeman continue to work hard to maintain and develop relationships with tenants across the portfolio. This has been of increasing importance during the pandemic as it has enabled a deeper understanding of individual businesses needs to be gained for the longer-term benefit of the

tenants and the portfolio as a whole. Akeman has been proactive in promoting Government support available to businesses during the pandemic and will continue to be flexible as the impact of the pandemic continues to be felt.

- Various asset management initiatives have been carried out or are underway on the Rabans Lane Industrial Estate to enhance the estate, attract and retain tenants and build relationships:
    - On-going roof works – increase of frequency of bad weather conditions have caused problems which are being dealt with
    - Drainage works – on-going maintenance to ensure smooth-running of drainage system such as root clearance, clearing blockages, repairing broken pipes, etc.
    - Tree works – on-going programme of tree works to ensure safety and reduce leaf fall which causes blocked gutters
    - Continued works to Edison Workspace including kitchenette upgrade
    - Continuation of tenant's meetings – whilst these have not occurred since the start of Covid-19 they will proceed through on-line forum with individual meetings being offered should tenants require them.

- In the first half of 2020/21 there were 6 new leases across the portfolio (excluding Hale Leys) with a total annual rent of £57,450. Whilst this is lower than previous years, occupancy levels have generally been maintained. Additionally, there were 14 renewals with an annual rent of £143,000.

3.5 Maintain Current Tenants at Hale Leys

Discussions have been had with almost all the tenant within Hale Leys to agree some sort of concession on the rent, to assist with the pressures and effects of Covid-19. Where appropriate, rent free periods have been granted in exchange for extending the term certain on the lease.

- There was the launch of the CVA for Poundstretcher, t/a Bargain Buys which was voted for in June 2020. Under the terms of the CVA they trade rent free after the initial 6-week period following the CVA vote. Their rent is an all-inclusive rent which means they currently do not pay anything towards service charge. The agents are instructed to secure alternative tenants for this unit to reduce / eliminate the shortfall.
- Accessorize went through their CVA in 2019 with reduction to 45% of the contractual rent payable. Subsequently they went into Administration in June 2020 and were immediately bought out in a pre-pack sale. A deal has been agreed for a lease on a base rent of £10,000 plus 10% turnover top-up. The deal is in solicitors' hands.
- Card Factory renewed their lease on unit 15 for a further 3 years from April 2020 with rent-free partly to deal with the lockdown period.
- Sparks E-Cig went into administration; however, a new company has been set up, and a deal has been agreed for them to continue to occupy Unit 17 on a reduced base rent and turnover basis. The deal is in solicitors' hands.
- Toys UK served their break notice and vacated unit 11&12 in early August 2020.
- Boots remain in occupation having been granted 1-month rent free to settle their arrears.
- Calendar Club are occupying units 1 & 2 on a temporary basis from October through to January 2021 on a turnover only basis. This is to mitigate the landlord's rates liability.
- There is also a short term letting on unit 9 to Nigel's Handbags and Travel Goods, who pay a base rent plus a turnover top-up. The lease has annual mutual breaks.

It is anticipated that all units will be occupied over Christmas due to two short term tenants. Unit 9 has now been occupied by a retailer who has traded in Aylesbury for 30 years. This signals a move away from the main high street name shops and provides another opportunity of the type of tenant Hale Leys could attract moving forward.

4 BUSINESS PLAN – 1ST APRIL 2021 ONWARDS

The core objectives are set out in Section 1, however in summary are:

- Increase the value of the estate;
- Increased investor revenue flows; and
- Support for the Council's economic development programme

The key strategies identified to achieve these objectives for 2021/24 are:

- Sale of high value/low income assets, for reinvestment in the portfolio through redevelopment of current sites or into higher income assets
- Redevelopment of key assets and renewal of old industrial stock
- Pay off expensive debt to reduce cost of finance and reduce amortisation
- Target a distribution of £600,000 pa
- Maintain current levels of occupancy within the industrial portfolio
- Hale Leys - maintain current tenants, let vacant units and improve future income stream
- Review all non-core and Category B assets and sell/develop where possible (subject to the necessary BC approvals as set down in the Members' Agreement).

As in previous Business Plans, the financial cash flow assumes the most likely scenario that may occur – this is laid out in the "Base Case." In addition, there are potential scenarios which are less likely to occur and this is included in the "Enhanced Case."

Base Case assumptions

The key elements of the Base Case scenario are as follows:

- All tenants remain at the break clause point, however all vacate at lease expiry
- In 2021/22 the cash flow assumes only 70% income will be collected due to the on-going difficulties surrounding Covid-19. This is based on the assumption that for Hale Leys only 40% of rent will be collecting in the first 12-months of the business plan (April 2021 to March 2022) and only 80% for the rest of the portfolio.
- Redevelopment of Askeys at Stocklake – McDonalds drive-through and the remaining as commercial industrial. Development to commence 2021/22 Q3.
- Part sale and part redevelopment of the Rabans Lane site with 5.7 acres commercial industrial retained in the portfolio and 8.6 acres sold with outline residential consent and an assumption of 3 acres being sold with detailed commercial industrial consent. Sales assumed in 2021/22 Q2.
- Sale of Gateway Phase 3 for £1,500,000 in Q3 2022/23.
    - The development of the remaining AVE owned land at Gateway has been programmed into Business Plans for a number of years in line with the policy of realising value from under-utilised assets. BC have asked for development action (initially planning) to be put on hold for a period whilst future Council car parking requirements are ascertained, including monitoring car parking use post Covid.
    - It is considered that a deferral of activity is justified for development management and funding phasing reasons on the basis that solid progress is made, as per Business Plan assumptions, on development at Rabans Lane (Cinram and 1 Rabans Lane) and Askeys, Stocklake sites.

The following Base Case letting assumptions were made for individual units in Hale Leys:

- The Base Case assumes that the currently vacant Hale Leys units (1&2, 11&12 and 22-24) remain vacant i.e. the rental forecast does not assume re-letting of these units due to the current uncertainty.
- ERVs generally have been re-assessed due to the on-going issues the retail sector is experiencing.

Enhanced Case assumptions

The Enhanced scenario assumes the following:

- 100% of the income is received i.e. no allowance for lower rent receipt due to Covid-19.
- Planning consent achieved as per submission made i.e. 5.7 acres of commercial industrial on part of Rabans Lane (Cinram) site with the balance being sold with outline residential consent for £9,000,000.

The following table provides a summary of each of the scenarios and the anticipated capital receipts under each of these.

	Base Case Scenario - A	Enhanced Case Scenario -differences to Base Case
2021/22 Q1	1.Assumes 70% of rent received (due to covid) for 2021/22 (12 months) i.e. 80% for AVE (non-Hale Leys) and 40% for Hale Leys.	1. Assumes 100% of rent received for AVE (non-Hale Leys) and 40% of Hale Leys rent collected
2021/22 Q2	1. Sell resi-part of Cinram (Rabans Lane) site (8.6 acres) - £7m 2.Sell 1 – 2 Rabans Lane (commercial) 3 acres - £1.8m 2. Procure finance for re-development of Stocklake (£6.3m) and Rabans Lane commercial (£6.6m)	1. Sell resi-part of Rabans Lane (11.6 acres) - £9m
2021/22 Q3	1. Re-development of Stocklake site commences 2. Re-development of Rabans Lane commences; this includes 5.7 acres on Cinram site	
2021/22 Q4		
2022/23 Q1		
2022/23 Q2		
2022/23 Q3	1.Gateway Phase 3 receipt of £1,500,000	
2022/23 Q4	1.Re-development of Stocklake complete 2. Re-development of Rabans Lane complete	
2023/24 Q1		
2023/24 Q2	1. Commence income receipt for Rabans Lane	
2023/24 Q3	1. Commence income receipt for part Stocklake	
2023/24 Q4		

NB There is no Enhanced Case scenario for Hale Leys.

