

## Annex 1, Appendix I

### Property Investment Returns: Original Expectations

Example

HGP buys **£20m asset** → **1.4% overall return**

Financing provided by SCC: Equity 30% / Debt 70%

SCC Cost of Capital: 5%

Rental Return: 7% - fully let

Debt provided by SCC at 4% margin, i.e. 9%

#### HGP P&L: £000's

|                      |           |
|----------------------|-----------|
| Rental Income        | 1400      |
| Expenses             | (112)     |
| Interest (£14m x 9%) | (1260)    |
| Profit Before Tax    | <u>28</u> |
| Tax                  | (6)       |
|                      | <u>22</u> |

#### SCC P&L: £000's

|                          |            |
|--------------------------|------------|
| Interest Received        | 1260       |
| Dividend Received        | 22         |
| Funding Cost (£20m x 5%) | (1000)     |
|                          | <u>282</u> |

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