

Mustard Seed Property Limited -

Invitation to Invest

SUPPORTED ACCOMMODATION FOR VULNERABLE ADULTS IN
CORNWALL

1 Introduction

This document details and contains an invitation to invest in shares in Mustard Seed Property Limited. Mustard Seed Property Limited ("the Society") is an Industrial and Provident Society registered in England with number 30293R. The Society has limited liability. It is not an investment institution authorised under the Financial Services and Markets Act 2000 ("the Act"). The Society is permitted to issue this financial promotion pursuant to an exemption to Section 19 of the Act contained in paragraph 76 of the Financial Services and Markets Act (Regulated Activities) Order 2001. This Offer by the Society of its own withdrawable shares is not an offer of securities to the public within Section 85 of the Act and accordingly the Society is not required to issue an approved prospectus. To the best of the knowledge and belief of the Society's board of directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Invitation to Invest is fair, clear, not misleading and verifiable.

The Society's objects include: *the provision of land, amenities or services, the provision, construction, repair or improvement of buildings for collective or individual members of the community.* For a full copy of the Society's Rules, which contain all of the Society's objects, please contact: the secretary, Mustard Seed Property Limited, 42 St Thomas Road, Launceston, Cornwall PL15 8BX. Alternatively, you may inspect the Rules during normal business hours at this address.

The Society invests in residential property in Cornwall and the Isles of Scilly for use as supported accommodation for vulnerable adults. It is intended that capital raised by this share offer is invested in further residential property or property development in Cornwall and the Isles of Scilly, for the purpose of providing supported accommodation for vulnerable adults, and in particular, those who need a level of domiciliary care.

If you require any advice concerning this share offer you should consult with a bank manager, solicitor, accountant, stockbroker or other independent financial advisor authorised under the Financial Services and Markets Act 2000.

This offer closes on 30 April 2011 unless extended by the Directors on or prior to that date.

2 Project Details

In 2007 the Society purchased a bed and breakfast property in Helston for conversion to premises providing supported living accommodation for up to 5 individuals with learning disabilities. This was in recognition of a significant community need in the area around that time, resulting in part from a decision by the health care trust to terminate all of its supported living services. This created a shortage of housing in Cornwall for people with all kinds of mental health and learning disabilities.

The property has now been operating successfully for 3 years, during which time sustainable occupancy levels have been achieved meeting the housing and support needs of 4 individuals. In addition, a number of other vulnerable adults have stayed short-term as a means of trialling independent living to determine if it was the right option for them. The project has proven to be financially sustainable and as a result the Society has paid annual share interest of 1.5-2% to its investors.

Unfortunately there are still many vulnerable individuals, some in their fifties and sixties, who are living with ageing parents or in residential care. Such living arrangements are often inadequate and inappropriate. Given the continuing shortage of suitable accommodation and the success of its first project, the Society now wishes to expand to provide further residential capacity.

Since inception, the Society has worked with its partners, Mustard Seed (SW) Limited ("Mustard Seed") and Prospects for People with Learning Disabilities ("Prospects"). Mustard Seed is a registered charity, which is involved in a number of social enterprise and support programmes. Prospects is a registered charity, which is a national domiciliary care provider. The Society leases residential property to Mustard Seed. Mustard Seed manage the residential properties with Prospects providing domiciliary care.

From their current research and relationships with local authorities Mustard Seed and other agencies have already identified a

further 3 potential individuals in need of supported accommodation in St Austell, Helston and Redruth. However the demand for large shared accommodation appears to have been overtaken by interest in single occupancy or other smaller shared units and in areas not limited to Helston.

3 Governance and Directors of Mustard Seed Property Limited

The Society was registered on 31 July 2007 in accordance with the Industrial and Provident Societies Act 1965. The Society is governed by rules (the "Rules"), which have been registered with the Financial Services Authority (FSA). The Society is not a registered charity at the time of printing.

The members elect the board of directors (the "Board") by rotation at each Annual General Meeting with each member having one vote regardless of the level of their investment.

The Board is currently made up of four members:

- Liz James [shareholding 2,571] (also a trustee/director of Mustard Seed)
- Arthur Jackson [shareholding 1,035] (also a trustee/director of Mustard Seed)
- Franklyn Moyle [shareholding 10,353]
- John Bilkey [shareholding 20,000]

This Board assesses each proposed property before making investments and monitors the performance of the portfolio on a quarterly basis. None of the directors are remunerated for their services to the Society but are paid their properly incurred expenses.

