

REPORT ON TITLE

TO: Proplend Security Limited

FROM: Paris Smith LLP

FULL NAME OF BORROWER: Harpar Group Limited

COMPANY NUMBER (if appropriate): 10315607

DESCRIPTION OF PROPERTY: Gladstone House Hospital Street Walsall WS2 8JW

IS BORROWER THE SAME AS OWNER? Yes

FULL NAME OF OWNER IF DIFFERENT (Where property is being transferred state intended owner):
Not applicable

1. TITLE

a. We certify that the property is:

Tenure:	Freehold
Title number (if registered) or if not confirm whether it is unregistered and/or subject to first registration:	WM911529
Class of title (if registered):	Title Absolute

- b. We certify that the Title to the Property is good and marketable and can be accepted by you as security.
- c. We annex hereto a copy of the Title Plan (or in the case of a property that is not registered, a plan) showing the Property edged red.
- d. The Property will be registered in the name of the Borrower on completion.
- e. We confirm that the only Restrictive Covenants which affect the Property are set out in the attached Schedule.
- f. We confirm that the only Adverse interests affecting the Property are referred to in the Schedule.
- g. No person other than the Borrower has an equitable or overriding interest in the Property.
- h. The Borrower will not be in sole possession of the Property.
- i. Proplend Security Limited will obtain a First Legal Charge over the Property.

2. SEARCHES: We confirm we hold:-

- a. Clear Land Registry Search giving Proplend Security Limited priority beyond the date of completion.
- b. Local Land Charges and Local Authority Search no older than four months prior to the date of completion of the charge revealing no Entries which might adversely affect Proplend Security Limited's security.

- c. Bankruptcy Search giving Proplend Security Limited priority beyond the date of completion against the Guarantor.

All other appropriate Searches have been carried out and, save as referred to below, reveal no Entries adverse to Proplend Security Limited's security.

3. **VALUATION:**

We have read the Valuation Survey Report dated June 2017 prepared by Towler Shaw Roberts and confirm that:-

- i) there are no discrepancies between the report, the title documentation and the results of our searches.
- ii) we are satisfied that Proplend Security Limited will obtain a legal mortgage over the whole of the land shown edged red on the Title Plan

4. **PURCHASE CONTRACT:**

- i. Purchase Price: £730,000.00
 - a. Property: £730,000.00
 - b. Fixtures and Fittings: £N/A

5. **SECURITY DOCUMENTATION:**

The following security documentation has been properly executed and witnessed and is held by ourselves. (Please delete if not applicable).

- a. Legal Charge The Legal Charge will be dated upon completion
- b. Debenture The Debenture will be dated upon completion
- c. Guarantee The Guarantee will be dated upon completion

6. **COMPLETION ARRANGEMENTS**

We now request you to pay to us the Advance Amount and undertake that if you pay to us the said sum and we shall use the same only to effect the remortgage of the Property by the Borrower.

We confirm we hold an irrevocable undertaking from a firm of solicitors that following completion they will send a completed AP1 in respect of the remortgage of the Property and registration of Proplend Security Limited's Charge, any necessary supporting documentation, and any title documents that are received from the Seller's solicitors.

Our banking details are:

Account Name: Paris Smith LLP Client Account

Account Number: 37559583

Bank: National Westminster Bank plc

Branch: 12 High Street Southampton

Sorting Code No: 56-00-68

Completion date:

SCHEDULE

RESTRICTIVE COVENANTS

(please confirm whether or not the restrictive Covenants are onerous)

The Property is subject to covenants contained in a Transfer dated 3 April 2007 as follows:-

- 1 Nothing in the Transfer restricts the use of the adjoining properties owned by the local authority (the previous owner) from developing them even if this interferes with rights of light or air to the Property.
- 2 Before any structures are built on the Property, the plans need to be approved by the local authority (as landowner). We have requested details of consents for the current buildings and the Borrower's solicitors say that neither they nor the Sellers have any information. The Sellers are selling as mortgagee. In those circumstances, we have required an indemnity policy for the value of the Property to be on risk on the date of completion.
- 3 No excavation is to take place on the Property other than in connection with the construction of any buildings.
- 4 All boundaries belong to the Property and good and sufficient boundary walls or fences were to be constructed and maintained.
- 5 The Property is to be used for residential purposes only.
- 6 Not to cause any nuisance or annoyance.
- 7 In the event that the Property or any part is sold for a sum in excess of £350,000, there will be a payment made to the Council of the amount received over and above £350,000 within 10 working days of the date of completion provided that where such payment has been made the provisions of this covenant shall after the date of such payment be deemed to be satisfied and no further payments shall be due. We have requested details from the Borrower's solicitors confirming that the payment has been made on previous transactions and that therefore these provisions do not apply. The Borrower's solicitors have now produced a letter from the Council confirming that they received the excess over £350,000 on a previous disposal of the Property and that the provisions relating to the excess to be paid are no longer of any force or effect.

