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Full Loan Request: Ashton-under-Lyne - Day Nursery

Main Site:	Rosebuds Childcare, Nook Lane, Ashton-under-Lyne OL6 9HN
Date:	22/08/2019
Asset Description:	Day Nursery



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Commercial Property Investment
SIPP Classification	SIPP Eligible	Loan Purpose	Purchase freehold

Property Summary

Market Value	£470,000	Property Income	£40,000
Vacant Possession Value	£440,000	Market Rental Value	£40,000
Tenure	Freehold	Asset Class	Nursery
EPC Rating (min. E)	C	Planning Use	Non-Residential Institution

Loan Summary

Total Loan Required	£352,500	Loan to Value (LTV)	75%
Rate of Interest	8.50%	Interest Cover	1.34x
Loan Term	36 months	Interest Expense (p.a.)	£29,963

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£47,000	12%	10.80%	1.34x
B	Medium	51-65%	£70,500	9.50%	8.55%	1.64x
A	Low	0-50%	£235,000	7.50%	6.75%	2.27x

Borrower Details

Name	Michild Propco Limited
Registration	UK Registered Limited Company
Main Business Activity	Buying and selling of own real estate Other letting and operating of own or leased real estate Management of real estate on a fee or contract basis
Ownership Structure	Joel Selvadurai is the sole shareholder and director.

Applicant Details

Name	Joel Selvadurai
Age	35
Experience	<p>Joel started his career at Shell after being accepted onto the Shell Graduate Scheme. He worked in M&A, turnarounds and organisational design. During and after his time at Shell (June 2008 - February 2014) he built up a significant real estate investment portfolio and exited this to invest in other sectors. He is currently founder of MiChild Limited.</p> <p>Joel researched and bid on oil and gas assets in the UK and US but decided not to proceed with oil and gas investment due to the volatility in the oil sector at the time.</p> <p>Experience</p> <ul style="list-style-type: none"> • Founder – MiChild Limited Manchester, MiChild is looking to build a national group of technology enabled day care nurseries to enhance parent/child communication, learning and development. • Senior Scoping Analyst at Royal Dutch Shell PLC October 2012 – February 2014 (1 year and 5 months) London, United Kingdom • Team Lead for Hydrocarbon Management at Royal Dutch Shell PLC October 2009 – February 2014 (4 year and 5 months) London, United Kingdom <p>Education</p> <ul style="list-style-type: none"> • BSc. (Computer Science), The University of Durham
Credit History	Good (band 4), no CCJ's or defaults
Net Worth	Net worth £337,939 (Asset and liabilities statement saved in borrower folder)

Loan Details

Loan Purpose	<p>Purchase freehold- We have been asked to provide a gross loan of £352,500 (75% LTV), net £337,959 (72% LTV) to purchase the freehold. The client will be purchasing Rosebuds Childcare Limited who also own the freehold of the property. Rosebuds Childcare Limited has been trading since 2004.</p> <p>Our client will be purchasing the business and freehold for £750,000. The Freehold will be transferred under the name of Michild Propco Limited. A 20 year lease agreement without break and rent review every 5 year will be put in place between Opco and Propco. The Opco will be Rosebuds Childcare Limited and the Propco, Michild Propco Limited.</p> <p>The borrower is currently pursuing additional acquisitions to assist growth and expansion of the business.</p>
Gross Loan Amount	£352,500
LTV	75%
ICR	1.34x
Serviceability	Annual interest is £29,963 which will be serviced from rental income of £40,000.

Interest reserve	Proplend will retain £7,491 (3 months interest) from the gross loan amount which will be held on account. The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.
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Early Repayment	2% years 1-2, 1% year 3
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Strategy During Loan Term

The borrower intends to upgrade the property along with training staff and integration of their group marketing strategy.

Property Details

Rosebuds Childcare Limited have run a children's day nursery from this premises since 2004. It is a freehold property located within a suburban village setting on the site of a former library.

The Property comprises a single storey, former local authority library building, of brick elevations surmounted by a pitched interlocking concrete tiled roof. The fenestration and rainwater goods are UPVC.

The detached Property is enclosed by a metal mesh wire fence to all boundaries which does not incorporate the off-road parking. Externally the Property is well-presented and benefits from two children's gardens one of which has recently been refurbished by the vendor. The second garden was refurbished approximately two years ago and, again, provides a good quality children's play area.

There is an area of unused land to the side of the Property which currently houses a shipping container for storage, however, there is the potential for an additional children's room to be built in this area, subject to planning permission. At the moment there is informal car parking at this location.

To the rear of the property there are approximately six parking spaces which are used by parents for dropping off and picking up children and not staff parking.

Internally the Property provides an open-plan children's day nursery with low level picket fencing for separation between age groups.

The picket fencing separates into four main areas providing a baby area, quiet room, creative area and sensory area. The children which are over the baby room age group have free flow between the three other areas. The open plan nursery space provides direct access to both external play areas.

In addition to the children's areas there are children's toilet facilities which provide for six low level toilets and wash hand basins along with two baby changing areas, a reception area, manager's office, kitchen, laundry room and staff room and staff toilet.

