

Our ref:525296/JG/ST

Private and Confidential
Proplend Security Limited
15 Little Green
Richmond
Surrey
TW9 1QH

Date: 15 November 2019

Property Consultants

Stamford House
Northenden Road
Sale
Manchester
M33 2DH

T: 0161 327 2771

E: Jennifer.Gill@brutonknowles.co.uk

W: brutonknowles.co.uk

Offices across the UK

Dear Sirs,

RE: Addendum to our Valuation Report dated 17 September 2019 of Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET

This Addendum is to be read in conjunction with our Valuation report dated 17 September 2019 which refers to your Valuation instructions and the special assumptions which were taken into regard as well as property and environmental commentary.

Our Standard Terms and Conditions of Engagement contained within the report dated the 17 September 2019 forms an integral part of the Valuation set out within this letter and this report should be read in full. It contains important caveats and conditions in relation to the Valuation.

1. In accordance with your email instructions dated 11 November 2019 to provide an Addendum to our Valuation of the abovementioned Property, we can confirm that we have not re-inspected the Property and the date of Valuation remains the 17 September 2019. The purpose of the Addendum is to provide a Valuation of the freehold reversionary elements of the site only and not to include anything that is held on a license or is to be held on a license. As such, our Valuation includes only 236a and 236b Greenacres and the curtilage of the land and gardens demised within the titles for these two Properties. Our Valuation does now not include the portacabin held on a separate title and we have disregarded access to a kitchen area also held on a separate title.
2. We have provided our understanding to the revised title as an appendix to this Addendum letter contained at Appendix 3. If this differs from your understanding of the title please notify us immediately and we reserve the right to re-visit our Valuation.
3. We have reassessed our opinions of value on the basis of a restricted registration of 48 places. We have undertaken our Valuation on this basis as there are 20 places registered to the portacabin which is to be disregarded as part of the Addendum of the original Valuation. We highlight our opinions of value have marginally moved as the business is not currently trading at full capacity and therefore there is not a huge impact on current performance however, we have reflected the opportunity to improve trading performance when selecting our multiple of FMOP.

4. We can confirm our up-dated opinions of Market Value have been on the following special assumptions:

- Market Value - in its current use and condition as an operational entity having regard to trade potential disregarding the space and registration associated to the portacabin held on a licence;
- Market Value 2 – on the special assumption a lease has been granted to the Bank’s Customer’s operating company, at the current Market Rent and on standard lease terms,
- Market Value 3 – subject to vacant possession disregarding the space and registration associated to the portacabin held on a licence;
- Market Rent disregarding the space and registration associated to the portacabin held on a licence.

5. We can confirm our up-dated opinions of Market Value as detailed in the table below:

Market Value	£375,000	Three Hundred and Seventy Five Thousand Pounds
MV2	£350,000	Three Hundred and Fifty Thousand Pounds
MV3	£215,000	Two Hundred and Fifteen Thousand Pounds
Market Rent	£28,000	Twenty Eight Thousand Pounds

6. Arriving at our up-dated opinion of Market Value, we have reviewed our opinion of Fair Maintainable Trade and Fair Maintainable Operating Profit and have included an increased cost for purchases to reflect that an operator will have to use an external catering company as there is now no provision for on-site catering. This has reduced the Fair Maintainable Operating Profit marginally by £1,500. We have also had regard to the reduced registration when arriving at an appropriate of YP. We have reduced our YP to reflect the reduced opportunity for a purchaser and operator to improve trade with a reduced maximum registration of 48. Our opinion of Market Value has reduced by approximately 12.7%.

7. When arriving at our opinion of Market Value 2, which is on the special assumption there has been a lease created to the Bank’s Customer’s operating company, we have taken in to consideration our up-dated opinion of Market Rent. Our Market Rent has been reduced by £2,000 per annum to reflect in the Fair Maintainable Operating Profit and opportunity from an improvement of occupancy basis reflecting the reduced registration. We have maintained the same yield, however, as the Market Rent has reduced our opinion of Marekt Value 2 has reduced by approximately 6.6%.

