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Full Loan Request: Oldham - Joel - Nursery

Main Site:	236A & 236B Greenacres Road, Oldham OL4 3ET
Date:	21/11/2019
Asset Description:	Child Day care nursery in Oldham



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	SPV
SIPP Classification	SIPP Eligible	Loan Purpose	Purchase

Property Summary

Market Value	£350,000	Property Income	£28,000
Vacant Possession Value	£215,000	Market Rental Value	£28,000
Tenure	Leasehold	Asset Class	Nursery
EPC Rating (min. E)	E	Planning Use	Non-Residential Institution

Loan Summary

Total Loan Required	£215,000	Loan to Value (LTV)	61.43%
Rate of Interest	7.90%	Interest Cover	1.65x
Loan Term	36 months	Interest Expense (p.a.)	£16,985

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£40,000	9.65%	8.69%	1.65x
A	Low	0-50%	£175,000	7.5%	6.75%	2.13x

Borrower Details

Name	Michild Propco Limited
Registration	12166897
Main Business Activity	<ul style="list-style-type: none"> 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 <p>Proplend have provided a £352,500 loan secured against a nursery in Ashton-under-Lyne.</p>
Ownership Structure	Michild Proco Limited is 100% Owned by Milchild Midco Limited Michild Midco limited is 100% owned by Michild Holding limited Joel Selvadurai is 86% shareholder of Michild Holding Limited.

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>Experience:</p> <p>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> <p>Education</p> <p>BSc. (Computer Science), The University of Durham</p>
Credit History	Good (band 4), no CCJ's or defaults
Net Worth	Net worth £1,173,900
Additional Information	The calculation is shown on sheet 2 of the A&L. The group valuation is £2,560,000 (8x EBITDA valuation which can be verified by a 3rd party) and their total debt is £1,195,000. The total group equity is therefore £1,365,000 and Joel 86% share is worth £1,173,900.

Loan Details

Loan Purpose	<p>Purchase of Leasehold - We have been asked to provide a gross loan of £262,500 (75% LTV), net £251,672 (72% LTV) to purchase the leasehold of the subject property. The client will be purchasing Smart Start Nursery who also own the leasehold of the property. Smart Start Nursery has been trading since 2001.</p> <p>The remaining amount will be funded by Triple Point LLP who are investors in MiChild Group. Michild Group have a 3 year agreement with Triple Point who will invest up to £4,000,000 into their acquisition program over a 3 year period.</p> <p>Michild Propco Limited is the same borrower as that of Ashton-under-Lyne Nursery (Rosebud Nursery).</p>
Gross Loan Amount	£215,000
LTV	61.43%

ICR	1.65x
Serviceability	Annual interest is £22,312.50 which will be serviced from rental income of £28,000.
Interest reserve	Proplend will retain £4,246.25 (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.
Early Repayment	2% year 1, 1% year 2, no fee thereafter

Strategy During Loan Term

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

Property Details

The Property comprises two former semi-detached residential dwellings which have been knocked through and converted into children's day nursery accommodation. The post-war properties are of brick construction with a concrete tiled roof and UPVC.

Access to the Property is through the rear external play area which benefits from two lean-to extensions and a conservatory. The conservatory on the side also acts as the nursery office. There is no off road parking with the nursery at present and there is little scope to create such a facility. There is a small front garden which is laid to lawn and a large rear garden which is tarmac covered.

Internally, the Property comprises four main rooms with two staircases, one at either side of the external elevations. Upon entering the ground floor of the Property from the rear, there is an office contained within a conservatory. The ground floor also comprises a baby room and milk kitchen. There is a staircase which provides access to first floor, which has been knocked through to create one large room and used as the toddler room. There is a staircase to the second floor which is converted loft space which used as staff accommodation.

There are four low level toilets throughout the Property and one adult toilet. The preschool room has free flow access to the rear gardens and within the rear garden there is an external low level toilet for children. The baby room benefits from a conservatory which is used as a dining room for these children.

An EPC certificate and environmental report were provided following the valuation inspection which took place in September. Based on the environmental report, the site in its current use and layout is considered to represent a low risk.



Location Report

The Property is located on the outskirts of Oldham Town Centre, which is in the Greater Manchester region and amid the Pennines. The town lies between the Rivers Irk and Medlock and is situated 5.3 miles south east of Rochdale and 6.9 miles north east of Manchester.

Oldham is located four miles south of the M62 motorway and is linked by the M60 at Hollingswood, the A627 and the A627. There are major A roads which link the town to Ashton under Lyme, Huddersfield, Manchester and Rochdale from the town centre. Oldham also benefits from services into Manchester City Centre. The Property is located in Greenacres which is to the east of Oldham Town Centre.

The Property is situated on Greenacres Road which is accessed via the A62 Huddersfield Road. The Property is situated on Greenacres Road at its Junction with Oberlin Street and Walnut Avenue.

Originally the nursery was within Oberlin Cottage, located to the rear of the current site, and is also owned by the current operator. The Operator purchased the current Property separately and completed the conversion works to create day nursery accommodation of the course of a number of years. The nursery moved into the current Property in October 2018.

The borrower provided Ofsted certificate of registration on subjected property.

To the rear of the Property is Oberlin Cottage, a stone built Victorian cottage which now houses a special educational needs school. A Right of Way is granted to allow access to the car park and the guarantee documents will be provided to Enact before draw down. The area is predominantly residential with community facilities and adjacent cemetery.



Tenant Details

Tenant	Smart Start Nursery	Activity	Nursery
Lease Type	FRI	Lease Start Date	TBC
Months to Lease Break	No break	Months to Lease End	240
Contracted Rent (£ p.a.)	28,000	Occupation Level (%)	TBC
Lease arrangement	20 year lease agreement with no break will be in place before the loan draw down.		
Tenant strength	Smart Start Nursery has run the business since 2001. The borrower provided 2017/18 annual accounts for Smart Start Nursery. Net profit (NP) for the year ended 31st July 2018 was £67,359.		

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 an Individual Director of Michild Propco Limited for the sum of £100,000		

Exit Strategy

Refinance with high street bank.

Covenants

LTV Covenant 61.43% **ICR Covenant** 1.65x

Fees

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

Valuation

A valuation of the property was carried out by Bruton Knowles on 10/09/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £350,000
Vacant Possession Value: £215,000
Open Market Rental Value: £28,000

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 Smart Start Nursery with the freehold property. Smart Start Nursery has been in operation since 2001.

Medium

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%, 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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