The Property is well-presented internally with modern decor and good quality fixtures and fittings.



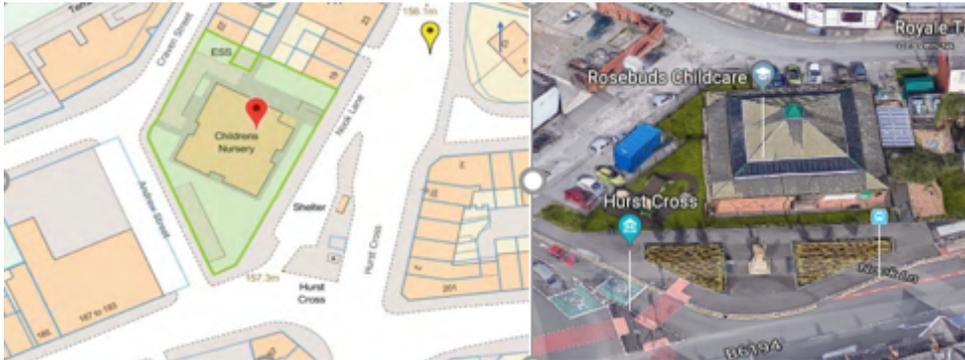
Location Report

Ashton-under-Lyne forms part of the Greater Manchester conurbation being located approximately six miles east of the city center. The area is served by a number of major 'A' roads and junction 23 of the M60 motorway, around a mile to the west. The town of Oldham is around five miles to the north, connected either via the A627, the motorway or a combination of Queens Road/Lees Road, which lies parallel and to the best of the A627.

The town contains a wide mix of residential dwellings of varying ages and styles, has a good selection of retail outlets, many commercial and industrial properties and various leisure facilities.

The suburban village of Hurst is around 1.5 miles north east of Ashton under Lyne, centred around Queens Road.

The subject property is located at Hurst Cross, which is on the west side of Lees Road, at the junction with Queen Street and Kings Road. It is also to the east of Andrew Street which is the link between Kings Road and the Ashton United football group. The business has a integral parking along the south western and north western boundaries for around a dozen cars. The property is in a mixed use area, which includes The Royal Oak public house, a Costcutter store, a Texaco petrol station and residential properties, and just over 100 meters north of an Asda superstore.



Tenant Details

Tenant	Rosebuds Childcare Limited	Activity	Nursery
Lease Type	FRI	Lease Start Date	TBC
Months to Lease Break	No break	Months to Lease End	240
Contracted Rent (£ p.a.)	£40,000	Occupation Level (%)	100%
Lease arrangement	20 year lease agreement with no break will be in place before the loan draw down.		
Tenant strength	Rosebuds Childcare Limited is running the business since 2004.		

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be Noted on Completion
Personal Guarantee	Individual Guarantee from the Directors and Shareholders of Michild Propco Limited for the sum of £70,500		

Exit Strategy

AIB refinancing or group exit in 3 years

Covenants

LTV Covenant 80% **ICR Covenant** 1.25x

Fees

Arrangement Fee 2% **Broker Fee** 0%

Valuation

A valuation of the property was carried out by Bruton Knowles on 15/08/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £470,000
Vacant Possession Value: £440,000
Open Market Rental Value: £40,000

Report on Title

A Report on Title will be supplied by Enact acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

Lender Risks

Mitigant

Risk Level

Risk that the management of the Borrower is not able to execute their business plan.

The Borrower has experienced management staff to execute the business plan.

Medium

Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.

A 20 year lease agreement will be in place with no break. Milchild Propco Limited is purchasing Rosebuds Childcare with the freehold property. Rosebuds Childcare has been in operation since 2004.

Low

Risk that the Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.

This will depend largely on the economic circumstances at the time approaching redemption, however, as above, the Borrower is of sufficient means and experience in the childcare market.

Medium

Risk that the Property falls in value due to either macroeconomic or property specific reasons

There is a high risk that the property may fall in value at some point throughout the term of our loan, however, it would need to fall by 25% or more than £117.5K, before the lenders in tranche C would be effected,

Medium

Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with Proplend Security Limited named as First Loss Payee
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 75% on draw down

Documents

The following documents are available to download via the Loan Request screen:

- A Draft Standard Loan Contract
- The Report On Title and Lettings Report produced by Enact
- A copy of the Valuation Report

Next Steps

If you are interested in participating in this Loan Request and are already fully registered with Proplend then:

Log in to your Proplend Lenders Account, go to Loan Investments

If the Loan Investment is In Funding, pick the Tranche you wish to lend into and click Lend Now. You will be required to enter the loan amount twice and then Lend Now. You then have the option to Lend again into a different Tranche if you wish. A copy of the Loan contract signed by you will appear in the Waiting to Close screen in your Lender Dashboard. When all the Loan Tranches are 100% filled, the Borrower will be invited to sign the Loan Contracts and the final Security documentation will be completed by Proplend Security Limited before drawing down the loan. This may take up to 10 days from 100% funding and you will be kept informed.

If you have any questions, please call us on 0203 397 8290

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