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Full Loan Request: Cotswolds Commercial Use

Date:	06/05/2022
Main Site:	Huxleys, Island House, High Street, Chipping Campden, GL55 6AL
Property Description:	<p>A three-storey, Grade II listed, 17th Century building, situated on Chipping Campden High Street, in the heart of the Cotswolds.</p> <p>The Property is described as well located on an established High Street, close to Cotswold House Hotel & Spa, Noel Arms Hotel and similar Delicatessen and Restaurant business.</p> <p>The premises offer charming accommodation for a trading business, located in the center of Chipping, Campden within a characteristic 500 year-old building.</p>
Loan Summary:	Request to provide a 41% gross loan advance in order to refinance the current outstanding property borrowing and a capital raise to cover the associated refurbishment cost expenses incurred.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£850,000	Passing Income	£42,500
Gross Loan	£350,000	Loan to Value (LTV)	41.18%
Blended Interest Rate	5.88%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£350,000	5.88%	5.29%	2.07x

PROPERTY

Market Value	£850,000	Passing Income	£42,500
Vacant Possession Value	£850,000	Estimated Rental Value	£42,500

PROPERTY

Tenure	Freehold	Asset Class	Leisure
EPC Rating (min. E)	C	Planning Use	Cafe

Property Details

3 storey building with a basement and external terraced area of stone wall and Cotswold stone walls and pitched tiled roof, constructed in circa 1700.

A fully Commercial semi-detached café and lounge with a basement kitchen, terraced outdoor seating area, first floor office, stores and second floor recording studio (Piano Room).

The Valuation confirms that the building has an estimated economic life of 25 to 50 years, assuming appropriate maintenance is undertaken on an ongoing basis.

The Valuation confirms that the subject property is suitable for loan security.

The building dimensions total 1,600 sq.ft.

The Property was purchased in a poor state of repair in early 2016 for £610,000.

The Director has spent circa £200,000 on refurbishing the asset, both internally and externally and it is now presented to a good state of repair.

The Valuation Report suggests that specialist advice be sought from an arboriculturalist with regards to the large Willow Tree in the terraced area close to the building.

The Borrower advises that the tree was planted in the 1960s and that there is a Preservation Order on it which requires permission from Cotswold District Council. A Building Surveyor was originally instructed by our Borrower on the original purchase. The report has been submitted to the Valuer for comment and this will be considered by Professional parties prior to drawdown.

The Planning Permissions 'awaiting decisions' refers to the old Bank part of the building which used to be Badgers Wine Bar and is now occupied by a Design Retailer and has nothing to do with Huxleys Café.

Change of use of former HSBC Bank for A2 Bank to A3 Café with guest accommodation granted 10/09/2015.



Location Report

Location Report

The property is located on the High Street at Island House, in the town of Chipping Campden, approximately 12 miles south of Stratford-upon-Avon and 10 miles north of Stow on the Wold.

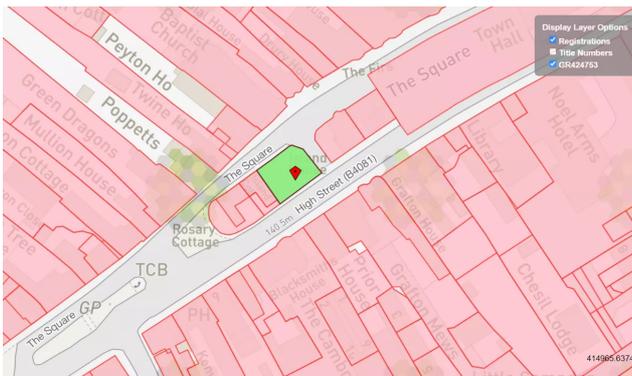
Cheltenham is 23 miles south-west of Chipping Campden on the B4632 via Broadway and Winchcombe.

