APPENDIX 4

<u>Scenario 1 – Rent cap and high sustained CPI</u>

- Government introduces a rent cap of 3% over next 5 years to support residents.
- CPI remains at 7% after change in government/monetary and fiscal policies.
- Rental income reduced 4% over next 5 years compared to current estimations on base plan.

S	**KEY FINANCIAL RATIOS - 5 YEAR PERFORMANCE**		**Target**	**2024**	**2025**	**2026**	**2027**	**2028**	**Tightest Value**
c									
e	**Internally Set Financial Hurdles**								
n	EBITDA/Revenues	>	40%	52%	50%	47%	45%	42%	**42%**
a	EBITDA - MRI/Revenues	>	15%	51%	45%	42%	40%	37%	**37%**
r	Operating Margin	>	30%	32%	30%	28%	26%	24%	**24%**
i	Net Debt/EBITDA - MRI	<	12	0.7	-0.1	-1.0	-2.0	-3.1	**1**
o	Net Debt/Revenues	<	5	0.4	0.0	-0.5	-0.9	-1.3	**0**
	Gearing	<	65%	51%	41%	31%	24%	22%	**51%**
1	EBITDA-MRI interest cover	>	128%	1829%	431%	419%	403%	385%	**385%**
	Asset Cover	>	115%	2237%	2642%	3239%	4206%	5485%	**2237%**

Outcome: Consistent deterioration to EBITDA/Revenues, EBITDA – MRI/Revenues and operating margin over the next 5 years as a result of reduced rental income and higher average costs. Operating margin drops below target threshold in 2026 and this trend continues consistently for the remaining 50 years on the business plan.

<u>Scenario 2 – Contractor issues with MOT yard development and Stock refresh programme with sustained overspend of £250k annually on costs.</u>

- Due to current high costs in building sector from inflation, supply chain and contractor related issues this has led to extra revenue costs in MOT yard development and stock refresh programme - £500k in 2023/24 and 2024/25.
- As per the previous year, the balancing final invoice from WCC was incorrect and another £241k invoice was issued. Annual above budget costs of **£250k** have been built into the scenario model.
- WCH will be liable for these costs.

S	**KEY FINANCIAL RATIOS - 5 YEAR PERFORMANCE**		**Target**	**2024**	**2025**	**2026**	**2027**	**2028**	**Tightest Value**
c									
e	**Internally Set Financial Hurdles**								
n	EBITDA/Revenues	>	40%	41%	42%	50%	50%	50%	**41%**
a	EBITDA - MRI/Revenues	>	15%	39%	37%	45%	46%	46%	**37%**
r	Operating Margin	>	30%	20%	23%	31%	32%	32%	**20%**
i	Net Debt/EBITDA - MRI	<	12	0.9	-0.1	-0.9	-1.7	-2.5	**1**
o	Net Debt/Revenues	<	5	0.4	0.0	-0.4	-0.8	-1.3	**0**
	Gearing	<	65%	51%	43%	32%	23%	19%	**51%**
2	EBITDA-MRI interest cover	>	128%	1417%	366%	463%	486%	493%	**366%**
	Asset Cover	>	115%	2237%	2642%	3239%	4206%	5485%	**2237%**

Outcome: Short term immediate dip in EBITDA/Revenues due to the £500k extra expenditure for each year. However, EBITDA/Revenues immediately recover the year after and this trend is sustained thereafter, even so this never drops below target threshold of 40%. EBITDA – MRI/Revenues dips *from the base plan but does not come near to the minimum target 15%. Operating Margin is below 30% target in 2024 and 2025 but does steadily recover over the 5 year period, moving above the target threshold in 2026 onwards.*