4 Shares offered

Each share in the Society has a nominal value of £1. Whilst the minimum shareholding is £1, for the purpose of this share issue there is a minimum subscription level of £500 in order to balance the administrative burden on the society with its accessibility to smaller investors. The maximum individual shareholding is £20,000. This limit does not apply to other Industrial and Provident Societies, which have no limit on their investment. Whilst shares may be

withdrawn subject to 6 months' notice (please see the General Terms and Conditions Section), the Board is keen to attract members who are committed to long term investment in the Society. The Society's policy is to grow a cash reserve fund equal to 5% share capital over the next 5 years to allow for repayment of investors in due course.

Sums greater than £20,000 may be provided to the Society as donations, grants or loans. Please contact the Society's secretary (see above for contact details) for further information.

The Society will only issue one class of ordinary withdrawable share. The shares are not transferable save on death of a member (see Investment Information Nomination Option below) or bankruptcy. The shares are withdrawable on 6 months' notice. In the case of joint investments the trustees must all agree to the withdrawal. Shares will be repaid at the original price (subject to the Investment Information below). The Directors of Mustard Seed Property Limited have the right to change the notice period for withdrawals, or suspend withdrawals, but they do not presently intend to do so other than in exceptional circumstances.

The Board have the right to write down the value of shares by cancellation of shares, if liabilities of the Society (and its share capital) should exceed the value of its assets. Shareholders who then withdraw their shares will only receive the written down value of their shares.

In the event of the Society's dissolution, shareholders will be repaid up to a maximum of £1 for every £1 share owned, once all creditors have been repaid in full. Please see the "*Factors that could put your Investment at Risk and Reduce Returns*" section below.

5 The Property Portfolio



5.1 Priorities

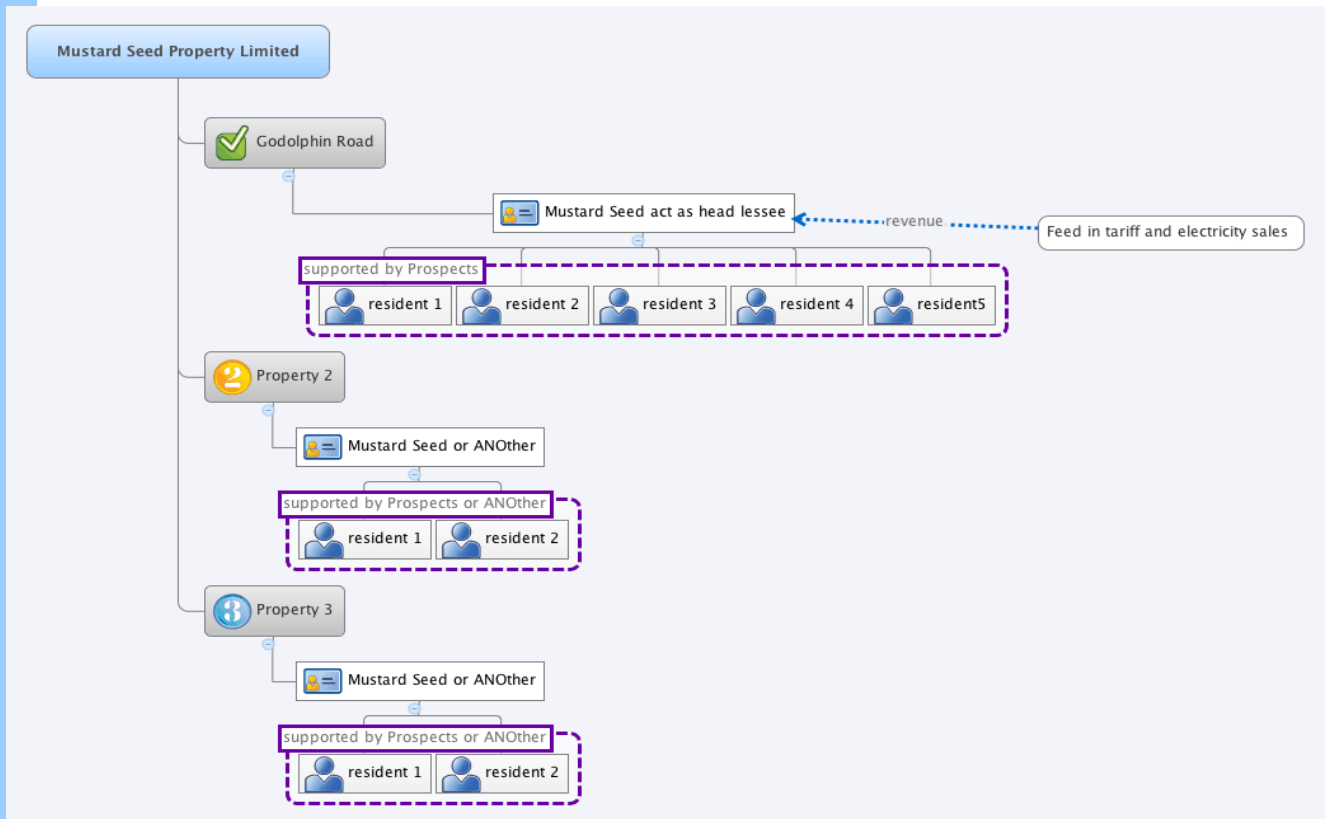
Mustard Seed Property Limited set out with a vision of providing supported accommodation in a network of locations in Cornwall. Its first property acquisition has now been operating successfully for 3 years and much has been learnt about the risks and opportunities of this business in that time. One of the key lessons has been the increased desire for smaller or single occupancy tenancies. It has, at times, been difficult to manage the expectations of 5 residents in a single house. As the current property market is less buoyant than in 2007, the Society believes conditions now favour expansion and are pursuing three avenues to increase and improve their portfolio:

