Hawarden Living — Proposed Company Structure

Sent to: Jay's accountant **From:** Kane Fuller (AFLAI) & Jamie Clarke (Hawarden Group) **Purpose:** You're already engaged with Jay's companies and have SA/PM context. This brief introduces *my side* (AFLAI, Compass, TIC) which is new to you, lays out the proposed joint structure for the new venture, and pinpoints the specific decisions where we'd value your sign-off before incorporation.

1. The venture

A two-partner serviced accommodation (SA) business in Liverpool / Wirral, operating on a **rent-to-rent (R2R) model**:

- We sign long leases (12–36 months) on furnished 1 & 2-bed apartments from private landlords
- We run them as short-stays via Airbnb / Booking.com / direct
- Profit = guest income – landlord rent – bills – management fee
- First property identified (Liverpool / Wirral, 2-bed): ~£1,300/month rent, ~£400/month bills
- Target portfolio: 5–10 properties within 12 months, scaling thereafter
- Potential future revenue stream: third-party property management for other landlords (same operations, mgmt fee only, no R2R)

2. The partners

- **Kane Fuller** — handles systems, software, admin layer. Trades via **A Fuller Life AI Ltd (AFLAI)**, co-owned by the two AFLAI founders (Kane and his brother George — George's sign-off on AFLAI's involvement is part of why this brief exists). AFLAI owns and operates two productised AI platforms: **Compass** (property management back office) and **TIC — The Invisible Concierge** (guest comms AI), both licensed to other paying customers at retail rates. On Kane's side of the venture, **AFLAI Ltd takes a 50% shareholding in Hawarden Living Ltd and provides Compass + TIC to it at no charge** as AFLAI's non-cash equity contribution (see §3.5 and §6 Q9), while a **wholly-owned subsidiary, A Fuller Life Property Ltd, holds the R2R leases Kane's side funds** — deliberately keeping the property trade out of the software company (see §6 Q1).
- **Jamie Clarke** — handles all on-the-ground operations (cleaning, linen, turnovers, maintenance). His operating company is **J&M Property Management Group Ltd** (company no. 16667103, incorporated 22 August 2025), which is being **renamed to Hawarden Group Ltd this week** (a name change on the existing entity, not a new incorporation). Hawarden Group Ltd is the corporate vehicle for Jay's side — it holds the R2R leases Jay's side funds *and* takes the other 50% of Hawarden Living Ltd. Note it's a young company (incorporated Aug 2025), which is relevant to

referencing and any trading-history questions. How his cleaning labour is routed and paid is one of the open questions — see §6 Q5.

3. Proposed structure — four companies, two trades kept separate

> ⚠ **Important context for your review:** an earlier draft staged entity creation around the £90k VAT threshold; we've dropped that for genuine operating companies from the start. Kane's R2R leases are deliberately held in a **wholly-owned AFLAI subsidiary (A Fuller Life Property Ltd)** rather than inside the AFLAI software company, to keep the two trades and their VAT positions separate. The two points we most want your view on: (a) whether that parent/subsidiary split is the right ring-fence, and how VAT grouping should be treated between AFLAI Ltd and its property subsidiary (§6 Q1); and (b) the VAT/TOMS picture across the group (§6 Q4).

The shape

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AFLAI Ltd  (Kane + George)                Hawarden Group Ltd  (Jay)
software co · owns Compass + TIC IP        cleaning / linen / ops co
· provides Compass + TIC free to HLL         (rename of J&M Property Mgmt Group Ltd)
· owns 100% of ┐                           · holds R2R leases funded
               ▼                               by Jay's side
A Fuller Life Property Ltd                 · provides physical operations
holds R2R leases funded by Kane's side
         │                                           │
         │ AFLAI Ltd 50%               Hawarden 50%  │
         └───────────────────────┬───────────────────┘
                                 ▼
           Hawarden Living Ltd   (NEW — 50/50 JV)
           · management entity for every property
           · invoices 16% mgmt fee to whichever company holds each property
           · runs guest comms / turnovers / owner admin (on Compass + TIC, free)
           · natural home for future third-party management clients
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Note: the two 50/50 shareholders of Hawarden Living are **AFLAI Ltd** and **Hawarden Group Ltd**. A Fuller Life Property Ltd sits *below* AFLAI Ltd as a wholly-owned subsidiary and is the lease-holder for Kane's side — it is not itself a shareholder in Hawarden Living.