The surrounding properties are predominantly retail and leisure with Campden Baptist Church being across the road and The Kings Hotel located in The Square from the Subject. Moreton-in-Marsh train station is approximately 8 miles south east of the Chipping Campden on the B4081.

Chipping Campden has an approximate population of 2,300, whilst Stratford upon Avon houses around 130,000 residents, both according to the most recent census.

Strengths of Location:

- Central location near Square
- Affluent local Clients
- Terraced seating
- Tourist destination



Tenant Commentary

The Tenant is the Borrower's associated trading business - Huxleys - a family run café. Please see <https://www.cafehuxleys.co.uk/>

Huxleys opened for trading in Summer 2021 shortly after the property refurbishment works were completed.

Huxleys is described as an intimate café, bar and restaurant which pairs timeless English charm and Italian flair and currently displays TripAdvisor reviews of 4.5/5.

Tenant Commentary

Initially the Borrower was going to run the café business via a separate limited company. However, as advised by his Accountant, all trading figures for the café have been amalgamated within the Borrowers existing trading company, Da Luigi Ltd.

Da Luigi Ltd is an Italian Restaurant, a few minutes away from the Subject property and staff currently work across both sites, which offers friendly familiarity to the local residents.

Huxleys trades from Monday-Sunday 10am to 4pm, however opening hours can vary according to the time of the year, with summer being the most favorable with longer opening hours.

Generally the café business operates during the day, with the evening business taking place at the Italian Restaurant premises across the road.

There are 8 indoor tables and 13 outdoor tables, top floors are not currently generating revenue and potentially in the future could be rented out separately with appropriate access and Insurance, to achieve additional income.

A summary for Da Luigi Ltd Financial Trading has been provided below :

Financial Year End 2020/2021 reflects the negative impact of the COVID pandemic as well as one off Repair & Maintenance expenses of £42,000.

2021 Full Financial Accounts highlight a substantially increased Staff Costs expense by an additional £87,542 which relates to the café business.

The 9- months Management Information provided to February 2022 reflects additional income of c.£200,000 generated from the café, as well as stable trading figures from the restaurant business.

The Borrower confirms that 12 month figures will reflect Sales of c.£300,000 for the Café in isolation with a Profit of c.£80,000.

A new 3 Year FRI lease will be finalised prior to completion of the loan for £42,500 per annum and full terms will be confirmed prior to drawdown of the new facility.

Currently Porta Investment Ltd has been charging rental of £40,000 per annum to Da Luigi Ltd as a Management Charge, which will cease once the FRI lease has been executed.

Financial Year End	Total Turnover (£)	EBITDA (£)	Shareholder Funds (£)
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28.02.2022 (9 months MI)	540,530	88,390	N/A
31.05.2021	497,374	90,336	59,219
31.05.2020	324,633	(12,896)	(14,837)

Tenant Details

Tenant	Da Luigi Ltd	Business Activity	Cafe
Lease Type	FRI	Lease Start	TBC
Months to Lease Break	None	Lease Expiry	3 Year Term
Passing Rent (£ p.a.)	£42,500	Occupancy Level (%)	100%

Lease arrangement	TBC
Tenant strength	OpCo/PropCo

Valuation Commentary

A valuation of the property was carried out by Barnsdales Valuations Limited on 29/04/2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

The current local Retail and Leisure Property Market is good

Asset Quality considered Good

The current use as a Café is the best use

Situated within a Central Location with Affluent local residents and a Tourist destination

The potential occupational demand for this type of property is currently good

Should the property come to the market to let, it would rent within 6-12 months

Should the property come to the market for sale, it would sell within 6-12 months

Valuation Commentary

The subject property would be suitable for sale via an auction, which could reduce the timescales for sale.

Income and Capital Growth deemed as an Opportunity

Comparable retail rental evidence used within the Valuation report ranges from £40 to £48.50 per square foot.

The below reflects a net yield of 5% which is consistent with the comparable evidence presented within the Valuation report.

