



## **Loan Information for Investors**

Many thanks for kindly considering providing a loan to support the Living Word Uganda Business Sustainability Plan. This document aims to explain how such a loan would work and answer any questions you may have.

### **Purpose**

Loan capital will be used initially to purchase land in Uganda and later used to build a purpose-built Bible ministry training school (operating Monday to Friday) on that land. The facilities constructed will be dual purpose, also being used for a business enterprise (Friday to Sunday and holidays) to generate income for long-term sustainability for the Bible teaching ministry. (Please see “LWU Business Proposal for future Sustainability” for details).

### **Land Arrangements**

In Ugandan law only Ugandan individuals or Ugandan organisations can own land. However, legally binding leases for up to 99 years can be held by foreign organisations and individuals.

It is therefore proposed that Living Word Uganda (a registered NGO in Uganda) will own the land and at the same time as purchasing the land, Living Word Uganda will grant a lease to Living Word International (UK Charity) for 99 years with the charge for the lease (£1 per year) for its entire duration being paid on signing of that agreement.

Living Word Uganda will on purchase of the land (and subject to purchase) immediately register the land with the Ugandan government. Once registered third parties cannot lay claim to the land.

### **Loan Arrangements**

A loan agreement would be drawn up in English Law between the investor and Living Word International with terms agreeable to both parties. The loan would be in GBP sterling.

Living Word International estimates that it will be approximately 7 years until the business plan will be sufficiently profitable to start repaying the loan capital. As such Living Word International is looking for an interest only loan for the first 7 years, though with option to repay capital sooner.



## Loan Repayments

Repayments would be made in GBP sterling from the LWI UK bank account. The cash for the repayments would (in reality) come from UK donors giving to LWI in GBP sterling for the work of LWU. However, that will only be possible because (in effect) the pledged donations from LWI to LWU would be lower, that is offset by income from within Uganda. This income would initially come from tenancy agreements for the use of the land for agriculture by local farmers and later also from the business on the land as described in “LWU Business Proposal for future Sustainability”.

This arrangement avoids the need for, and costs associated with, currency exchange, both from UK donors to Uganda, and from Uganda income sources to UK investors.

## Risk

The arrangements as described, aim to minimise risk for UK investors. With the loan agreement being held with Living Word International, the only risk to the investor is the failure of Living Word International.

This is considered unlikely for the following reasons:

- i) There is a 12-year history of successful fund raising for the ministry of LWU into a designated, not a restricted fund. Repayment of the loan would take priority over that of LWU’s ministry if cutbacks were required.
- ii) Living Word International holds a “General Fund” (and has income to this fund from donors) that could be used to repay the loan. (The General Fund currently holds £12,238 – date: 20/11/24)
- iii) Living Word International will aim to rent out the leasehold land for income. (This is estimated at a minimum of £500 per acre per year)
- iv) Once phase I of the business project is completed, it should immediately provide some income, which will increase further as the project develops.
- v) Living Word Uganda holds a partnership agreement with Living Word International. This will be amended to prevent the sale of any land without the unanimous agreement of all trustees at Living Word International. Should the agreement be broken, Living Word Uganda would forfeit all financial support (currently £60,000p.a.) from Living Word International.
- vi) Living Word International will hold a 99-year lease on the land which could be sold, either in part or in full, to raise funds as required.
- vii) Uganda has one of the very fastest growing populations in the world with economic growth at 5-6%p.a. It is therefore very unlikely that the land prices will fall.



**Summary diagram:**