The Property is subject to 3 Bankruptcy Notices. There is also a restriction that no disposition of the Property is to be made until the Trustee in Bankruptcy is registered as proprietor of the registered estate. The Trustee in Bankruptcy is not yet registered and we have requested details of consent from the Trustee in Bankruptcy and a letter to be addressed to the Land Registry confirming their consent to any subsequent sale to the Borrower. We have spoken to the Land Registry who have confirmed notwithstanding the entry on the Land Register that this will be overreached by the sale by the mortgagee.

In addition to the Bankruptcy Notices, there is also a Unilateral Notice in respect of a Charging Order, a Charge dated 4 November 2013 in favour of Midland Provincial Finance Limited and an Equitable Charge in respect of an Interim Charging Order. All of these post-date the date of the Mortgage to Dudley Building Society (3 November 2009). The Building Society is selling as mortgagee and their charge and the sale will overreach these entries.

There is reference on the title to a Lease dated 25 November 2009 for 3 years. We have requested evidence that these entries have been removed and the Borrower's solicitors have now produced this.

There was a suggestion in the Valuation Report that a lease had been granted to an organisation called DCB Accommodation Limited in which we understand the Borrower has interest. We understand now that no such lease has been granted, but a new lease will be granted on completion as to which, please see separate Lease Report.

ADVERSE INTERESTS

(please confirm whether or not the Adverse Interests are onerous)

- 1 We have requested confirmation as to whether an HMO Licence is required for the Property. We understand that this is not the case as the Property is not of sufficient height and the accommodation is self-contained. The Borrower's solicitors also confirm that DCB Accommodation Limited who will hold the lease of the Property is an exempt provider and so no HMO Licence will be required in any event.
- 2 The Property is in an area where coal mining has taken place in the past. We have received from the Borrower a coal mining search. This confirms that the Property is in an area where the Coal Authority believes there is coal at or close to the surface. The potential presence of coal working at or close to the surface should be considered prior to any site works or future development activity. We have asked for confirmation as to whether or not insurance has been declined on the basis of possible subsidence notwithstanding that the Property is within an area unlikely to be affected by any future underground coal mining. The Borrower's solicitors say that a copy of the coal mining search has been produced to the insurers and they have confirmed that the property insurance which you have seen remains in force and is not affected by this.
- 3 The Property has the benefit of a planning consent in 2000 for external alterations, proposed new pitched roof, 2 storey front extension, first floor extension at rear and erection of a new boundary and gates. The consent was granted with Standard Conditions which are not considered to be onerous.
- 4 The Property also has the benefit of a Certificate of Lawful Use or Development for the continued use of the building for a maximum of 20 single person units together with manager's flat and ancillary accommodation and for internal alterations to install shower units. This was granted on 29 September 1995.
- 5 The Property has been occupied. We are told that the Property is being sold subject to vacant possession and the Contract so provides for that. However, in the replies to Requisitions, the Sellers' solicitors have said that the Property is sold subject to any occupancies. This is contrary to the information provided and we have raised this with the Borrower's solicitors. The Sellers' solicitors have now amended their replies to confirm that the Property is vacant.
- 6 Details of insurance for the Property in a minimum reinstatement value of £1,800,000 as recommended by the valuer have been provided to you and you have confirmed that these are acceptable.
- 7 There are currently no Fire Risk Assessment or Asbestos Risk Registers in respect of the Property. You have agreed that these can be provided by the Borrower within one month of completion and an undertaking will be obtained from the Borrower's solicitors to that effect from completion.
- 8 In the Valuation Report, there is a list of EPC ratings, some of which are at Class F. You will be aware that the law is changing with effect from 1 April 2018 and properties to be let will be expected to receive a rating of Class E or above. We have raised this with the Borrower's solicitors. They say that since the EPC listing was obtained (in 2009) further works to the Property have been carried out including new windows which should increase the EPC ratings.
- 9 The valuer has asked for details of the funding arrangements between the local authority and the occupiers. In practice, this is not an issue for the Borrower as they will be granting a lease to DCB Accommodation Limited who in turn will receive rents from the occupiers via the local authority. We understand that DCB Accommodation Limited will grant an underlease to a company called Happy Times (UK) Limited who will then provide the rooms to the local authority and they will receive approximately £219 per week per room. We have not seen a copy of this underlease but we understand that you have approved this arrangement.