The opportunity outlined in previous business plans remains i.e. site disposals to release substantial capital for reinvestment which will increase revenue flows. The main challenge will be getting to the point of realising increased revenue flows whilst suffering reduced income for a period of time whilst redevelopments occur. Annual rent reduces by £957,000 due to loss of Hayloaders rent (£170,000), Askeys, Stocklake (£120,000) and Rabans Lane (£667,000). Notice has been served on Integral Memory Ltd, however a short-term lease renewal is being proposed with a rolling option to break the lease. The Rabans Lane tenancies will all need to be managed to ensure maximum rent is extracted before sales are progressed and redevelopments commence.

There is continued uncertainty with Cinram Novum however, they cleared £250,000 in Q4 2019/20 and, up to end of September 2020, have managed to adhere to agreed payment plans. Arrears as at end of September 2020 was £190,000 plus VAT. The Base Case assumes they continue to pay rent as per their contracted amounts up to July 2021 i.e. when planning is assumed to be granted on Rabans Lane.

The current three-year business plan has been designed to take the portfolio to a position where the revenue flows from rent alone can comfortably cover all running costs, asset enhancements and amortisation and leave a surplus for distribution to investors on an ongoing basis. This is part of the core aim of increasing investor revenue flows.

To achieve the key strategies outlined above the focus of this business plan is as follows:

4.1 Redevelopment of Key Assets

Stocklake

Whilst the decision of Askeys to relocate their operations to other facilities will temporarily reduce income in the portfolio by £120,000 per annum, it does also present an exciting redevelopment opportunity. The Base-Case business plan assumes a planning application will be submitted prior to commencement of the 2021 financial year.

The re-development will require taking proceeds from the part-sale of Rabans Lane site and borrowing to finance the development.

It is anticipated that planning could be achieved and development commence by Q3 2021/22 with income being generated on the site by the end of the business plan period i.e. Q3 2023/24.

The development proposal comprises a drive-through operator on the front portion of the site, with new commercial industrial units on 3-acres to the rear of the site.

- Terms have been agreed with McDonalds for a 25-year lease with a 20-year break at £120,000 per annum. Build cost - £670,000 (for drive-through unit only)
- Proposed plan for commercial industrial will be 11 units totalling 49,400 sq ft of GF accommodation, ranging from 1,750 sq ft to 10,600 sq ft. Total parking of 90 spaces. Build cost - £4,700,000.
- Total development costs are anticipated to be £6,430,000

- It is anticipated that, once completed, income generated from the development could be c. £560,000.

Rabans Lane

A planning application was submitted for Rabans Lane site in July 2020.

Proposed development comprises 200 residential units made up of 66 x 1-3 bed apartments and maisonettes and 134 x 3-5-bed houses as well as commercial industrial of 69,000 sq ft split over 18 units.

The Base Case scenario assumes planning in achieved within 12 months. Part of the site is then sold for residential development for £7,000,000. The proceeds can then be used to part fund the re-development of the Stocklake and Rabans Lane commercial units (industrial and Stocklake drive-through pod). The balance of the site (3-acres on 1-2 Rabans Lane) will also be sold as commercial industrial, estimated in the Base Case scenario at £1,800,000.

This scenario would involve an amendment to the submitted planning application and assumes that residential consent is not achievable on the eastern side of Rabans Lane. The Enhanced scenario, however, assumes that it will be possible to sell this area for residential development as well.

It is anticipated development costs for the commercial industrial Rabans Lane units will be £6,800,000.

4.2 Sales of Assets

Base Case

Sale of Rabans Lane Site is included in the Base Case scenario as follows:

- Sell residential part of Rabans Lane (8.6 acres) – Q2 2021/22 - £7,000,000
- Sell part commercial Rabans Lane (3 acres) – Q2 2021/22 - £1,800,000

The Base Case also assumes Gateway Phase 3 will be sold in Q3 2022/23 for £1,500,000.
NB - The development of the remaining AVE owned land at Gateway has been programmed into Business Plans for a number of years in line with the policy of realising value from under-utilised assets. BC have asked for development action (initially planning) to be put on hold for a period whilst future Council car parking requirements are ascertained, including monitoring car parking use post Covid.

It is considered that a deferral of activity is justified for development management and funding phasing reasons on the basis that solid progress is made, as per Business Plan assumptions, on development at Rabans Lane (Cinram and 1 Rabans Lane) and Askeys, Stocklake sites.

Rabans Lane

- The Rabans Lane site is included in VALP as a residential location for 200 units, with the remaining 3-acres identified as commercial development within the VALP.
- The Base Case scenario assumes that achieving outline consent as applied for i.e. residential on the 3-acre plot currently identified as commercial land within the VALP, is not possible.

Therefore, the application will achieve consent for commercial industrial and be sold for £1,800,000 rather than retained and developed out.

- It is assumed that 8.6 acres of the Rabans Lane (Cinram) site will achieve outline consent for residential. This will be sold on at that point to a housing developer for £7,000,000. The balance of the site will be retained and developed as commercial industrial to be retained within the portfolio

Enhanced Case Sales

There are no additional sales, however the Enhanced scenario assumes that planning consent for residential development is granted as per the planning application i.e. on the majority of the Rabans Lane site (Cinram) site as well as the 3-acre site of 1-2 Rabans Lane.

- Sale of Rabans Lane Site (Residential) £9,000,000 forecast Q3 2021/22

Additional non-core assets (further details in section 4.7)

There are a number of non-core assets which will be reviewed that are currently generating negative net revenue for the portfolio (see section 6 for details of net negative revenue properties). These have the potential to realise additional capital receipts, which could be reinvested in the portfolio. Please note, these have not been included in the Base Case or Enhanced scenarios due to the uncertainty of selling the sites.

Acquisitions

The current business plan does not assume new acquisitions outside the portfolio and focuses on redevelopment of existing sites to provide new commercial premises and attract new tenants paying market rents.

4.3 Pay off Expensive Debt

As set out in the previous Business Plan AVE has paid down the expensive (7% pa) debt in Hale Leys. This loan started out at £2,900,000 and thus costs have now been reduced by £203,000 per annum.

To reach a steady state whereby AVE can cover its annual running costs from rent receipts alone and still pay £600,000 pa distribution to members has been the aim of the asset management team to meet the target set by the AVE board.

This Business Plan, therefore, proposes new debt is only taken on to assist in the redevelopment of the Stocklake and/or Rabans Lane sites. The rent generated will need to more than cover interest and any amortisation costs and enhance net returns of AVE. Currently, due to Covid-19, banks are lending less and generally being very cautious, AVE therefore need to monitor both the availability and cost of debt to insure the use of debt to facilitate those developments adds to the income returns as well as capital returns.