Per-property economics follow the funder. Each property's lease and ~£3k setup capital sit in the company that funded it (A Fuller Life Property Ltd on Kane's side, Hawarden Group Ltd on Jay's). That company carries the void risk and retains the property profit (after the 16% management fee). Hawarden Living Ltd earns only the management fee plus, where applicable, a slice of the cleaning pot (see §4).

Why this structure

BENEFIT	WHY IT MATTERS HERE
Trade separation	The R2R property trade (A Fuller Life Property Ltd) is kept out of the AFLAI software company — distinct trades, distinct VAT positions, no commingled books.
Liability ring-fencing	Each side's R2R leases sit in their own company. A void run on one side's portfolio doesn't reach the other side, the software business, or the management JV.
Clean profit attribution	Each property company's books naturally show that side's funded portfolio P&L. No alphabet shares or per-property dividend gymnastics inside a shared company.
Independent disposal	Either side can exit its property portfolio independently of the joint management entity; the 50/50 shares in Hawarden Living can be dealt with separately.
Future third-party customers	Hawarden Living can take on external landlords as clients (same 16% fee) without commingling with the partners' own property income.

SIC codes (proposed)

COMPANY	PRIMARY SIC	SECONDARY SIC
AFLAI Ltd (A Fuller Life AI Ltd)	`62012` (Business and domestic software development)	`70100` (Activities of head offices) — as parent of the property subsidiary + HLL shareholder
A Fuller Life Property Ltd	`55204` (Holiday / short-stay accommodation)	`68209` (Letting of leased real estate)
Hawarden Group Ltd	`55204` (Holiday / short-stay accommodation)	`81210` (General cleaning of buildings) · `68209` (Letting of leased real estate)
Hawarden Living Ltd	`68320` (Real estate management on contract)	`70220` (Business consultancy)

Keeping the accommodation SIC on a dedicated A Fuller Life Property Ltd (not on AFLAI Ltd) is the structural expression of the trade separation — please confirm the parent/subsidiary setup and the VAT-grouping treatment between them (§6 Q1).

3.5 The AFLAI relationship (AFLAI's equity contribution)

AFLAI Ltd's 50% shareholding in Hawarden Living Ltd is justified in part by **non-cash equity contribution**: ongoing free access to AFLAI's productised software platforms (Compass + TIC). These retail to other property managers at:

- **Compass:** £49–£249/property/month (Concierge / Ops / Full / Agency tiers)
- **TIC:** £99/property/month standalone (or bundled within Compass)

At a modest 10-property portfolio, Compass + TIC access alone is worth ~£1,500–£3,500/month at retail. The contribution continues for the life of the partnership.

The arrangement: - **Hawarden Group Ltd's equity contribution to Hawarden Living:** physical operations on every property (cleaning, linen, turnovers, maintenance), the Hawarden brand, property/commercial-cleaning experience - **AFLAI Ltd's equity contribution to Hawarden Living:** online operations (admin, owner-facing work, the systems layer) **plus** ongoing free access to AFLAI's products (Compass + TIC) for the joint business - **Both companies:** 50% shareholding in Hawarden Living Ltd, reflecting symmetric operational equity

Per-property setup capital is separate from this arrangement and is symmetric. Each side funds individual R2R properties through its own property company (A Fuller Life Property Ltd / Hawarden Group Ltd), putting up ~£3k of setup capital and retaining 100% of that property's profit. The partners expect to take turns funding properties — but funding is always individual and per-property, never a contribution to Hawarden Living Ltd's equity.

This is **not** an intercompany license, **not** a transfer of IP, and **not** an invoiced supply against Hawarden Living's P&L. It's a partnership consideration — value flowing in exchange for equity issued. See §6 Q9 for the accounting/tax treatment question.

4. The deal mechanics (for tax design)

These are the per-property economic flows you'll need to model.

Per property, per month

LINE	TREATMENT
Guest rental income	Revenue of the funding property company (A Fuller Life Property Ltd or Hawarden Group Ltd)
Cleaning fee from guests (charged by OTA, paid through with rental)	Separated on receipt; not part of the property company's rental P&L — flows into a "cleaning pot" handled per below
Landlord rent	Cost of sales — funding property company
Bills (council tax, utilities, wifi, insurance, supplies)	Operating cost — funding property company
Channel fees (~15% Airbnb / Booking)	Cost of sales — funding property company
Management fee (16% of rental income)	Invoiced by **Hawarden Living Ltd** to the funding property company. Revenue of Hawarden Living; cost of the property company.
Property profit (after all above)	Retained by the funding property company, distributed per its own shareholders' preferred salary/dividend mix
Cleaning pot distribution	If Hawarden-Group-funded: 100% to Jay's side (route TBC — see §6 Q5). If AFLAI-funded: 75% to Jay's side, 25% retained by Hawarden Living Ltd.