- 10 You will be aware that the Borrower intends to carry out some alterations at the Property. We have asked for details and the Borrower's solicitors confirm that these do not require planning or building regulation approval and are internal cosmetic matters.
- 11 The valuer refers to damage to the northern boundary wall. The Borrower's solicitors say that it is understood that this was due to wear and tear rather than any subsidence or any impact damage.
- 12 The Property has a potential liability for chancel repair. You have agreed that the limit of indemnity under the chancel policy that will be on risk on completion may be limited to the amount of the advance of £800,000.
- 13 It is now standard procedure to undertake environmental desktop searches in transactions of this nature. However please note the limited nature of the search. The search is undertaken by independent search consultants at a limited cost and is compiled by the search consultants on the basis of inspection of documentary records only accessed by means of a "desk top" search. It does not, of course, arise from a physical inspection of the site. Clearly it will not reveal information which is not recorded in public documentation. The search should therefore be regarded as a general guide only. If you have concerns as to possible contamination of the site then you should discuss further with us the need for a more detailed survey (possibly including a site survey). You will understand that we are not qualified to advise on whether or not the search results are acceptable (or the level of risk involved) but we would be happy to discuss any particular queries with you and to consider with you whether further expert advice should be obtained on any matters arising from the search result itself and/or with regard to the site or your proposals generally.

Subject to the comments above we would point out that the report has been certified as "Passed" meaning that in the professional opinion of Argyll Environmental the level of risk associated with the information disclosed in the report:

- (a) is unlikely to have an adverse effect on the value of the Property, and
- (b) is not such that the Property would be designated "Contaminated Land" within the meaning of Part IIA of the Environmental Protection Act 1990.

There are a number of contemporary trade directory entries for organisations associated with high risk contaminative uses located on or within 25 metres of the site. It is also known to be within an area of mining instability (see above) and an area of occasional non-coal mining hazard. However, such non-coal mining areas are considered to be high unlikely.

There were previously contaminated industrial uses including a factory or works.

Signed by:

Signature:



Name: Nick Vaughan

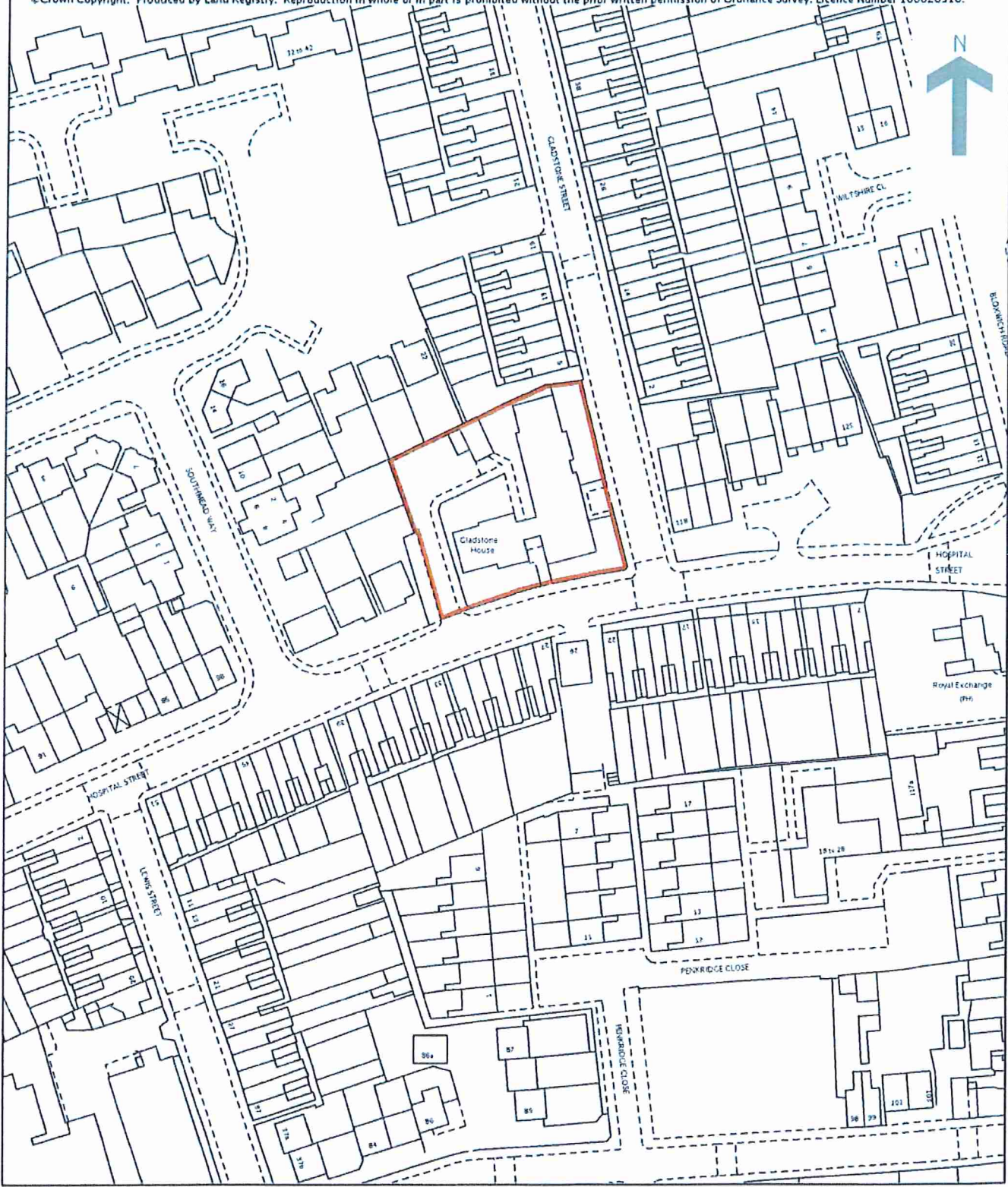
Position: Senior LLP Partner

authorised to sign for and on behalf of Paris Smith LLP

Date: 28 July 2017



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LETTINGS REPORT

To: Proplend Security Limited

Customer(s): Harpar Group Limited

Property: Gladstone House 102 Hospital Street Walsall WS2 HAW

1. **Landlord's name and address:** Harpar Group Limited of 29 Chester Road Castle Bromwich Birmingham B36 9DA

2. **Tenant's name and address:**

3. **Guarantor of Tenant (if applicable):** None

4. **Term and Commencement Date:** From and including the date of the Lease for a term of 10 years.

5. **Rent Provisions**

Current Rent: £113,000

Premium/inducements: None

Value Added Tax liability: The Tenant is liable to pay VAT on all payments due under the Lease.

Rent Review Dates and Cycle/Breakage Clause: The rent is reviewed on the fifth anniversary of the Lease upwards only. The rent is to be at the market rent without a fine or premium assuming a lease between a willing landlord to a willing tenant with any rent free or similar concessions taken into account for a term equal in length of the unexpired residue of the term of the review date on the same terms as the Lease other than as to the rent but including rent review. It is assumed that the Property is available to be let with vacant possession in good and substantial repair and condition ready for occupation and that the parties have complied with their obligations in the Lease. It is assumed that no works have been carried out which would diminish the rent value and there are no statutory provisions preventing rent reviews.

There is disregarded the occupation and goodwill of the tenant and any improvements carried out by the tenant authorised by the landlord.

The parties are to review the rent. If they are unable to agree the level of rent then either may refer it to an independent surveyor appointed jointly between the parties. If there is no agreement then either may apply to the President of the RICS to appoint.

The tenant will pay the rent at the previous rate until the review date and any shortfall will be paid on the next rent payment date (rent is payable monthly) together with interest at Lloyds Bank base rate.

There is no tenant's break clause.

Rent Review, Basis of Valuation: See above.

Service Charges (if applicable): There is no service charge payable.