8. When arriving at our opinion of Market Value 3 within the original Valuation report, we did not include any floor space or capital value associated to the portacabin and as such our opinion of Market Value 3 (bricks and mortar) remains the same at £215,000.

9. As noted in paragraph 7 above, the Market Rent has been reduced to reflect the decreased registration and a Fair Maintainable Operating Profit. We are of the opinion that a Market Rent of £28,000 per annum exclusive would be sustainable by this business.

10. We hope that this Addendum letter satisfies your immediate requirements and we would be pleased to assist further should you require.

Kind regards,



Jennifer Gill Bsc (Hons) MSc MRICS

Associate

RICS Registered Valuer

For and behalf of

Bruton Knowles

Appendix 1

Instruction Email

Sarah Turner

From: Stewart Bruce <sbruce@proplend.com>
Sent: 11 November 2019 12:56
To: Jen Gill
Cc: Proplend Legals
Subject: Fwd: 26113/16 Michild Propco Limited - 236A & 236B Greenacres Road - Enquiries - Proplend Security Limited - Sep Rep Purchase [BK-BK.FID490137]

Dear Jen,

Thank you for your earlier e-mail, below.

Please see Joel's reponse below, and please also accept this as our consent to proceed on the basis of your proposed terms. I look forward to hearing from you in due course.

With thanks and kind regards,

Stewart

Stewart Bruce

Proplend | Secured P2P Lending

T: 0203 637 8418 | M: 07927 902370 | www.proplend.com

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----- Forwarded message -----

From: Joel Selvadurai <joel.selvadurai@michild.group>
Date: Mon, Nov 11, 2019 at 12:52 PM
Subject: Re: 26113/16 Michild Propco Limited - 236A & 236B Greenacres Road - Enquiries - Proplend Security Limited - Sep Rep Purchase [BK-BK.FID490137]
To: Stewart Bruce <sbruce@proplend.com>
Cc: Proplend Legals <legals@proplend.com>

Dear Stewart, please proceed and I will arrange payment. Regards, Joel

On Mon, 11 Nov 2019 at 09:13, Stewart Bruce <sbruce@proplend.com> wrote:

Good morning Joel,

I hope you are well and had a nice weekend.

Please see the e-mail below from Jen at Bruton Knowles, who advises understandably that there is an additional nominal fee payable. Please can you kindly confirm that you are happy to proceed?

With thanks and regards,

Stewart

Stewart Bruce

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----- Forwarded message -----

From: Jen Gill <jennifer.gill@brutonknowles.co.uk>

Date: Mon, Nov 11, 2019 at 8:54 AM

Subject: RE: 26113/16 Michild Propco Limited - 236A & 236B Greenacres Road - Enquiries - Proplend Security Limited - Sep Rep Purchase [BK-BK.FID490137]

To: Stewart Bruce <sbruce@proplend.com>

Cc: Proplend Legals <legals@proplend.com>

Hi Stewart

Thank you for sending this through; I can undertake this review in the next day or so. I will re-assess all our opinions of value by providing an addendum to the valuation report. We will have to charge a small fee for undertaking this addendum to cover our PII and time. Our fee would be £500 +VAT.

If you are happy to proceed on this basis I will begin working on the review tomorrow, assessing all basis of value on a 48 registration.

Best wishes

Jen

Jen Gill BSc (Hons) MSc MRICS
Associate - RICS Registered Valuer

Property Consultants

Stamford House, Northenden Road
Sale, M33 2DH
T 0161 5379004 D 0161 3272771 M 07500 064202
W brutonknowles.co.uk
Follow @BrutonKnowles

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From: Stewart Bruce <sbruce@proplend.com>
Sent: 07 November 2019 17:01
To: Jen Gill <jennifer.gill@brutonknowles.co.uk>
Cc: Proplend Legals <legals@proplend.com>
Subject: Fwd: 26113/16 Michild Propco Limited - 236A & 236B Greenacres Road - Enquiries - Proplend Security Limited - Sep Rep Purchase [BK-BK.FID490137]

Good afternoon Jen,

I hope you are very well. Many thanks again for your time on the telephone yesterday evening.