Worked example (one property, one month)

LINE	£
Guest rental income	3,200
Landlord rent	–1,300
Bills	–400
Channel fees (~15%)	–480
Management fee (16%)	–512
Property profit	**508**
Cleaning pot (handled separately)	800

The £512 management fee is Hawarden Living's revenue. The £508 property profit stays with the funding property company. The £800 cleaning pot splits 100/0 or 75/25 per the table above.

Setup capital

~£3,000 per property — deposit, first month's rent, smart locks, photography, supplies. Introduced into the funding property company. **No payback period — funder takes 100% of property profit from day one** (Kane's preference). Need your view on the cleanest accounting treatment — capital introduction, director's loan, intra-group funding from the parent (AFLAI Ltd → A Fuller Life Property Ltd), or share capital.

Void / negative-month buffer mechanism

Per Jay's recommendation (consistent with industry-standard R2R / PM cashflow management), the partners have agreed a **per-property buffer pot** rather than "funder eats it":

- For each property's **first 6 months**, 50% of monthly property profit is retained in a per-property savings pot
- That pot absorbs voids and major maintenance jobs
- After 6 months — assuming the pot is built — 100% of property profit flows to the funder going forward
- If a serious event ever empties the pot, the funder tops it up
- The cleaning-fee pot (100/0 or 75/25) and the 16% management fee are NOT affected
- Cleaning pot is automatically zero in a void month (no bookings = no cleaning)

Operationally the pot sits within the funding property company that holds the property.

Specific accountant questions on the buffer (folded into §6 Q10): - (a) Cleanest accounting treatment — retained profit, restricted reserve, designated fund? - (b) Tax treatment — retained profit is still taxable as Corporation Tax in the year earned (no deferral). Any legitimate mechanism that defers tax on the buffered portion? - (c) When 100% of profit starts flowing post-6-months, how to evidence the transition cleanly?

5. What's been informally confirmed

A chartered accountant in Kane's family (advisory only — not the engaged accountant) gave an informal first-look at an earlier three-Ltd shape and confirmed multi-entity architecture as common and sound for a multi-funder R2R partnership. We'd value your formal review and any specific tweaks before anything is filed.

- 🔒 **Critical:** all the new companies should sit with the same accountant (cross-entity transactions, attribution consistency, VAT treatment). Since you're already engaged with Jay's existing entities, the natural ask is for you to take A Fuller Life Property Ltd, Hawarden Group Ltd and Hawarden Living Ltd on too, and to coordinate with AFLAI Ltd's position.

6. Specific items for your critique

We would value your professional view on the following:

1. **The AFLAI parent / property-subsidiary split — please confirm it's the right ring-fence.** Our intended structure holds Kane-side R2R leases in **A Fuller Life Property Ltd**, a wholly-owned subsidiary of **AFLAI Ltd** (the software company), specifically to keep the property trade out of the software business. Is that the cleanest way to separate the two trades and their VAT positions — and critically, **how should VAT grouping be treated between AFLAI Ltd and the subsidiary?** (We want the property company to keep its own VAT threshold; we're aware common control means HMRC could look at grouping.) Any liability or accounts-presentation points either way?
2. **Entity structure overall** — does the four-company architecture (AFLAI Ltd + its property subsidiary · Hawarden Group Ltd · 50/50 management JV) hold up tax-wise versus alternatives (LLP, single Ltd with alphabet shares)? Anything that should be challenged?
3. **Shareholding of Hawarden Living Ltd** — held 50/50 by **AFLAI Ltd and Hawarden Group Ltd** (corporate shareholders, our intended structure). Confirm this is sound versus personal shareholding, and flag implications for intra-group dividend flow, exit, and inheritance planning.
4. **VAT — recommendation rather than description, please.**
    - Does **TOMS** apply to our R2R model, and what's the practical margin impact? (We understand the case law here is unsettled — your current read matters.)
    - With property held in a dedicated subsidiary (separate from AFLAI's software turnover), realistic month-by-month projection of mandatory-registration timing for the property company (we're modelling ~£3,200 gross rental + £800 cleaning per property per month, plus the 16% mgmt fee into Hawarden Living).
    - Any **anti-disaggregation** risk (Sch 1 Para 1A) across the group we should pre-empt in how the entities are run — and does the parent/subsidiary VAT-grouping question in Q1 interact with it?
5. **Cleaning labour route for Jay.** His cleaning labour for Hawarden Living (the joint SA business) could flow via:
    - **(a)** A director's salary / dividend from **Hawarden Group Ltd** (the renamed entity, which also holds his R2R leases — one company doing double duty),
    - **(b)** An arm's-length invoice from a **separate cleaning company**, if Jay keeps one distinct from the property entity (his exact current entity setup is to confirm),
    - **(c)** PAYE employment by **Hawarden Living Ltd**.