6. **Use of premises:** Residential dwellings or as the landlord may from time to time approve in writing. Currently the Lease includes a provision that such consent is not to be unreasonably withheld or delayed which we have requested is removed and the Borrower's solicitors have now produced a draft which confirms that this has been deleted. We have also requested a restriction that any underletting of the Property should be by way of an AST in respect of each of the residential units.

Restrictions on change of use: See above.

7. **Repairing/Maintaining Obligations:** The tenant is to repair and keep the Property in good and substantial repair and condition. The Property includes the whole of the building and estate. The tenant to keep all plant and equipment in good working order and to replace with articles of a similar kind and quality where they are beyond economic repair.

To keep the outside clean and tidy.

Tenant to decorate the inside every 5 years and outside every 3 years and in the last 6 months when all decorations are to be approved by the landlord.

8. **Alienation (i.e. right to assign, sub-let):** Tenant not to assign part. Assignment of the whole is permitted with landlord's consent. The landlord may refuse consent if in the landlord's reasonable opinion the assignment would not be in the interests of good estate management or if the proposed assignee is not of sufficient financial standing to pay the rent under the Lease (unless other acceptable security for those payments is provided).

The landlord may require an authorised guarantee agreement.

The landlord can refuse consent on other reasonable conditions.

Underletting of part is prohibited.

Underletting of the whole is permitted with consent, not to be unreasonably withheld or delayed. The rent must be not less than the full open market rent without any final premium and must be excluded from the Landlord and Tenant Act. Rent review dates must be similar to those in the Headlease.

Charging of part is prohibited. Charging of the whole is permitted with consent of the landlord.

Sharing of occupation is permitted with a group company provided no landlord and tenant relationship exists.

9. **Insurance Provisions:** The landlord is to insure the Property against normal insured risks although these do not include subsidence and terrorism.

Insurance is in full reinstatement value.

Landlord is to reinstate.

The rent will be suspended until the Property is reinstated or for a period of 3 years whichever is the earlier.

If there is no reasonable prospect in the landlord's reasonable opinion of the Property being reinstated within the 3 year period, then the landlord may terminate the Lease on giving at least 3 months' notice. Unless that notice has been served then the landlord may give to the landlord not less than 6 and not more than 12 months' notice in writing to expire at the end of the 3 year period to terminate the Lease.

10. **Landlord's obligations:**

- Quiet enjoyment.
- To insure as above.

11. **Effect of Bank enforcing security:** There are no restrictions on the Bank enforcing its security under the Lease. Any enforcement would be subject to the terms of the Lease.

12. **Forfeiture and re-entry:** The Landlord may forfeit the Property if:-

- the rent is in arrears for 14 days or more;
- there is a breach of the tenant's obligations;
- the tenant commits an act of insolvency or is struck off the Register of Companies.

13. Please advise/comment in respect of the following:

Assumptions and Disregards Summary: Please see above.

Unusual/Onerous Provisions (including any mentioned above): The rent is payable monthly rather than quarterly.

Although the user clause is restricted to residential use, it should also be restricted to provide for individual separate letting units which are let on assured shorthold tenancy agreements or similar.

Effect of matters reported above and recommended steps the Bank should take to protect its position: None other than we have requested a change to the user provisions as above.

Part II Landlord and Tenant Act 1954: The Lease is protected by the Landlord and Tenant Act and therefore the tenant will be entitled to renew its lease at the expiry of the existing term.

14. We confirm that subject to the above:

The Lease is a full repairing and insurance Lease and, subject to the Tenant's compliance with the undertakings and obligations on the part of the Tenant contained in the Lease, the Landlord is able to recovery all expenditure incurred by it in respect of the Property;

Your Customer has advised us that the Tenant (i) is not in breach of any of its obligations under the lease to pay rent or other sums due and (ii) is not in dispute with the Landlord; and

Subject to 13 above, the Lease is satisfactory for secured lending and there are no provisions in the Lease which could materially affect the value of the Property.

We acknowledge that you are relying on this Report and are entitled so to rely in connection with security for facilities provided to your Customer(s).

Signed by:

Signature: _____

Name: Nick Vaughan
Position: Senior LLP Partner

authorised to sign for and on behalf of **PARIS SMITH LLP**

Date: 25 July 2017

Address of Firm: Number 1 London Road
Southampton
Hampshire SO15 2AE

Notes: (1) When space is insufficient please continue on a separate sheet of paper referring to the relevant paragraph.