The remaining debt in Hale Leys from Buckinghamshire Council outside the overall AVE facility amounts to £3,512,500 at March 2021 is at a rate of 4% pa. This is a good interest rate and unlikely to currently be bettered in this market. However, it also has an aggressive amortisation schedule at £350,000 per annum.

The previous Business Plan assumed this debt would be repaid but given the proposals on Stocklake and Rabans Lane, it seems sensible to keep this low interest loan in place despite the amortisation requirements, rather than borrow more at a higher interest rate to help finance the two development schemes.

4.4 DISTRIBUTION

The Board have decided that ongoing distribution should aim to be at £600,000 per annum to Members and thus the Business Plan has been constructed to try to achieve this. Members will appreciate that the quantum and timing of distributions in the short term may need to be flexible to achieve the long-term aim of a robust positive net income stream and sustained annual distribution.

4.5 MAINTAIN CURRENT LEVELS OF OCCUPANCY WITHIN INDUSTRIAL PORTFOLIO

Investment improvements

The Rabans Lane multi-let industrial estate continues to experience a high level of occupancy which has been facilitated by high demand, but also through the significant investment made on over-cladding the roofs, replacing frontages and upgrading the units internally, which has enabled a desirable product to be presented to the market. This is also evidenced by the increased rents that are being achieved. Akeman has sought to make the AVE assets both affordable to tenants whilst offering some of the best facilities in the area.

The rolling refurbishment programme has now come to an end as all the long-term vacant units that were in poor condition have been refurbished and let. Now, the only units that require work are ones that come back due to failing businesses, lease expiries with tenants not renewing or break notices served and the work required is reduced, where possible, by the tenant carrying out dilapidations works.

Relationship Development

Regular quarterly tenants' meetings continue, however, these will move to online meetings, with individual meetings being offered as well. The asset managers attend site on a regular basis to try to develop strong relationships with tenants and this certainly helps with lease renewals and ensuring the smooth running of the estate.

Marketing

The joint agency appointment is working well and AVE have been able to capitalise on local level market improvement, completing numerous new lettings across the Rabans Lane Industrial Estate reducing the number of void units. Monthly letting meetings will continue to take place where activity and initiatives are reviewed for implementation.

The e-based marketing campaign continues, with the agents making properties in the AVE portfolio available on their own websites.

4.6 Hale Leys

Opportunities

Despite the Covid-crisis, there are still significant opportunities to enhance and repurpose retail units. With the addition of two non-traditional tenants, The Manor and Stay & Play, the centre was showing signs of recovery pre-lockdown. This demonstrates how non-traditional retail can lift the Centre and there may be opportunities in the future for vacant units to also be re-purposed.

One potential opportunity within the Centre is New York Deli taking occupation of Unit 22-24 which may also allow Unit 1-2 to be seen in a new light. Hopefully, once the Deli is open unit 1-2 will also lend itself to another food and beverage tenant allowing new possibilities to the High Street entrance to the mall. There are plans to separate off the mall area between unit 22-24 and 1-2 and secure a 'food market' type operator for unit 1-2, utilising the mall area for seating and bringing more people to the centre.

The largest hurdle to overcome for both Tenants and Landlords is Business Rates. Whilst currently Tenants enjoy a rates-free period up to April 2021, landlords do not. Neither party knows what will happen in April 2021 when the potential to be hit with 100% liability will possibly cripple any new business looking to take retail space. FHP Property Consultants have been tasked with carrying out a rates appeal in early 2021. It is anticipated the following units could achieve successful rates appeals:

Units 1-2:	Short term let to Colander Club currently then vacant.
Units 5-8:	Let to Poundstretcher t/a Bargain Buys on a fully inclusive lease
Unit 9:	Now tenanted but the tenant is not liable for the rates.
Unit 22-24:	Vacant, but hopeful New York Deli will occupy soon.

Relationship Development

Akeman will continue to maintain a regular dialogue with tenants, both at store level and with head office departments, where applicable. In addition, all tenants will be encouraged to continue to provide monthly turnover figures to enable Akeman to identify trends in the market and, if necessary, to act upon them as appropriate. Akeman and the Centre Manager will continue to attend the quarterly Town Centre Partnership meetings ensuring that Hale Leys is properly represented. By building relationships with other TCP Members, it will enable Akeman to keep abreast of what is happening within the town centre.

Capital Investment

It is proposed to extend the frontage of units 1-2 the same as units 22-24 (these are the units on the right and left hand sides as you enter the Centre from the High Street). This will allow out of hours trade to help facilitate the letting of the unit. The entrance from Market Square requires updating, however, this may have to wait until finances become clear due to Covid. An allowance of £30,000 has been made for these items in Q1 2021/22.

Footfall

Hale Leys continues to have the highest footfall of any retail destination in Aylesbury. It is essential that we use this high level of footfall as a positive marketing tool. Footfall is currently higher than reported as we don't have a counter on the doors to The Manor or to the Arcade entrance of Stay & Play.

4.7 Review of Non-Core and Community Assets

There are a number of assets which cost AVE money to own. These are reviewed on an ongoing basis and will be discussed with the Board as necessary. These are sites where the level of revenue (in terms of rent) is less that the cost to hold them in the portfolio i.e. they reduce net income from the portfolio.

Please note - the comments relating to these assets below have not yet been discussed by the Board and are intended to give a flavour of the options that will be considered by the Board in due course and any decisions will follow the governance arrangements set down in the Members' Agreement.

Each of these sites will be reviewed and assessed with a view to making a recommendation to the Board on whether they should be retained within the portfolio, sold or re-developed and retained.

Negative net value sites (not included in discussion elsewhere)

Asset	Type	Mar-19 Val	Comments
Dover Hedge, Scout Hut Land	Scout Hut	£5,000	Holds no strategic value to AVE. Have agreed sale price of £15,000 plus VAT for the Scout Association to purchase; they are raising funds.
Land at Lower Green, Westcott	Farmland	£50,000	Large rural site in attractive village. No intention to sell the freehold. The plot is currently let for agricultural purposes but may have much longer-term residential potential. Savills have reviewed and no re-development opportunity at this time.
Land at Mitre Street, Buckingham	Small strip of vacant land	£5,000	Part sold during 2017, remainder holds no strategic value to AVE. Decision taken by Board not to progress any further individual sales to house owners.
Land at Douglas Road	Retail and Salvation Army	£1,000	Holds no strategic value to AVE. Consider transfer to occupier
Land at Eagles Road	Vacant land	£50,000	Holds no strategic value to AVE. VAHT not interested in purchasing site. Other options to be considered, such as auction.
Land Ross Road	Land in residential area	£500	Holds no strategic value to AVE. Consider transfer to occupier
Land at Jackson Road	Pub and retail premises	£5,000	Holds no strategic value to AVE. Surgery sold for £100,000 plus VAT to occupier. Pub and convenience store leaseholders are not interested in purchasing the FH elements of their sites.

