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Full Loan Request: Berkhamsted Restaurant

Date:	09 / 02 / 2021
Main Site:	25 & 27 Lower Kings Rd, Berkhamsted, HP4 2AE
Property Description:	The subject property comprises the freehold interest in a double fronted, mid terraced, two storey building , arranged as a restaurant premises.
Loan Summary:	The Borrower would like to capital raise against the property to refinance his existing lender HSBC and to repay the refurbishment costs for the subject property provided by a subsidiary company. family run business - OpCo/PropCo structure.



HIGHLIGHTS

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Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,165,000	Passing Income	£71,000
Gross Loan	£757,250	Loan to Value (LTV)	65%
Blended Interest Rate	7.21%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£174,750	8.91%	8.02%	1.30x
A	Low	0-50%	£582,500	6.70%	6.03%	1.82x

PROPERTY

Market Value	£1,165,000	Passing Income	£71,000
Vacant Possession Value	£1,165,000	Estimated Rental Value	£74,000
Tenure	Freehold	Asset Class	Restaurant
EPC Rating (min. E)	Expired - TBC	Planning Use	E

Property Details

Property Details

The subject property comprises the freehold interest in a double fronted, mid terraced, two storey building, arranged as a restaurant premises with 140 covers.

The building was constructed circa 1900, having subsequently been altered and extended, most recently circa 2019.

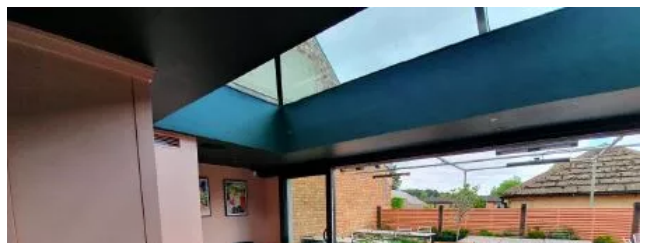
The accommodation provides an open ground floor seating area (with a bar) and fully fitted commercial kitchen to the rear, whilst the first floor provides an open plan seating area, separate male and female WC facilities, with a roof terrace/patio to the rear.

The main walls of the subject property are of a solid brickwork construction beneath a slate covered pitched roof, with slate covered mono-pitch roof to the rear outrigger section, whilst the rear extension is of solid blockwork construction with painted render finish, beneath a Sarnafil covered flat roof.

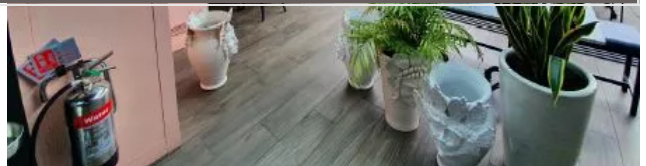
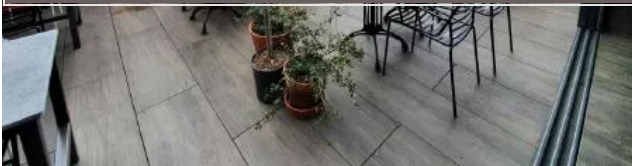
Floor throughout the building are a mixture of solid concrete and suspended timber construction.

Fenestration is provided by a timber framed plate glass shop frontage with single glazed timber framed sash windows to the first floor front and powder coated aluminium framed patio doors to the first floor rear (opening to the roof terrace/patio).