Further to the e-mail thread below, and your discussions earlier today with Sarah Creasey, we would like you to re-write your report on the basis of Sarah's final paragraph below - namely, "*...the valuation in my view should be undertaken on the basis of the freehold reversion of the collapsed two leases currently owned by the Seller without the benefit of the Licence or Lease of the cabin.*"

Please can you kindly let me know if you need a fresh valuation instruction letter to that effect. I look forward to hearing from you in due course.

Many thanks in advance. Kind regards,

Stewart

Stewart Bruce

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----- Forwarded message -----

From: Joel Selvadurai <joel.selvadurai@michild.group>

Date: Thu, Nov 7, 2019 at 12:58 PM

Subject: Re: 26113/16 Michild Propco Limited - 236A & 236B Greenacres Road - Enquiries - Proplend Security Limited - Sep Rep Purchase [BK-BK.FID490137]

To: Stewart Bruce <sbruce@proplend.com>

Cc: Raj Raghvani <rraghvani@proplend.com>, Akmal Khan <akhan@proplend.com>

Dear Stewart,

Jen is a very experienced and knowledgeable valuer in the sector and will be able to advise us prudently on the risks. In this instance she will have to provide her advice to you and I would be grateful if you could relay it to us.

The only difference to our initial assumptions was long term access to the kitchen in Oberlin cottage. This in fact does not disrupt our operations as, 1) we will have use of the kitchen in the short term via a license, 2) there are numerous outside catering options which are more cost effective and have been used by the current owners in the cook's absence, and 3) our other sites are a short distance from Smart Start and our long term strategy is to implement centralised catering.

The vendor has agreed to issue a virtual freehold on the cabin. This requires consent from the local council which will be forthcoming but will take around 2 months. In order to complete now the sellers have proposed a license on the cabin which can only be revoked upon issue of a virtual freehold. We could retain some funds until this freehold has been issued. This would allow us to complete on the full valuation and not have to wait until consent from the council comes through.

Shall I organise an all parties call tomorrow to determine a way forward.

Regards,

Joel.

On Thu, 7 Nov 2019 at 10:26, Stewart Bruce <sbruce@proplend.com> wrote:

Good morning Joel,

I hope you are very well.

Further to my e-mail sent yesterday afternoon at 3:56 on a separate thread, please see the e-mail thread below between our solicitor and the valuer. I spoke with Jen yesterday evening, and she explained that you have both had a good working relationship for a number of years.

In terms of next steps, I would suggest that as, presumably, what you are now being offered by the vendor is not what you believed you would be acquiring in this transaction when you made your offer, that you will wish to discuss reconsidering your offer with your board?

I presume from Jen's e-mail that she will be reducing her valuation, although we do not know at the time of writing that figure will reduce to. Presumably by broadly 20/68 (twenty sixtyeighths).

Whatever the figure is, we will honour the 75% LTV previously offered, but clearly the loan amount will be affected.

Once you have decided how to proceed, please can we organise a call with all relevant parties?

Many thanks and kind regards,

Stewart

Stewart Bruce

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Joel Selvadurai
CEO - Michild Limited

M: +44 (0) 7588578478

MiChild | Office 234 | 19-21 Crawford Street | London | W1H 1PJ | United Kingdom | T: +44 (0) 330 043 0894

W: <http://www.michild.group>

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Appendix 2

Confirmation of Instruction Letter

Our ref:525296/JG/KL

Private and Confidential

Proplend Security Limited
15 Little Green
Richmond
Surrey
TW9 1QH

Date: 14 November 2019

Dear Sirs,

RE: Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET

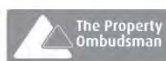
Confirmation of Instruction Letter and Our Standard Terms and Conditions of Engagement for an Addendum to our Valuation Report dated 17 September 2019.

We acknowledge your email instructions dated 11 November 2019 to provide an addendum to our valuation of the above-mentioned Property dated 17 September 2019.

We write to confirm our acceptance of those instructions which will be undertaken in accordance with the RICS Valuation – Global Standards 2017 and subject to our Standard Terms and Conditions of Engagement, which confirm the scope and details of the service to be provided by us and which will form part of our Valuation Report.