Land at Haddenham	Farmland	£60,000	The potential of this site has not been progressed due to political sensitivities, which should be addressed in due course. There is significant potential residential development value attributed to this large site immediately adjacent to Haddenham station.
Stratford Fields Land, Buckingham	Football Club	£25,000	Buckingham Football Club have not responded to requests for an update on purchasing the FH
Lands Wing, Scout Hut Land	Scout Hut	£5,000	Holds no strategic value to AVE. Transfer for nominal price to Scouts Association agreed but they have now failed to progress. Trying to follow-up.
Mandeville Surgery Land	Land - car park	£5,000	Holds no strategic value to AVE. Consider transfer of freehold to tenant
Friars Square Shopping Centre Land	LLH Shopping Centre	£50,000	Retain ground lease asset as part of the larger town centre holding. Albeit there is no income or significant capital value attributable to this asset.
Cinema site, Exchange Street Land	LLH Cinema site	£10,000	Town centre large site. Retain asset as part of the larger town centre holding. Albeit there is no income or significant capital value attributable to this asset.

Other Non-Core Assets

The following are the remaining non-core assets which are positive net revenue sites and they provide good diversification across the portfolio or if sold, reinvestment would not produce a higher income.

Opportunities will be considered should they arise, however generally speaking the strategy is to hold these assets within the portfolio and any deviation from that will be discussed fully with the Board prior to any action being taken.

Asset	Type	Mar-19 Val	Comments
Round House	Offices	£85,000	Offices – Provides diversity within the portfolio and sound income. Lease has recently been renewed.
71-77 High Street	Retail premises	£420,000	Terrace of four small retail units. Although not adjoining main town centre holdings this should be held as part of larger plans to improve the lower end of the High Street. Would also require the acquisition of the Hale Street Car Park (Option Property).
Slade Recreation Club, Buckingham	Bowls Club	£250,000	21-year lease renewal completed in 2015. Retain asset for income as very little appeal to commercial buyers on open market
79-81 Mandeville Road	Retail units	£285,000	Two retail units – Holds no strategic value to AVE. Lease expiries in 2021 and 2022 respectively. Good income so hold as good diversifier
143-145 Meadowcroft Land	Land – let to charities	£25,000	Property comprises two parcels of land let to charities. Retain asset as occupants not in position to buy freehold and have very little commercial appeal to buyers on market
Oakfield Road, Scout Hut Land	Scout Hut	£5,000	Holds no strategic value to AVE. In discussions with Scout Association to purchase the FH. Have proposed £10,000 plus VAT.
Land at Harroell, Long Crendon	Farmland	£10,000	Site let on long lease to tenant with automatic rights for renewal. AVE to retain the freehold
Haywoods Way Sports & Social Club Land	Football Club	£5,000	Retain. New lease completed

4.8 FINANCIAL SUMMARY

This section identifies the high-level financial summary.

4.8.1 Base Case

The below table sets out the three-year headline figures given a Base Case assumption which is predicated on the current site sales all occurring in the next financial year and reinvestment of the majority of those receipts.

	2021/22	2022/23	2023/24
1. Forecast Gross rent	£2,935,976	£2,615,442	£3,015,903
2. Forecast unpaid rent	-£855,620		
2. Net Operating Income	£464,454	£1,305,137	£1,817,113
3. Total cash	£5,866,340	£2,615,731	£1,342,025
4. Capital Receipts	£8,800,000	£1,500,000	£0
5. Capital Expenditure and development funding	£3,136,107	£3,178,893	£65,000
6. New Investments	£0	£0	£0
7. Void level (entire portfolio)	18.60%	16.70%	16.00%
8. Debt amortisation	£899,951	£933,698	£969,516
9. Debt repayment	£0	£0	£0
10. Proposed distribution	£600,000	£600,000	£600,000

Notes to table:

1. Gross rent receivable is split between AVE and Hale Leys respectively as follows:

2021/22 – AVE: £2,264,913 Hale Leys: £671,062*
2022/23 – AVE: £1,937,120 Hale Leys: £678,322
2023/24 – AVE: £2,343,571 Hale Leys: £672,332
*Less £452,983 unpaid for AVE (non-Hale Leys) due to Covid-19 and £402,637 for Hale Leys

2. Capital Receipts

Estimated sale of sites as listed below:

- Sale of Rabans Lane (residential) £7,000,000 forecast Q2 2021/2022
- Sale of Rabans Lane site (Commercial) £1,800,000 forecast Q2 2021/2022
- Sale of Gateway Phase 3 £1,500,000 forecast Q3 2022/2023

3. Estimated capital expenditure covers:

- Allowance for various enhancement works – AVE Variable per annum
- Development Costs – Stocklake (excl finace) £6,295,200
- Development Costs – Rabans Lane (excl finance) £6,753,600
- Extend Unit 1-2 with a frontage to High Street £15,000 (Q1 21-22)
- Enhance/modernise Market Sq entrance £15,000 (Q1 21-22)

4. Forecast of void position – further details can be found in section 6.

5. The remaining Hale Leys Sub Debt of £1,900,000 (7% pa coupon) is not currently expected to be repaid. Whilst this is the ultimate intention, due to potential uncertainty around timing of planning on Rabans Lane, this will be paid off (following board agreement) if there are sufficient funds to do so, bearing in mind the redevelopment proposals.

6. Distributions to be set at a prudent level and will be approved by the Board at the end of each financial year. Currently forecast at £600,000 for 2021/22 and subsequent years, as in the previous Business Plan.

4.8.2 Base Case Cash Flow Summary

The Board has directed that the Business Plan should aim for AVE to become self-funding through revenue alone whilst also being in a position to distribute at least £600,000 in each year of the Plan and be able to continue distributions of this level going forward. This is reflected in the Base Case scenario, however a Board decision will be made at the time with respect to this depending on cash flow.

4.8.3 Enhanced Scenario

This follows the Base Case but assumes that planning consent for residential development is granted on part of the Rabans Lane site (200 units) and that AVE re-develops the commercial proportion of Rabans Lane Site, which is as per the submitted planning application.

	2021/22	2022/23	2023/24
1. Gross rent receivable	£2,935,976	£2,615,442	£3,015,903
1a. Forecast unpaid rent (Hale Leys)	-£402,637		
2. Net Operating Income	£917,437	£1,305,137	£1,817,113
3. Total cash	£6,786,267	£3,535,658	£2,261,952
4. Capital Receipts	£9,000,000	£1,500,000	£0
5. Capital Expenditure and development funding	£3,136,107	£3,178,893	£65,000
6. New Investments	£0	£0	£0
7. Void level (entire portfolio)	18.60%	16.70%	16.00%
8. Debt amortisation	£899,951	£933,698	£969,516
9. Debt repayment	£0	£0	£0
10. Proposed distribution	£600,000	£600,000	£600,000

1. Additional income:
    - It is assumed that 100% of the rent invoiced in 2021/22 is received for AVE (non-Hale Leys) tenants. It is assumed that Hale Leys still receives a reduced amount of rent invoiced i.e. 40% in FY 2021/22.

2. Additional Capital Receipts:
    - Sale of Rabans Lane Site (Residential) £9,000,000 forecast Q2 2021/22

4.8.4 Portfolio Profile (including Hale Leys)

The Loan to Value as at 31 March 2020 was 69%, below the maximum limit of 72%. The portfolio value was £44,086,500, which was stable compared to the previous year (£43,871,500), with the 4.1% increase of the AVE portfolio offsetting the write down of Hale Leys (£1.5m).

AVE's gross assets (including cash) at the end of March 2020 fell from £44,900,000 in 2019 to £42,890,000, solely due to sales. However, debt also fell, from £32,420,000 to £30,400,000 due to amortisation of senior debt within AVE and the loan from AVDC on Hale Leys plus the repayment of £1,000,000 of the subordinated debt on Hale Leys.