1/ undertake improvements to the existing building to create a fully-self-contained annex creating a 1-bedroomed flat alongside a house that will target a maximum of 4 rather than 5 residents, thus improving the social dynamics of the house. In addition this gives an opportunity to install a number of sustainable energy interventions to both generate income from electricity generation and cost savings to the above average energy bills. Energy usage is above average because of the higher than average amount of time each resident spends in the house.

2/ exploit the development potential of their current property in Godolphin Road, Helston by building a 2-bed bungalow in the grounds.

3/ purchase a further 1 or 2 properties in Cornwall. In this case the intention is to work with Mustard Seed but the directors are also exploring other values-led charities that could perform an equivalent / alternative role in other parts of the county where appropriate.

The Society may progress one or more of the above options determined in part by the level of capital raised through the share issue, but not necessarily in the order listed above. For instance, £75,000 would allow work on the self-contained annex to proceed, a budget of £75,000 would facilitate the new-build, and a further £100,000 would enable purchase of one additional property. However if demand for accommodation and a property is available at an affordable price in another location, this may take precedence over the development within the grounds of the existing property.



The Directors have been reviewing the property market for the last 12 months and actively building a funnel of potential properties for the last 6 months. Opportunities are assessed to balance a number of factors including:

- the need to meet specific requirements of individuals' Person Centre Plans
- some general requirements that are common to a number of people needing support
- the need to build variety in the portfolio to enable the Society to meet future requirements
- the development potential of the site
- the potential for the property to meet a 6% minimum initial yield to the Society

5.2 Timeline

The target time frame is to commence refurbishment work to the existing property in Spring 2011 and to acquire one or two properties over the following 12 months.

6 Revenues

6.1 Refurbishment and Sustainable Energy

The refurbishment costs to the existing house are expected to generate an additional rental income of £1,040 pa for and sustainable energy income/cost savings of around £3,030 for Mustard Seed. Based on these estimates, the lease for the existing property will be increased by two thirds of this amount.



This is based on quotes for installing 30 square metres of solar PV (photo voltaic) panels and 4 solar thermal panels for hot water. The existing property's extensive and unshaded south facing roof makes it an ideal position for such an installation. Cornwall has the highest solar irradiation for the entire UK and the feed-in-tariffs launched in April 2010 provide a guaranteed income for the next 25 years. Mustard Seed as the payer of the electricity bill will be the direct recipient of all the feed-in-tariffs, sharing the benefit with both tenants through reduced service charge and with the Society through an increased rent.

6.2 New Property Leasing

The Society intends to lease the properties to Mustard Seed on the same basis as for its current property, i.e. at an initial yield of 6% with rent increases linked to the Retail Price Index. Mustard Seed will take responsibility for insurance and maintenance of the properties it leases from the Society. This enables the Society to reduce its risk profile as Mustard Seed is obliged to pay rent whether the house is full or not. However since it took Mustard Seed longer than expected to fill the property, this time the Society has budgeted for a 3 month rent free period to allow tenants to be approved for support funding by Cornwall Council.

