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Full Loan Request: Milton Keynes Warehouse

| | |
|------------------------------|--|
| Date: | 20/1/2022 |
| Main Site: | Unit 1 Midbrook Court, Blakelands, Milton Keynes, MK14 5FH |
| Property Description: | <p>The Subject Property is comprised of an end terrace unit of portal frame construction with insulated panelled elevations set under an insulated mono pitch roof, originally constructed in the early 2000s.</p> <p>The Property offers ground and first floor warehouse and office accommodation, which are said to be in good condition, with an overall GIA of 4,317 sq ft.</p> |
| Loan Summary: | We are asked to provide a 37% LTV gross loan facility, in order to raise capital to assist with the purchase of a property, adjacent to our Subject Property (unit 3), under an OpCo/PropCo structure. |



HIGHLIGHTS

| | | | |
|------------------------------|----------------------|----------------------------|-----------|
| Loan Type | Commercial Term Loan | SIPP Eligible | Yes |
| Property Value | £510,000 | Passing Income | £34,500 |
| Gross Loan | £190,000 | Loan to Value (LTV) | 37.25% |
| Blended Interest Rate | 6.67% | Loan Term | 24 months |

| Tranche | Risk | LTV | Loan Amount | Gross Interest | Net Interest | Interest Cover |
|---------|------|-------|-------------|----------------|--------------|----------------|
| A | Low | 0-50% | £190,000 | 6.67% | 6.00% | 2.72x |

PROPERTY

| | | | |
|--------------------------------|----------|-------------------------------|-----------|
| Market Value | £510,000 | Passing Income | £34,500 |
| Vacant Possession Value | £510,000 | Estimated Rental Value | £39,000 |
| Tenure | Freehold | Asset Class | Warehouse |
| EPC Rating (min. E) | C | Planning Use | B2, B8 |

Property Details

The property comprises a modern, end of terrace, two storey hybrid or hi-tech unit forming part of a terrace of 4 similar. We understand that the Applicant is in occupation of all 4 units.

The accommodation is arranged as ground floor storage or production space with a floor to ceiling height of approximately 2.27m to the underside of the suspended ceiling.

A lobby area provides stair access to the first floor together with shower and accessible WC facilities.

There is a full height loading area to the front right hand corner of the unit accessed via a roller shutter door. The loading door has a height of approximately 4.2m.

The first floor is fitted out as office accommodation of a good specification with some internal partitioning installed by the present occupier to form a series of shared and individual offices and meetings rooms.



Location Report

Milton Keynes is a major commercial centre within North Buckinghamshire with an estimated urban area population of approximately 230,000 according to 2011 census figures.

The town is strategically located adjacent to the M1 motorway (junctions 13/14/15), approximately 45 miles to the north west of Central London. Other competing commercial centres include Bedford approximately 12 miles to the north east and Luton approximately 17 miles to the south east.

Milton Keynes is the focus of significant further expansion with a number of medium to large scale residential development projects already in progress, typically around the fringes of the existing urban area and encompassing a number of surrounding villages within the conurbation.

Milton Keynes station connects with the busy West Coast mainline connecting with London Euston to the south, Liverpool, Manchester and Glasgow to the north.

The subject property forms part of a terrace to the north side of Midbrook Court, accessed from Tanners Drive, within the established Blakelands Industrial Estate.

The estate supports a broad mix of light industrial and warehouse storage and distribution premises.

The Blakelands Estate is accessed off Brickhill Street (V10) approximately 3 miles to the north east of Milton Keynes town centre.

The M1 motorway runs adjacent to the east although the closest point of access to the motorway is at junction 14, approximately 2.5 miles to the south east.



Tenant Commentary

The tenant is Rolec (Electrical and Mechanical) Services Ltd, the trading company within the group.

Rolec are a Mechanical and Electrical installation company established in 1976, working for regional new build residential developers across the South East. <https://www.rolec.net>

The last three balance sheets show Net Worth having increased steadily from £1,663,616 (as at 30/4/2019), to £1,761,557 (as at 30/4/20), to £2,349,504 (as at 30/4/2021).

A lease has been in place but in the wrong Company name. A new corrected lease will be in place prior to drawdown as per the summary below, and our solicitors will report on that new lease.

Tenant Details

| | | | |
|------------------------------|--|--------------------------|--------------|
| Tenant | Rolec (Electrical and Mechanical) Services Ltd | Business Activity | Construction |
| Lease Type | FRI | Lease Start | January 2022 |
| Months to Lease Break | 60 | Lease Expiry | January 2027 |
| Passing Rent | £34,500 p.a. | Occupancy Level | 100% |

Valuation Commentary

A valuation of the property was carried out by Brasier Freeth LLP on 18th January 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Valuation Numbers

| | | | |
|---------------------|----------|--------------------------------|----------|
| Market Value | £510,000 | Vacant Possession Value | £510,000 |
| Passing Rent | £34,500 | Estimated Rental Value | £39,000 |
| Rent psf | £8.36 | Re Instatement Value | £580,000 |

Report on Title

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

LOAN

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|-----------------------------------|-----------|--------------------------------|---------------|
| Gross Loan | £190,000 | Loan Purpose | Capital Raise |
| Loan Term | 24 months | | |
| Loan to Value (LTV) | 37.25% | LTV Covenant | 50% |
| Interest Cover Ratio (ICR) | 2.72x | ICR Covenant | 1.25x |
| Rate of Interest | 6.67% | Interest Expense (p.a.) | £12,673 |

| | |
|-------------------------|---|
| Serviceability | Rental income of £34,500 p.a. will be received, with interest due of £12,673 p.a. |
| Interest Reserve | Proplend will retain £6,337 (6 months interest) from the gross loan amount which will be held on account. |

Fees

| | | | |
|------------------------|---|-------------------|----|
| Arrangement Fee | 2% | Broker Fee | 1% |
| Early Repayment | 2% first 6 months, 1% months 7-12, no fee thereafter. | Exit Fee | 0 |

Business Plan During Loan Term

The Borrower will continue to maximise the profitability of the associated tenant business. The intention is to move the business back to a property that is already owned by the group in Newport Pagnell during the term of our loan.