The annual rent, at all times, must be 120% of the annual finance cost. As at 30 September 2020 the vacancy rate would need to exceed 39.8% to break the ratio. The portfolio would also need to have a vacancy rate of 50.1% before interest would be unable to be covered. The vacancy rate as at 30 September 2020 was 6.3%.

5 MARKET OVERVIEW

5.1 UK ECONOMY

1. Brexit has occurred and by the start of this plan we will know whether the UK has reached a trade deal with the EU or not. It is therefore very difficult to accurately predict the effects of either outcome on the UK economy. The local economy is not specifically susceptible to international trade but undoubtedly will be affected by changes to the wider UK economy.

2. Added to these uncertainties we have also been hit with Covid-19 and all its effects on individual's jobs, businesses and general changes to the way we all behave and work. Government legislation and advice is changing weekly and the retail market currently must continue to adapt very quickly. For the struggling retailers pre Covid, most have now gone into administration, launched a CVA, or entered some other form of corporate restructuring. Lockdowns have converted new customers to the online market and reduced the number of shoppers venturing out to the high street or shopping centre.

3. AVE have suffered greatly on its retail exposure within Hale Leys where tenants have closed or been unable to pay their rent. Only 40% of rent due has been collected and there are no legal means to pursue arrears until later in the year or next year. Retail is in great difficulty across the globe and will not recover quickly if ever. Hale Leys does have more than an average exposure to non-retail uses but food and beverage has also suffered but may recover more rapidly once the pandemic is under control.

4. In the UK many retail and leisure tenants have taken advantage of the ability to use Creditor Voluntary Administration (CVA) to effectively offload their less profitable stores. This has made retail virtually un-investable as even large companies can and do take advantage of this legal route which is very unfair to landlords. When buying a retail investment, the covenant on day one can change completely within months, so it is becoming a highly risky sector.

   Uncertainty over Covid has virtually stopped the UK investment market with very few transactions being done and hence no evidence to support valuations or bank lending. Volumes are down over 75% on the previous year.

5. Depending on how long the pandemic takes to come under control or we get a workable vaccine, the UK GDP will be damaged and Government borrowing is at an all-time high. This will undoubtedly mean low interest rates for the foreseeable future but probably also see tax rises, possibly corporation tax or VAT rather than income tax being raised. This will hurt businesses generally and slow their expansion and growth.

5.2 LOCAL ECONOMY

1. After a serious economic shock, UK businesses tend to struggle on for 12 to 18 months before we see the peak of business failures, so one might expect the number of business failures and shrinkage to increase in 2021 across the UK.

2. However, unlike previous recessions, such as 2008, the Government has introduced a wide-range of financial incentives to help support the business community during the crisis so market is much more active than had been expected and many businesses seem to be taking a longer-term view on success, having adapted to the changes to business practices, space usage and the economic environment.

3. The industrial sector that was already performing very well before Covid shows no signs of cooling down, although some of the new schemes in the region are seeing a slower deal velocity than might have been expected. Developers and letting agents seem not to be unduly concerned about this.

4. Industrial rents and freehold values have pushed onto new high levels, compared to just 5 years ago and in Aylesbury there have been some high-profile lettings on the Woodlands development sitting at the foot of the A41.

5. Industrial land values have been increasing as the sector continues to strengthen nationally. Recent letting activity would have done much to encourage the development sector, with many developments being pre-funded as institutions look to create investments that have proved difficult to buy in the investment sector. The AVE industrial portfolio is still close to being fully let and there are new tenants waiting for units to become available. There is also demand on the estate for tenants wanting to take additional expansion units.

6. The office sector is probably the most challenged at the moment, with many businesses still using work from home, having not returned to their previous office usage levels. The past 15 years have seen a trend towards greater density within offices, something that of course now is positively unwelcome. The City of London and to a lesser extent the West End have been significantly impacted by working from home and there is much speak in the property market about the longer term trend towards moving teams out of London on a hub and spoke model. Aylesbury is probably currently regarded as too remote to be a spoke, but in the long-term East West Rail and other infrastructure projects will improve connectivity.

7. The demand for housing development remains very strong and commercial sites are still selling to residential developers, as well as office buildings for conversion. The recent changes to the planning system have assisted the release of commercial sites and in a county like Buckinghamshire there remains tension between building houses and retaining employment floorspace. Around Aylesbury there are significant development proposals that will see tens of thousands of new homes over the next 20 years or so. These communities will need to be supported by commercial floor space, or at least this is a logical outlook.

6 PORTFOLIO PERFORMANCE

6.1 VALUATION AND VACANCY ANALYSIS

In the table below the portfolio has been split into Core Assets, Non-Core Assets and Category 2 (Community) Assets. Along with the March 2019 valuation results the table shows the fully let ERV, target rent over the next 3 years and resulting forecast vacancy.

		Valuation	Fully Let	2021/22		2022/23		2023/24	
CORE ASSETS		Mar-19	ERV	Rent	%	Rent	%	Rent	%
Bessemer Crescent	Ind	£3.300m	300,900	283,243	5.9%	295,948	1.6%	260,558	13.4%
Edison Road	Ind	£8.000m	686,700	627,198	8.7%	639,208	6.9%	636,167	7.4%
Edison Road Business Centre	Off	£0.275m	68,765	61,036	11.2%	59,873	12.9%	61,597	10.4%
Rabans Close	Ind	£6.250m	550,200	520,162	5.5%	526,591	4.3%	490,191	10.9%
Rabans Lane	Ind	£7.850m	753,000	382,583	49.2%	102,005	86.5%	118,000	84.3%
Stocklake	Ind	£2.127m	120,000	-	100.0%	-	100.0%	-	100.0%
Land at Lower Green, Westcott	Lnd	£0.050m	400	400	0.0%	400	0.0%	400	0.0%
Friars Square Shopping Centre Land	Lnd	£0.050m	20	20	0.0%	20	0.0%	20	0.0%
Cinema Site Land, Exchange Street	Lnd	£0.010m	1	-	0.0%	-	0.0%	-	0.0%
		£27.912m	£2.480m	£1.875m	24.4%	£1.624m	20.0%	£1.567m	22.8%
NON CORE ASSETS									
Gatehouse Close	Ind	£1.300m	115,003	115,190	0.0%	108,053	0.0%	124,000	0.0%
Smeaton Close	Ind	£0.950m	72,000	56,800	0.0%	15,800	0.0%	72,000	0.0%
Gatehouse Way and Griffin Lane	Ind	£1.275m	109,006	109,000	0.0%	103,293	5.2%	104,659	4.0%
71-77 High Street	Ret	£0.420m	47,500	44,000	0.0%	36,250	0.0%	47,500	0.0%
79-81 Mandeville Road	Ret	£0.285m	28,500	28,500	0.0%	28,500	0.0%	28,500	0.0%
Slade Recreation Club, Buckingham	Ind	£0.250m	25,000	20,000	0.0%	20,000	0.0%	20,000	0.0%
The Round House	Off	£0.085m	10,000	10,000	0.0%	10,000	0.0%	10,000	0.0%
Land at Cambridge Street	Lnd	£0.090m	4,500	4,500	0.0%	4,500	0.0%	4,500	0.0%
Land at Mitre Street, Buckingham	Lnd	£0.005m	52	54	0.0%	54	0.0%	54	0.0%
Land at 143-145 Meadowcroft	Lnd	£0.005m	1,643	-	0.0%	-	0.0%	-	0.0%
Land at Telford Close	Lnd	£0.010m	-	-		-		-	
Land at Jackson Road	Lnd	£0.025m	-	-		-		-	
Land at Douglas Road	Lnd	£0.001m	-	-		-		-	
Land at Ross Road	Lnd	£0.001m	-	-		-		-	
Mandeville Surgery Land	Lnd	£0.005m	-	-		-		-	
Land at Eagles Road	Lnd	£0.050m	-	-		-		-	
		£4.757m	£0.413m	£0.388m	0.0%	£0.326m	0.0%	£0.411m	0.0%
CATEGORY 2 ASSETS									
Land at Harroell, Long Crendon	Lnd	£0.010m	400	400	0.0%	400	0.0%	400	0.0%
Stratford Fields Land, Buckingham	Lnd	£0.025m	360	360	0.0%	360	0.0%	360	0.0%
Oakfield Road - Scout Hut Land	Lnd	£0.005m	305	252	0.0%	252	0.0%	252	0.0%
Land at Haddenham	Lnd	£0.060m	861	512	0.0%	512	0.0%	512	0.0%
Dover Hedge - Scout Hut Land	Lnd	£0.005m	100	101	0.0%	101	0.0%	101	0.0%
Haywoods Way Sports & Social Club Land	Lnd	£0.005m	500	500		500		500	
Western Avenue - Scout Hut Land	Lnd	£0.000m	-	-		-		-	
Lands Wing - Scout Hut Land	Lnd	£0.005m	-	-		-		-	
		£0.115m	£0.003m	2,125	0.0%	2,125	0.0%	2,125	0.0%
Total AVE Portfolio		£32.784m	£2.896m	£2.265m	21.8%	£1.953m	20.2%	£1.980m	19.0%
Total Hale Leys		£5.250m	£0.712m	£0.671m	5.7%	£0.678m	4.7%	£0.672m	5.6%
TOTAL PORTFOLIO		£38.034m	£3.608m	£2.936m	18.6%	£2.631m	16.7%	£2.653m	16.0%