In addition, we confirm the following:

- The Addendum will be undertaken by **Jennifer Gill MRICS, Associate of Bruton Knowles LLP**. We confirm that the Valuer is in a position to provide an objective and unbiased valuation.
- We confirm that the Valuer does not have a material connection or involvement with the subject Property or the parties to the Valuation. We consider that we do not have any conflict of interest in accepting these instructions and we can act independently;
- We also confirm that the Valuer has the appropriate current local and national knowledge of the particular market and has the sufficient skills and understanding to undertake the Valuation competently;
- This Addendum is to be completed for Proplend Security Limited herein referred to as the “Bank”;



Property Consultants

Stamford House
Northenden Road
Sale
Manchester
M33 2DH

T: 0161 327 2771

E: jennifer.gill@brutonknowles.co.uk

W: brutonknowles.co.uk

Offices across the UK

- We confirm that no third party reliance upon the Valuation Report is permitted;
- The subject of the Addendum is the freehold interest in the above-mentioned Property, a trading children's day nursery which is being purchased by the Bank's Customer;
- The Valuations are to be provided in £s Sterling;
- The Addendum to the Valuation Report is to be provided for loan security purposes. We highlight, we shall have no responsibility or liability to any party in the event that the Report is used outside the purposes for which it was intended;
- The basis of valuation will be Market Value. We have also been asked to provide valuations subject to special assumptions which are detailed herein. The attached sheets contain a full definition of Market Value and Market Rent. From our existing knowledge of the Property and your requirements, we can confirm that we consider this to be the most appropriate basis of valuation;
- The date of valuation for the Addendum to the Valuation Report will be the date of inspection; 10 September 2019;
- We confirm the Addendum will be completed on the basis of the freehold reversionary title only and the areas to be held on a licence will be omitted from our opinion of value; we note there are no other limitations or restrictions on the inspection, enquiries or our analysis;
- We confirm we will place reliance upon information provided by the Bank and their Customer, as well as the Operator, which will include but is not limited to, tenure documentation, property information, trading information and environmental documentation;
- As previously noted, we have been instructed to provide a number of valuations subject to special assumptions, for clarity we confirm these as follows:
 - Market Value - in its current use and condition as an operational entity having regard to trade potential disregarding the space and registration associated to the portacabin held on a licence;
 - Market Value 2 – on the special assumption a lease has been granted to the Bank's Customer's operating company, at the current Market Rent and on standard lease terms, disregarding the space and registration associated to the portacabin held on a licence;
 - Market Value 3 – subject to vacant possession disregarding the space and registration associated to the portacabin held on a licence;
 - Market Rent disregarding the space and registration associated to the portacabin held on a licence.
- We highlight the Report and Addendum will be restricted to be used by the Bank only and is not to be relied upon by any third party. It is provided for the stated purposes and only for the use of the party to whom it is addressed. It is confidential to the Lender and may not be disclosed to any

other third party without our prior written consent. Any transferee, successor or assignee relying upon the Report shall be deemed to be bound by this letter and our Terms and Conditions of Engagement. Our liability shall be no greater in either amount or duration as a result of extending reliance to those third parties. The number of assignments shall be no more than two;

- The Addendum to the Valuation Report will be prepared in accordance with the RICS Valuation – Global Standards 2017 VPS 3 and the International Valuation Standards (IVS);
- Our fee will be charged at £ plus VAT as agreed and payment is due upon receipt of the valuation;
- Bruton Knowles follows documented procedures to deal with all complaints, as part of our Quality Assurance Certification. A copy of our complaints handling procedure is available on request;
- This Valuation may be subject to monitoring under the Royal Institution of Chartered Surveyors conduct and disciplinary regulations;
- We confirm we have sufficient Professional Indemnity Insurance (PII) on a per claim basis to undertake this Addendum to our Valuation Report.

Kind regards,



Jennifer Gill MRICS

Associate

RICS Registered Valuer

For and behalf of

Bruton Knowles

Enc. Standard Terms & Conditions of Engagement (STC)

Appendix 3

Amended Site Plan

Smart Start, Greenacres, Oldham Site Plan



For indicative purposes only
Not to scale