Location Report



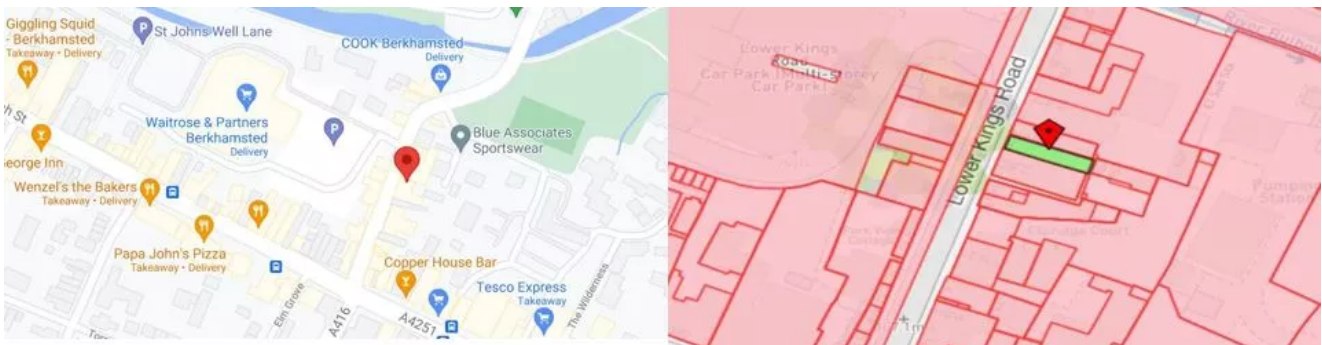
Location Report

The subject property is situated within a secondary trading location, to the eastern side of Lower Kings Road, approximately 85m North of its junction with High Street (A4251) on the northern peripheries of Berkhamsted Town Centre.

The immediate vicinity on Lower Kings Road primarily comprises local retail covenants at ground floor level with upper parts largely in residential or commercial use. National multiples can be found along the High Street, being the primarily retail pitch within the town centre. The restaurants will serve the immediate adjacent residential population together with certain amount of passing trade. Away from the retailing pitch Berkhamsted represents a "medium to high value" district comprising properties of varying eras, targeted to the middle to higher income groups.

Berkhamsted is a typically populated north-western Hertfordshire market town, situated approximately 32 miles North-West of Central London, which benefits from reasonable demand from both the rental, investment and vacant possession sectors.

Other nearby towns include Hemel Hempstead, High Wycombe and Watford. Road connections are good with easy access to the A41, which in turn provides access to junction 20 of the M25 motorway. Berkhamsted mainline station is within approximately 400m to the North, offering a frequent commuter service into Central London, via London Euston, along with numerous bus routes serving the surrounding area.



Tenant Commentary

Existing tenant with a 10 year inter-company lease with passing rent at £71k p/a.

The business is run by the Borrowers two sisters who both have extensive experience in this sector.

The tenants have been on the lease since 2018 and therefore are very familiar with the area and how the business operates along with their regulars who they have formed relationships with over the years.

Tenant Details

Tenant	I Love Food Limited	Business Activity	Licenced restaurant serving food and beverage
Lease Type	IRI	Lease Start	01/10/2018
Months to Lease Break	N/A	Lease Expiry	01/10/2028
Passing Rent (£ p.a.)	£71,000	Occupancy Level (%)	100%

Tenant Description

The tenant is an existing entity, also owned by the Borrower, with a 10 year inter-company lease with passing rent at £71k p/a.

Mario is responsible for the day to day running of Aliotta Holdings Ltd and is the sole point of contact for suppliers and clients,. He is the Borrower as well as the tenant, however the restaurant is run by his two sisters Alessia and Rosanna.

Rosanna is the head Chef and has extensive experience in the hospitality industry. Prior to coming to the UK Rosanna worked in a number of roles in Sicily, initially starting in food preparation and then a selection of restaurants.

Alessia is the marketing manager, she operates at the front of the house at the restaurant and spends the majority of her time working on the marketing of the business. Prior to coming to the UK Alessia worked for a number of organisations in Sicily as a marketing manager.

Tenant strength

Tenant performance shows strong continuous operating profits. Bank statements provided from January 2021 to July 2021 shows rental being received from the tenant to the Borrower.

£132k p/a has been paid across in the last 12 months, of which the accountant has confirmed 71k p/a is related to the rent and the remaining 61k is profit

Valuation Commentary

Valuation Commentary

A valuation of the property was carried out by Belleveue Mortlakes on 18/08/2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,165,000

Vacant Possession Value: £1,165,000

Open Market Rental Value: £74,000

Valuation Numbers

Market Value	£1,165,000	Vacant Possession Value	£1,165,000
Passing Rent	£71,000	Estimated Rental Value	£74,000

Report on Title

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

LOAN

Gross Loan	£757,250	Loan Purpose	Refinance & Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.30x	ICR Covenant	1.25
Rate of Interest	7.21%	Interest Expense (p.a.)	£54,598

Serviceability Rental income of £71,000 p/a is being received with interest payments due of £54,598 p/a.