Notes to TABLE 1

KEY
Ind – Industrial Asset
Off – Offices
Lnd – Land
Ret – Retail units

NB March 2020 valuation was not carried out due to Covid-19.

It is forecast that the overall vacancy of the core assets which includes the major multi-let industrial estates will increase due to Stocklake and Rabans Lane (part) becoming vacant for re-development purposes. Please note, these are average void levels over a 12-month period.

Further detail on the key multi-let industrial assumptions can be found in section 7.1 of this report, which also includes an explanation on the rental performance of Hale Leys over the next 3 years.

6.2 Net Income Analysis

1. The income profile of the portfolio has also been looked at in detail to identify the assets that reduce income available for distribution. All of the larger assets with low or no income are dealt with in the main asset initiatives.

2. The tables in section 4.7 show any discussions that are underway relating to future sales, however none of these sales have been included in the Base or Enhanced case scenarios. The first table in 4.7 shows those assets that are negative Net Revenue performers and where possible potential sales or developments will be progressed. The second table in the section also lists the remaining non-core assets in the portfolio, gives their March 2019 valuation and a description of the asset.

3. The remaining portfolio has also been reviewed and the results of this analysis by property can be seen in the table overleaf, which organises the properties into the highest to lowest net revenue performing assets. Note, no account of capital appreciation or depreciation is included, no special purchasers assumed an no planning changes anticipated. This is purely produced to highlight assets not currently contributing to net income and where something needs to be done i.e. sale or redevelopment.

	Valuation	Rent	Cost of Debt	Mgmnt Fee	Op Costs	NET REVENUE	Return on Value pa
Rabans Lane	£7.850m	753,000	- 353,886	- 33,946	15,954	381,122	4.9%
Edison Road	£8.000m	670,750	- 360,648	- 30,238	16,258	296,122	3.7%
Rabans Close	£6.250m	542,250	- 281,756	- 24,445	12,702	248,750	4.0%
Bessemer Crescent	£3.300m	238,900	- 148,767	- 10,770	6,707	86,069	2.6%
Gatehouse Close	£1.300m	115,885	- 58,605	- 5,224	2,642	54,697	4.2%
Edison Road Business Centre	£0.275m	59,415	- 12,397	- 2,678	559	44,898	16.3%
Smeaton Close	£0.950m	72,000	- 42,827	- 3,246	1,931	27,858	2.9%
71-77 High Street	£0.420m	47,500	- 18,934	- 2,141	854	27,278	6.5%
Gatehouse Way	£0.650m	56,500	- 29,303	- 2,547	1,321	25,971	4.0%
Griffin Lane	£0.625m	50,000	- 28,176	- 2,254	1,270	20,841	3.3%
79-81 Mandeville Road	£0.285m	28,500	- 12,848	- 1,285	579	14,946	5.2%
Slade Recreation Club, Buckingham	£0.250m	20,000	- 11,270	- 902	508	8,336	3.3%
The Round House	£0.085m	10,000	- 3,832	- 451	173	5,890	6.9%
Land at 143-145 Meadowcroft	£0.005m	1,200	- 225	- 54	10	931	18.6%
Land at Cambridge Street	£0.090m	4,500	- 4,057	- 203	183	423	0.5%
Haywoods Way Sports & Social Club Land	£0.005m	500	- 225	- 23	10	262	5.2%
Oakfield Road - Scout Hut Land	£0.005m	250	- 225	- 11	10	23	0.5%
Land at Ross Road	£0.001m	-	- 23	-	1	(22)	-4.3%
Land at Douglas Road	£0.001m	-	- 45	-	2	(43)	-4.3%
Land at Harroell, Long Crendon	£0.010m	400	- 451	- 18	20	(49)	-0.5%
Dover Hedge - Scout Hut Land	£0.005m	100	- 225	- 5	10	(120)	-2.4%
Land at Mitre Street, Buckingham	£0.005m	50	- 225	- 2	10	(167)	-3.3%
Lands Wing - Scout Hut Land	£0.005m	-	- 225	-	10	(215)	-4.3%
Mandeville Surgery Land	£0.005m	-	- 225	-	10	(215)	-4.3%
Cinema Site Land, Exchange Street	£0.010m	-	- 451	-	20	(430)	-4.3%
Land at Telford Close	£0.010m	-	- 451	-	20	(430)	-4.3%
Stratford Fields Land, Buckingham	£0.025m	360	- 1,127	- 16	51	(732)	-2.9%
Land at Jackson Road	£0.025m	-	- 1,127	-	51	(1,076)	-4.3%
Land at Lower Green, Westcott	£0.050m	400	- 2,254	- 18	102	(1,770)	-3.5%
Land at Haddenham	£0.060m	510	- 2,705	- 23	122	(2,096)	-3.5%
Friars Square Shopping Centre Land	£0.050m	20	- 2,254	- 1	102	(2,133)	-4.3%
Land at Eagles Road	£0.050m	-	- 2,254	-	102	(2,152)	-4.3%
Stocklake	£2.127m	-	- 95,887	-	4,323	(91,565)	-2.3%
	£32.784m	£2.673m	(1,477,913)	(373,848)	(359,530)	1,141,202	