Exit Strategy

Once the business has relocated, the Borrower will rent this unit out, and will put in place a longer-term loan at more competitive terms to redeem this one.

As an alternative, they may also consider selling at least two of the units in Midbrook to clear this loan.

Security

| Charge | First Legal Charge | Debenture | Debenture Required |
|---------------|---------------------------|------------------|---------------------------|
|---------------|---------------------------|------------------|---------------------------|

| | | | |
|---------------------------|--|--|--|
| Property Insurance | PSL Interest to be Noted on Completion | | |
|---------------------------|--|--|--|

| | | | |
|---------------------------|--|--|--|
| Personal Guarantee | Joint and Several Guarantee from the Directors and Shareholders of Rolec (Midbrook) Limited for the sum of £38,000 | | |
|---------------------------|--|--|--|

BORROWER

| | |
|-------------------------------|---|
| Name | Rolec (Midbrook) Limited |
| Registration | UK Registered Limited Company |
| Main Business Activity | <p>The Borrower is a UK-registered property investment company, with no other liabilities.</p> <p>Our Borrower is the PropCo in an OpCo/PropCo structure. It currently owns Units 1 & 2 Midbrook Court - NB please note that our security is only Unit 1 - and now has the opportunity of purchasing unit 3, at a PP of £336k. The remainder, over and above our net loan advance, will be coming from cashflow.</p> <p>It has no other liabilities - the charges showing as outstanding in favour of 4SYTE Construction Limited, an invoice finance provider, are in the throes of being released (a condition precedent).</p> |
| Ownership Structure | <p>The Company is owned;</p> <ul style="list-style-type: none">• Dean Barrett, 22%• Richard Armstrong, 22%• Peter Armstrong, 22%• Gary Tufnell, 22%• Timothy Sharp, 11% |

Sponsor

| | |
|----------------------------|--|
| Name | Dean Barrett, Richard Armstrong, Peter Armstrong, Gary Tufnell and Timothy Sharp |
| Age | 55, 48, 51, 49 & 49 respectively. |
| Relevant Experience | Please see the brief summary below. |
| Credit History | All five Directors have clear CreditSafe searches, plus all Lexis Nexis checks Passed. |

| | |
|---|----------------------------|
| Dean Barrett | Managing Director |
| <p>Started with the company in 1983 Managing Director since 2001 Holds relevant qualifications in respect of Electrical installation, Audio Visual, IT. Maintains membership of NICEIC, NSI, CEDIA, MCS</p> | |
| Gary Tuffnell | Operations Director |
| <p>Started with the company in 2011 Held Operations Director position for the last 4 years. Prior to joining Rolec ran own Plumbing & Heating company Holds relevant qualifications in Plumbing & Heating installation works Maintains membership of Gas Safe</p> | |
| Tim Sharp | Commercial Director |
| <p>Started with the company in 2007 Estimator/Surveyor before taking on Director role</p> | |
| Peter Armstrong | Project Director |
| <p>Started with the company in 1988 Electrician before supervisory Director role Holds relevant qualifications in respect of Electrical installation</p> | |
| Richard Armstrong | Project Director |
| <p>Started with the company in 1990 Electrician before supervisory Director role</p> | |

| Lender Risks | Mitigant | Risk Level |
|---|---|-------------------|
| <p>The Borrower is not able to successfully execute their business plan.</p> | <p>Given the modest LTV, the stated Exit Strategy of a refinance should be readily achievable.</p> <p>If the Exit becomes plan B, the proposed sale, again due to the low LTV, should comfortably provide sufficient net proceeds to redeem the loan, even if the Borrower has to take a haircut.</p> | <p>Medium/Low</p> |

| Lender Risks | Mitigant | Risk Level |
|---|---|-------------------|
| <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 rental income generated from the profitable associated tenant business provides an acceptable ICR, and further comfort can be found in the holding of a 6-month Interest Reserve.</p> | <p>Low</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>As above, the Borrower has two potential exit strategies, and both stated plans seem achievable.</p> <p>The Property is in a good location and in good condition, and the valuer comments that sale and rental demand are expected to remain steady.</p> | <p>Medium/Low</p> |
| <p>The Property falls in value due to either macroeconomic or property specific reasons</p> | <p>The risk that the Property falls in value during the loan term may be high, but given the low LTV, the risk that it falls sufficiently to endanger the Lenders' capital, is low.</p> | <p>Medium</p> |

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 38% on draw down

Documents

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

- A Draft Standard Loan Contract
- A copy of the Valuation Report

The Report On Title and Lettings Report produced by Dutton Gregory LLP will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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