Alternatively, the Society may lease on similar terms to another third party operating in the same field and is already in discussion with Greenbank Care in Liskeard, with regard to its project to create a multi-purpose centre providing daily activity sessions for the elderly, respite accommodation and some self-contained units offering permanent housing for people with learning difficulties.

The vast majority of residents will be eligible for Housing Benefit and the turnover of residents is expected to be much lower than normal in the residential market. The main source of income on this investment is therefore expected to be Government provided, subject to the demand for the accommodation, which has been well researched and is substantial.

7 Financial Forecasts

Forecasts	cf	yr ending sep2011	yr ending sep2012	yr ending sep2013	yr ending sep2014
PROFIT / LOSS					
INCOME					
Rent		25,534	44,436	45,769	47,142
Interest on balance		24	21	129	302
Total		25,558	44,456	45,897	47,443
COST OF SALES					
property portfolio mgt		1,021	1,777	1,831	1,886
GROSS PROFIT		24,536	42,679	44,067	45,558
EXPENDITURE					
Stamp duty		3,600	0	0	0
coneyancing		1,800	0	0	0
planning and design costs		2,000	0	0	0
survey valuation		1,800	0	0	0
solicitors fees - share issue		2,000	0	0	0
investment fee		8,183	0	0	0
project management		3,375	0	0	0
mortgage fee		2,340	0	0	0
bank charges		60	60	60	60
co administration		2,400	2,400	2,400	2,400
audit		0	500	500	500
Total		27,558	2,960	2,960	2,960
EBITDA		(3,022)	39,719	41,107	42,598
Interest		12,480	11,954	11,612	11,253
Depreciation		3,050	7,325	7,325	7,325
share interest		6,852	10,279	11,992	13,705
PBT		(25,405)	10,161	10,178	10,315

BALANCE SHEET	cf	yr ending sep2011	yr ending sep2012	yr ending sep2013	yr ending sep2014
Fixed Assets					
Property	305,000	732,500	732,500	732,500	732,500
Depreciation	0	(3,050)	(10,375)	(17,700)	(25,025)
Current Assets					
Debtors	1,579	3,606	3,661	3,772	3,886
Cash at Bank	1,381	17,223	23,391	27,992	32,631
Net Assets	307,960	750,279	749,177	746,564	743,992
Current Liabilities					
Creditors	(394)	(394)	(394)	(394)	(394)
provision for share interest	(1,852)	(6,852)	(10,279)	(11,992)	(13,705)
Mortgage	(153,774)	(381,498)	(371,808)	(362,304)	(352,787)
Other Loans	(80,000)	(65,000)	(60,000)	(55,000)	(50,000)
Net Assets less Liabilities	71,940	296,535	306,697	316,875	327,106
Shareholders Funds					
Profit and loss cf	(22,767)	(20,677)	(46,082)	(35,920)	(25,742)
Profit / loss this year	2,090	(25,405)	10,161	10,178	10,315
Equity	92,617	342,617	342,617	342,617	342,617
Total shareholder funds	71,940	296,535	306,697	316,875	327,190

In all cases property purchase and/or development will be part funded by borrowing from commercial lenders. The Society's Board expect the gearing ratio of bank borrowing to equity investment to be approximately 50%.

The total equity investment is expected to be £250,000 from this share issue. After deduction of all costs it is expected that the Society will be able to pay between 2% and 5% annual interest to investors before tax.

If only £75,000 is raised, then it will take a longer period for the returns to shareholders to rise above the 2% expected minimum. Investors may be interested to know that Mustard Seed Property awarded a share interest payment of 2% for the year October 2007-September 2008), 1.5% for October 2008-September 2009 and 2% for October 2009-September 2010. Much of this interest has been re-invested by shareholders and remains committed to both generating a financial surplus as well as providing affordable accommodation for vulnerable adults.

8 Mustard Seed Property Costs

The Society's Property Costs are mostly upfront costs connected with property purchase and development and raising finance, however there will be some administrative costs involved in running the business affairs, reporting to investors and property

portfolio management. In all it is estimated that these should be around 10% of the Society's turnover, based on a 3 property portfolio.

To assist with the efficient administration, Resonance Limited has been supporting Mustard Seed Property with the following:

- company secretarial services
- property management
- book-keeping
- fundraising

Resonance currently receives fees for these services of approximately £1400 per year for company administration and bookkeeping, 4% of rental income for property management and 1% commission on any funds raised.