7 PROJECTED CASH FLOW

7.1 REVENUE

AVE

3 year Forecast Rental Receipts – excluding Hale Leys

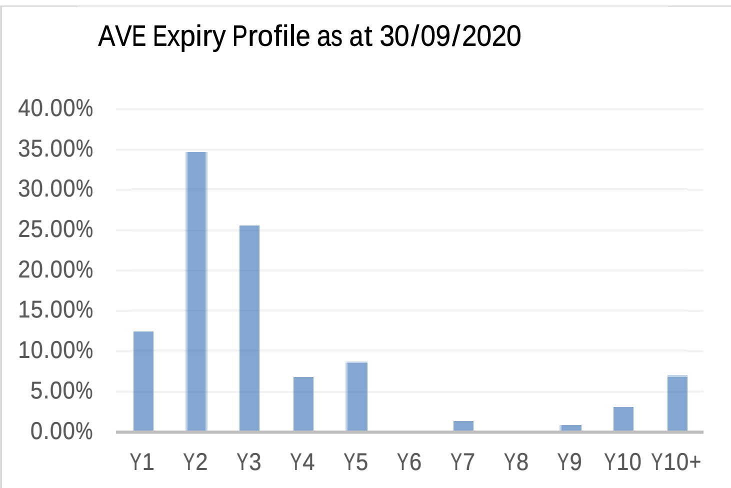
	2020/21	2021/22	2022/23	2023/24
Base Case (invoiced)	£2,782,878	£2,264,913	£1,937,120	£2,343,571
Less forecast unpaid rent	£558,555	£452,983	£0	£0
Total	£2,224,323	£1,811,931	£1,937,120	£2,343,571

1. For all expiries due within the Business Plan period, where a tenant is expected to leave, a void period has been included before a new tenant is found. This is either 3, 6 or 9-months depending on the size of the unit.

2. Key Leasing Events over the coming 18 months:
   2.1. There are 2 major lease events in the first 18 months of the Business Plan cycle:
   - Palletworks, Smeaton Close – January 2022 - £72,000 annual rent – discussions have commenced with the tenant regarding potential renewal.
   - Cinram Novum, Rabans Lane – June 2022 - £450,000 annual rent – any potential extension will depend on the planning application progression. The intention within the business plan, however, is to serve the rolling 6-month break notice to achive vacant possession.

   2.2. 72.5% of leases are due to expire over the next 3 years (from 30.09.20). This high percentage is due to Rabans Lane development site tenants and Palletworks.

3. Lease Expiry Profile as at 30/09/2020



Y = no. of years

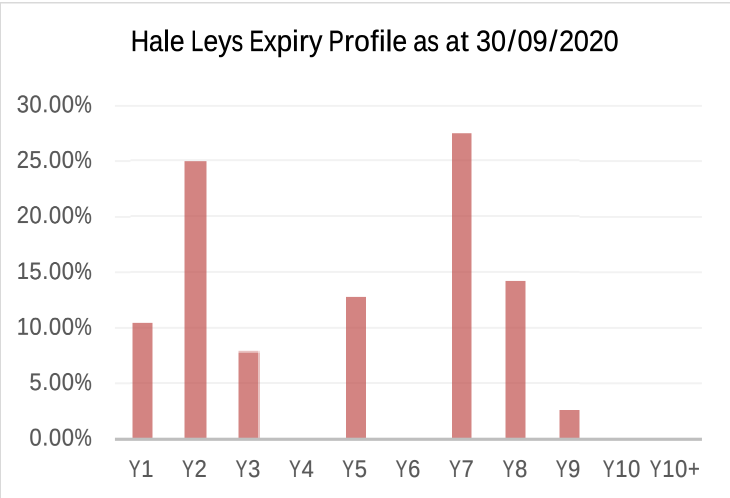
The above graph shows the current lease expiry profile of the AVE portfolio as at 30 September 2020. 12% of the portfolio has an expiry date within 12 months or less. This is a position that is closely managed by Akeman and is not considered to hold a significant threat to the portfolio, especially considering the on-going discussions with tenants. The main challenge, however, is in agreeing satisfactory terms considering the uncertainty due to the Covid-19 situation.

Hale Leys - Key Assumptions

<u>3 year Forecast Rental Receipts</u>

	2020/21	2021/22	2022/23	2023/24
Base Case (invoiced)	£574,983	£671,062	£678,322	£672,332
Less forecast unpaid rent	£376,121	£402,637	£0	£0
Total	£198,863	£268,425	£678,322	£672,332

The main increase in forecast rent from 20/21 to 21/22 were the following; Harrisons Jewellers, Nigel's Handbags, increase in Stay and Play rent and The Manor rent free expiring.



Y = no. of years

Key Leasing Events over the coming 3 years:

- Unit 1-2 – Currently let to Calendar Club on a short-term deal to January 2021. It has historically proved to be a difficult unit to let due to its length to depth ratio, if New York Deli move into unit 22-24 then it is hoped this will become easier to let.
- Unit 4a – lease to Chiltern Jewellers expires in November 2020, they have indicated they want to stay until January on a turnover basis but into 2021 is not decided yet.
- Unit 5-8 – Currently let to Poundstretcher on a fully inclusive lease unit 2022 at £100,000 pa., however, as part of the CVA they are now paying nothing. If no tenant can be found to replace them, the lease may have to be renewed on similar terms.

- Unit 9 – has been let to Nigel's Handbags on a 3-year deal with a 12-month term certain at £10,000 per annum. It is hoped they will trade well after moving from the town.
- Unit 11-12 – this is now vacant after Toys UK left in August. It is hoped this will be let within 12 months, however this re-letting has not been included in the Base Case scenario.
- Unit 16 - Accessorize- are currently in occupation until 30th June 2021 on 6 months breaks.
- Unit 17 - E Sparks- are currently signing up to a new lease after going into administration.
- Unit 19 - Adorn Spa Ltd are in occupation until January 2022, it is hoped they may sign a new lease in exchange for rent free; however, it may be on a highly turnover based lease.

7.2 Operating Costs

AVE Portfolio (non Hale-Leys)

Year 1 (2021/22) figures shown are as follows. The Board will, where appropriate, approve expenditure in line with Members' Agreement.

- Management Fees - £374,848 – this is a fixed fee calculated as 0.91% of the Gross Asset Value (excluding Hale Leys). This is set at the current value and will be updated once the March 2021 valuation has been received.
- Void Rates - £10,000 – The 2021-22 void rates budget has been set by aligning the cost of void rates on individual units with the letting assumptions.
- Service Charge Voids - £3,000 – This is a reduction from last year due to a decrease in the service charge budget and vacancy assumptions.
- Utilities – The budget has been set at £6,000 per annum.
- Repairs and Maintenance - £100,000 – This covers reactive maintenance and minor refurbishment works to the multi-let industrial estate between lettings.
- Rent Review Fees - £500 – this is to cover the legal and advisory fees on rent reviews
- Letting Fees (agents fees) - £20,000 – AVE currently use a joint agency of Brown & Lee and Chandler Garvey, the two largest commercial agents in Buckinghamshire. The majority of new lettings are sourced by the local agents with any leads coming directly to Akeman being forwarded on, thus giving a consistent process to new tenants. Any lease renewals or movement around the estate is dealt with by Akeman.
- Debt Recovery Costs - £3,000 – Annual allowance for legal costs incurred chasing bad debts
- General Legal Costs - £30,000 – advice on legal situations within the portfolio including lease renewals, new leases, serving notices. This also includes an allowance for legal fees on FH sales as well as EPC reports, LR compliant lease plans, asbestos surveys and building surveyors/structural surveyors' advice.
- Portfolio Valuation - £30,000 – Prior year budget maintained, apportioned pro rata.
- AVE Marketing/Communications - £4,000 – An allowance to cover marketing of portfolio
- Audit Fees - £21,500 – Prior year budget increased by £1.5k, split 1/3 HL and 2/3 AVE.
- Other Costs - £20,000 – Ad hoc legal and tax advice for the LLP.