    Which route is most tax-efficient given his existing income picture, and which best supports the partnership economics where his cleaning fee is effectively a partner distribution but needs an arm's-length wrapper for HMRC purposes?
6. **Post-FHL tax treatment** — the Furnished Holiday Lettings regime was abolished from April 2025. Any structural implications for the proposed setup?
7. **Loss treatment** — can losses on one property within a property company be offset against profits on other properties in the same company? And is group relief available between AFLAI Ltd and A

Fuller Life Property Ltd?

8. **Intra-group invoicing** — best practice for monthly invoicing between the property companies and Hawarden Living Ltd (settlement frequency, documentation, evidencing arm's-length pricing on the 16% fee)?
9. **Equity contribution valuation — AFLAI's free provision of Compass + TIC to Hawarden Living.** AFLAI's equity contribution includes ongoing free access to its productised software (retail values in §3.5). Cleanest way to document and account for this for HMRC/Companies House?
   - **(a)** Does it need formal documentation as a non-cash equity contribution at share-issue valuation, or can a written commercial agreement evidence it?
   - **(b)** Any **BIK or shareholder-benefit risk** — Hawarden Living is accessing software AFLAI sells to other paying customers; could HMRC try to tax that as a benefit-in-kind or deemed distribution?
   - **(c)** Should AFLAI issue a token notional invoice (e.g. £1/year) to evidence the licence, or is a written partnership agreement sufficient?
   - **(d)** Does the imbalance in cash vs IP contribution affect the 50/50 share split's defensibility — could HMRC argue AFLAI's contribution is worth more in cash-equivalent terms and challenge the allocation?
10. **Buffer-pot mechanism — accounting + tax treatment** (see §4): first 6 months, 50% of monthly profit retained as a savings pot for voids/major maintenance, then 100% to funder thereafter.
    - **(a)** Cleanest accounting treatment — retained profit, restricted reserve, designated fund, separate ring-fenced reserve account?
    - **(b)** Tax treatment — we understand retained profit is still taxable as CT in the year earned (no automatic deferral). Any legitimate deferral mechanism, or do we accept paying tax on undistributed profit?
    - **(c)** Transition at month 7 (100% starts flowing) cleanly in the books.

7. Practical operational items

- **Bookkeeping software:** considering Xero (preferred for cross-entity views). Open to alternatives.
- **Making Tax Digital (MTD):** all entities to be MTD-compliant from incorporation.
- **Year-end alignment:** would prefer the new entities on the same year-end for a consolidated view. Recommendation?
- **Insurance:** commercial SA cover, public liability, contents — separately arranged via a specialist broker, not via the accountant.

8. What we'd value from you

- Recommendation (or revision) of the proposed four-company structure, and a clear steer on the parent/subsidiary VAT-grouping question (§6 Q1)

- Companies House incorporation of the genuinely new entities (**A Fuller Life Property Ltd**, **Hawarden Living Ltd**) with the agreed shareholding + SIC codes, plus the **name change of J&M Property Management Group Ltd → Hawarden Group Ltd** (existing entity, no. 16667103)
- Bookkeeping setup (Xero or your preferred) across the new entities, slotting alongside Jay's existing engagement
- Monthly bookkeeping + quarterly VAT (if registered) + annual statutory accounts
- Tax planning conversations as the venture scales — particularly at the VAT-threshold inflection point
- Ad-hoc support on cross-entity questions

A scoping conversation when you have an hour would be ideal. No rush — we'd rather get the structure right than rush incorporation. Kane is happy to come into your office or meet wherever works.

Contact: Kane — kane@afullerlifeai.com · 07730 446131 **Companion document:** Internal partnership structure between the two partners (separate doc), available on request.