This relationship is reviewed annually by the board of Mustard Seed Property. Resonance will also act as project manager for the refurbishment, acquisition and building of new premises.

Resonance has a team with personnel experienced in all aspects of this work. For more information please visit www.resonance.ltd.uk

9 Factors that could put your investment at risk and reduce returns

The major risk that could affect investment in Mustard Seed Property is the ability to fill the houses with appropriate people who have the required level of funding allocated to them for support by the appropriate authorities. Mustard Seed together with approved domiciliary care partners work very closely with the local authorities at both council and district level and discussions at both levels are very encouraging. However, until Mustard Seed have access to a property, the local authorities cannot commission funding for any one individual.

The other main risks identified by the Board are:

- that the Society does not raise sufficient capital funds to resource the planned property purchase or development;

- that the local authority do not commission the revenue funding required to fill the houses with people who need support;
- that interest rates rise, pushing up the cost of capital.

The Board will seek to protect against these risks by the exercise of prudent management policies. This includes a mixture of fixed and variable mortgages.

Investing in the Society should be seen as a social and not a financial investment. The Society does not guarantee a safe haven for your money.

The Society is permitted to pay interest on your shares, but:

- in accordance with its Rules it cannot offer a generous interest rate;
- in reality it is unlikely to pay more than a market interest to its shareholders.

The value of your shares will not increase. You cannot sell your shares. You may be able to withdraw your shares (on 6 months' notice). However, if you withdraw your shares, the Society will not repay more than you originally paid for your shares. The Society has managed to release investment from one equity investor whose circumstances changed and intends to maintain a policy of keeping approximately 5% of capital in cash in order to provide a degree of liquidity for shareholders.

The value of your shares may fall. In some circumstances the Society may be compelled to write down the value of your shares, involving the cancellation of shares. In that event, should you wish to withdraw your shares, you should expect to receive only their written down value.

You may lose the value of your shares. The money you pay for your shares is not safeguarded by any investment protection scheme.

Can you afford to be without the money you pay for these shares? If not, do not buy them. If you are in any doubt about the information contained in this document you should consult an Independent Financial Advisor authorised under the Financial Services and Markets Act 2000.

Risks are regularly reviewed at quarterly Board meetings.

10 Investment Information

Please read this section carefully. It sets out the details of becoming a member investor. Membership is open to individuals, corporate bodies, voluntary organisations and public sector investors.

10.1 Nomination option

Members may nominate any person or persons to whom any of their shares in the Society at the time of their death may be transferred. In the event of a death of a shareholder, the repaid value of the shares will normally be added to the estate for Probate purposes. Please advise Mustard Seed Property Limited if you want to do this.

10.2 Voting

Each member has one vote regardless of the size and value of their shareholding. It is proposed that investor members will be kept informed of the Society's services and developments through an occasional newsletter, the annual reports and the Annual General Meeting.

10.3 Dividends

Provision is made in the Rules for paying interest on the share capital at such a rate as may be determined by the Board from time to time.

It is not proposed to pay dividends on shares in addition to interest.

11 General Terms and Conditions

11.1 Definitions

In these terms and conditions, references to "we" and "us" are references to the Society. References to "you" and "your" are any applicant for shares, including joint applicants, in which case "you" and "your" means the applicants collectively.

11.2 Your Application

Your application for shares is subject to these terms and conditions, the Society's Rules and the general information contained in this Invitation to Invest.

You may make your share application as an individual or if trustees jointly.

We are not obliged to accept your application for shares. We may decide not to issue shares to you at our absolute discretion or we may decide to issue to you fewer shares than you apply for. We do not have to give any reason for our decision.

Your application will be considered for approval at the next Board meeting following receipt of your application. Board meetings normally take place four times per year, and therefore there may be some delay from receipt of your application and consideration of the same. Therefore we would ask for your understanding that we may not be able to provide an immediate response to your application.

11.3 Your payment

We will acknowledge receipt of your cheque and application as soon as we are able. We may cash your cheque as soon as we receive it but until we issue shares to you, we will keep your money in a separate account. We will hold that money on trust for you until we issue shares to you.

We will return your cheque to you (within seven days of the Board meeting at which we consider your application) if we decide not to issue shares to you. If we decide to issue fewer shares than you apply for, we will return the balance to you (within seven days of the Board meeting at which we consider your application).

As soon as we issue shares the money paid for them will belong to the Society and we will cease to hold it on trust for you.