Interest Reserve Proplend will retain £27,299 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% year 1, 1% year 2	Exit Fee	N/A

Existing Facility			
Lender	HSBC Bank	Expiry	To be paid ASAP
Amount Outstanding	£547,000	Status	Up to Date

Business Plan During Loan Term

The property is a long term investment, and the Borrower will continue to maximise rents and make improvements to the subject property as and when necessary.

The business is engaging with digital technology, increasing its social media activity and exploring avenues such as cook along concept, home delivery and special cook at home boxes with recipe instructions. If this is executed and goes to plan then there is potential for revenue to maximise.

Exit Strategy

The Borrower intends to refinance onto a long term lender. Failure to do so will alternate to sale of the property which will be enough to recover our funds.

Security

Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion	Other	N/A

Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Aliotta Holdings Limited for the sum of £189,313
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BORROWER

Name	Aliotta Holdings Limited
Registration	UK Registered Limited Company
Main Business Activity	Other letting and operating of own or leased real estate

BORROWER

Ownership Structure

Aliotta Holdings Limited, wholly own the following Ltd companies

- Re International Import-Export Limited
- I Love Food Limited

and has 58% shareholding for WSA Construction Limited

Mario Aliotta is the Director of AHL and is 1 out of the 3 Shareholders, the other two Shareholders are his sisters.

Mario holds 70% of shares and his sisters Alessia and Rosanna hold 15% shares each.

Sponsor

Name

Mario Aliotta

Age

41

Relevant Experience

Aliotta Holdings Limited was founded by Mario Aliotta in 2003. AHL is the ultimate beneficiary owner of the Aliotta family business interests.

Over the years Mario has built a number of businesses under "AHL" which have been trading successfully.

AHL wholly owns Re International Import-Export Limited and I Love Food Limited and has 58% shareholding for WSA Construction limited.

Re International Import-Export Limited was founded by Mario in 2003 following an introduction to the industry by a family friend. Over the years Mario has built a large contact base of suppliers and has grown to be the largest global independent supplier for Gum Arabic.

I Love Food Limited was founded by Mario and his sisters Alessia and Rosanna. This is a family run Sicilian restaurant business operating from two sites, one based in Berkhamsted (main site) and Harpenden which opened in 2019 during the time Berkhamsted was getting refurbished.

WSA Construction Limited was founded by Mario, Tom Sleater and Trevor Whitehead with a view to purchasing investment properties with development opportunities in the near areas of Hertfordshire town. WSA Construction Limited consist of commercial premises, offices, basement and significant land in the centre of Berkhamsted. The properties are presently let at £272,000 p/a

Credit History

CreditSafe Band Score 7 and LexisNexis Pass

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrower is the property SPV under an OpCo/PropCo structure. The Borrower is an experienced property investor and has been running the business for a number of years and therefore has knowledge of what he is doing.</p> <p>As well as the restaurant the Borrower has a number of other successful businesses.</p>	<p>Medium</p>
<p>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.</p>	<p>The tenants are existing tenants on a 10 year inter company lease.</p> <p>During lockdown the tenants continued to pay the Borrower their monthly rent payments through savings/other business funds, as witnessed on the Borrowers bank statements.</p> <p>In a worse case scenario if another lockdown was to happen then tenants have sufficient funds else where to pay the Borrower rent and for Proplend to receive their monthly interest payments.</p> <p>6 months interest has been retained for comfort.</p>	<p>Medium</p>
<p>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.</p>	<p>Long term refinance should be feasible with LTV at 65%.</p> <p>For this type of asset and for where the property is located, sale should also be achievable if refinance failed.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons	Uncertainty remains in the economy due to the pandemic, however due to the nature of the business and the location, it is unlikely the value will depreciate immensely in the next coming years. Even if there was to be a minor drop in value this will still be enough for Proplend to recover their funds back.	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 the interest of Proplend Security Limited noted
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 65% 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 Dutton Gregory
- A copy of the Valuation Report

PROPLEND DISCLAIMER - PLEASE NOTE:

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