Hale Leys

1. Assumptions behind each of the key operating costs are as follows:

- *Asset Management Fee* - £75,000 – set at a fixed fee. £40,000 is recoverable and being recovered via service charge.
- *Management of Service Charge* - £44,000 credit – part recovery of management fee via service charge
- *Contribution to Centre Marketing* - £12,500 – this is for the general marketing budget for the centre based on previous years spend
- *Marketing Lettings* - £2,000 – an allowance for marketing to attract new tenants, reduced from the previous year
- *Letting Fees* – £7,500 - based on new major lettings projected to complete during the financial year.
- *Other costs* (£25,700) – *general allowance* for ad hoc costs. The budget has been maintained to cover the cost of both the audit and valuation.

8 KPIs/KPTs

1. Serving of Rent Review Notices
   - Akeman will continue to take the position that whilst all Rent Reviews falling due in the coming Financial Year will be reviewed internally, not all will be actioned. This is firstly to reduce fees in instances where no rental uplift is expected and secondly to leave open the option of a future rent review in the case that the lease contains a rolling rent review. The action taken on each Rent Review will be assessed on a case by case basis depending on the individual lease clause.
   - Rent reviews are all currently highlighted in the Quarterly Report, whether actioned or not and where actioned the outcome is reported in the normal way.

2. Serving of Break Notices

Break notices are reported on in the quarterly report with additional detail provided on all tenants where there is a significant risk to income. In the event that any tenants do serve their notice the unit will be offered out to the market as soon as possible to try to reduce or eliminate any vacant period. Akeman always investigate why tenants wish to leave in order to try to retain them in alternative accommodation if their current space has become too large or too small for their operations.

3. Requests for Rent Notices

The property management system used by Akeman Asset Management is Qube. This generates an automatic rent roll. A pre-list of periodic charges due is printed and passed to the Asset Manager for authorisation before the rent demands are produced. Thus, these are always on time.

4. Requests for Service Charge

The service charge budget will come into effect on 1 April 2020. AVE Service charge is demanded half yearly in advance and Hale Leys is charged quarterly in advance. The procedure for raising service charge demands is exactly the same as for rent demands. The service charge accounts are prepared yearly and signed off internally.

5. Rent Collection

The Key Performance Indicators and Targets for Rent Collection are as follows:

<u>Key Performance Indicators</u>

3-month collection rate	90%
12-month collection rate	95%

<u>Key Performance Targets</u>

3-month collection rate	97%
6-month collection rate	99%
12-month collection rate	100%

- The collection rates are calculated by taking the total quarters rent collected and dividing it by the total rent demanded for that quarter. No adjustment is made for debtors that may be considered to be bad debts. Potential bad debts remain a part of the collection percentage until Board Approval is received to transfer these debts from the debtors report across to the bad debt provision account. This will only occur if all possible avenues to collect this debt have been exhausted.

- Once a debt has been transferred to the bad debt provision account, this will enable AVE to reclaim the VAT. It is also an audit requirement that all bad debts are transferred to a provision account once it has been established that they are unlikely to be collected. This does not however mean that Akeman will not continue to attempt to recover as much of the outstanding debt as possible.

6. Report Production
    - Reporting over the coming financial year will continue in the same format as the previous financial year. A detailed report is produced on a quarterly basis summarising all activity over the quarter along with a detailed cash flow and summary financial statements. An interim report is then produced in the intermediate months up to the next quarterly report providing a quick summary of any key events that have occurred in the portfolio during the month.
    - Akeman endeavours to have these reports distributed within 10 working days after the last day of each month.

<u>KPT's requested by the Shareholders</u>

1. Insurance Cover Renewal

Insurance was renewed for 3 years commencing 14th April 2019.

2. Prepare and Distribute Annual Accounts

Accounts for AVE will be prepared at the end of the Financial Year and distributed as required and in accordance with AVDC statutory accounting timetables and deadlines.

3. Health and Safety Files
    - As duty holders, AVE has a responsibility to maintain a health and safety file for the Edison Workspace. As part of the legislative requirement, Akeman instructed Codrus Fire to inspect the premises and produce a fire risk assessment. As a result of the new lettings in the building, there are now more than five people on site at any one time which necessitates the need for a practice fire drill to be implemented twice yearly. Tenants have been made aware of the requirement and suitable dates diarised for all. Safety certification has also been produced for the electrical installation throughout the building, in accordance with the legislative requirement to inspect the condition every 5 years.
    - Where new developments become operational, Health and Safety files will be prepared and maintained for AVE and stored by Akeman in the Edison Workspace.

4. Service Charge Budget

The service charge budget for 2021/22 will be produced in February 2021. The final position for the current financial year will be reported in the 2020/21 Year End report, due out in April 2021.

5. Prepare Service Charge accounts for audit

The service charge accounts will be prepared in accordance with RICS guidance. These will then be signed off internally due to the small size of the service charge cost.

6. Void levels

- The 2020/21 Year End vacancy forecast is 5.8%. The 2020/21 Business forecast figure was 9.2%. The multi-let industrial estates were 1.9% vacant as at end of September 2020.
- The Business Plan outlines in detail the initiatives to be implemented in order to reduce potential forthcoming voids.

Hale Leys

1. Key Performance Indicators are formally stipulated within the Asset Management Agreement between Akeman and AVE and performance for Hale Leys is accounted for in the main AVE business plan.

2. Key Performance Targets are set out below, with comments as appropriate:

Target	Comment
Achieve 100% occupancy of the retail space	Hale Leys has performed reasonably well in terms of occupancy during Covid-19 with only Toys UK vacating their unit. Notwithstanding this, numerous CVAs and other tenant actions have significantly reduced the income stream. There were transactions that were put on hold due to Covid-19 however these are now back in solicitors hands. No tenants were lost as a result of any form of corporate restructuring.
Let the office suites in Tower House	The offices are fully let
Reduce irrecoverable outgoings	For the 12 months ending 31st March 2020 the irrecoverable outgoings show a figure of £289,959 (£282,571 for 2019 and£65,399 for 2018).
Maintain the service charge budget at the same level	The service charge rose 8.5% this year, the main reason for this was the increase of the national living wage which increased staffing costs and security.
Continue to achieve 100% rent and service charge collection within 21 days	Collection of rent and service charge is hugely skewed this year (2020/2021) due to Covid19. We expect 100% of Service Charge to be settled by the end of the year at year end reconciliation.

3. Key Performance Targets for the forthcoming 12 months will remain as above.