We will not pay you interest on any money we return to you, regardless of any delay between receipt of your application and consideration of the same.

11.4 The Society's Rules

The Society is owned by and accountable to its members. On issue of shares you will become a member of the Society. Both the Society and its members are bound by the Society's Rules (as amended on occasions).

11.5 Your promises to us

You promise that:

1. Your cheque will be honoured on presentation.

2. You, as an individual, are at least 16 years of age.
3. You have an authority to sign the application form (if you are signing it for another person). You will show us the evidence of your authority if we ask to see it.
4. You will supply us with proof of your identity and address, if we ask for it. We may need this to comply with Anti-Money Laundering legislation. We may have to hold back shares until we see this.
5. You are a British citizen and resident in the United Kingdom.
6. You have read and understood the content of this Invitation to Invest, including the General Terms and Conditions.
7. If your application is accepted you will be bound by the Society's Rules concerning your Society membership.

11.6 Demutualisation

You may not benefit financially from your shares if we convert, or transfer our business or are wound up. The only financial benefits you may receive from your shares are:

1. The possibility of interest
2. The possibility of the return of the money you pay for your shares

11.7 Withdrawing your Shares

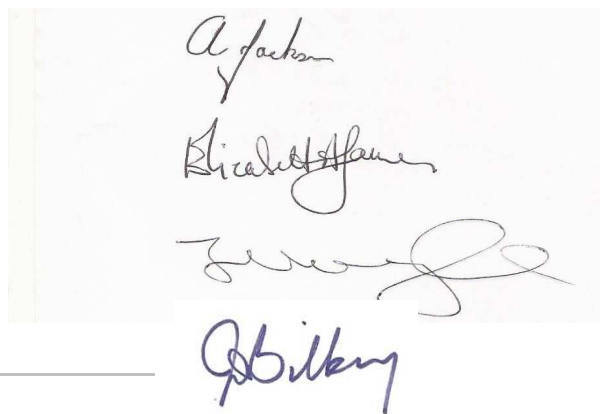
Subject to the Board suspending the right to withdraw (see below) you may withdraw your shares by giving no less than 180 days notice. Where you decide to withdraw only some of your shares you shall not be entitled to withdraw shares so as to leave you with less than the required minimum shareholding of £500. You may, subject to the above stated notice periods, withdraw all of your shares from the Society and consequently your membership, provided the Board has not suspended the right to withdraw in accordance with the Rules. In the event the Board suspends the right to withdraw the shares you may surrender your shares to the Society.

You may not transfer your shares, except on death (please see Investment Information Nomination Option above).

12 Miscellaneous

Registered office	Solicitors	Bankers
42 St Thomas Road Launceston PL15 8BX	Wrigleys Solicitors LLP 19 Cookridge Street Leeds LS2 3AG	Royal Bank of Scotland Penhaligon House Green Street Truro TR1 2LH

13 Signed by Mustard Seed Property Directors



A Jackson
Richard James
[unclear]
G. Bilkey

Mustard Seed Property Limited

Membership APPLICATION FORM

Membership is open to both individuals and organisations subject to the terms and conditions contained in the Invitation to Invest and the Rules of the Society.

I/We wish to apply for membership of Mustard Seed Property Limited. I/We confirm I/we have read the Invitation to Invest and agree to the terms and conditions set out in the Invitation to Invest. I/We agree to be bound by the Rules of the Society. The full Rules of the Society are available from the Secretary at 42 St Thomas Road, Launceston, Cornwall PL15 8BX. I/We give the Society permission to use the information supplied with this application to verify our identity/identities for anti-money laundering purposes.

Full Name of sole or first applicant (to whom all communications will be sent):			
Contact name (where applicant is not an individual):			
Date of Birth:		Telephone:	
Address:			
Postcode:		Email:	
Signed:		Date:	
Print name:		Position in organisation (if applicable):	

Mustard Seed Property Share Prospectus January 2011

Full Name of second applicant :			
Contact name (where applicant is not an individual):			
Date of Birth:		Telephone:	
Address:			
Postcode:		Email:	
Signed:		Date:	
Print name:		Position in organisation (if applicable):	

I/we enclose a cheque for (minimum investment of £500 required except existing shareholders, where the minimum is £100) payable to Mustard Seed Property Limited	£
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Please return the completed application form with accompanying cheque to: The Secretary, Mustard Seed Property Limited, 42 St Thomas Road, Launceston, Cornwall PL15 8BX.