Market Rent (Per Annum) for Island House has been assessed as follows:

Ground Floor, Basement, Kitchen & Terraced Area : £34,818

First Floor : £4,800

Second Floor : £3,030

Total £42,648 Say £42,500

Market Capital Value

Building area 1,781 sq.ft. @ £450 / sq.ft. = £801,450

Terraced area 976 sq.ft. @ £50 / sq.ft. = £48,800

Total £850,250 say £850,000

The Valuation Report Recommended that specialist advice be sought with regards to the Willow Tree in the terraced area of the property.

A specialist arboricultural impact assessment report was carried out on the 02.06.2022 by Jim Unwin of B.J.Unwin Forestry Consultancy Ltd.

Upon review of the report, it was agreed that the key risks relating to the tree have been adequately addressed and mitigated for the purpose of our funding.

Valuation Numbers

Market Value	£850,000	Vacant Possession Value	£850,000
Passing Rent	£42,500	Estimated Rental Value	£42,500
Rent psf	£45.00	Re Instatement Value	£450,000

Report on Title

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

LOAN

Gross Loan	£350,000	Loan Purpose	Loan Repayment & Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	41.18%	LTV Covenant	50%
Interest Cover Ratio (ICR)	2.07x	ICR Covenant	1.25x
Rate of Interest	5.88%	Interest Expense (p.a.)	£20,580.00

Serviceability

Interest Reserve	Proplend will retain £10,290 (6 months interest) from the gross loan amount which will be held on account.
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Fees

Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% year 1, 1% year 2	Exit Fee	1% if redeemed past maturity

Existing Facility

Lender	Catriona & Paul Brocklehurst	Expiry	27/10/2022
Amount Outstanding	£150,000	Status	Active

Existing Facility

Rate	0% for 18 months (£20,000 Fee charged on Redemption).	Existing Facility Description	1st Charge Against Subject Freehold
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Business Plan During Loan Term

The Business Plan during the term of the new loan is to successfully grow Huxley Cafe into an established profitable business by becoming a key eatery within the local community. The Director strongly believes that the attractive period character and charm of the property will additionally influence this.

A new 3 Year FRI lease for £42,500 per annum will be established between Da Luigi Ltd and Porta Investment Ltd, prior to drawdown of the proposed funding and the ongoing loan interest will be serviced from this rental.

The Director is a dedicated businessman within the hospitality sector and is well established in the local area which he knows well.

The Sponsor will continue to operate Da Luigi Ltd, the Italian Restaurant which has been established for 3 years and is situated across the road from the proposed security.

The Restaurant demonstrates stable Sales and Net Profit position within the latest financial accounts. Additionally, Management Information provided to date suggests positive trading trends, with expected growth moving forward for 2022.

2020 Financials demonstrate a trading loss due to nationwide COVID restrictions which was remediated in 2021 with the ease of these restrictions within the hospitality sector where trade began to stabilize.

Porta Investment Ltd owes £77k to Da Luigi Ltd and £150,000 to private individuals (with a £20,000 loan fee to be paid on redemption), which relates to associated refurbishment cost of the subject property.

These loans will be repaid as part of the proposed refinance, as well as monies borrowed from family members to fund the initial purchase.

To summarize the loan monies would be used as follows:

£170,000 - P & C Brocklehurst (Registered Charge)

£77,387 - Da Luigi Ltd

£50,000 - BBL

£5,913 - Legal Fees & Valuation

£25,000 - Funds owed to brother

TOTAL

£328,300 Net Loan

Exit Strategy

Exit Strategy

The Borrower will endeavor to refinance the loan for a longer term on an amortising basis with a primary high street lender in order to redeem this loan.

On maturity of the proposed borrowing, the associated trading business will demonstrate a trading track record through the increased revenue and profits for Da Luigi Ltd, growing the company profitability further. This should enable the Borrower to seek support for long term funding.

The Borrower has acquired the subject Property to retain as a long term Commercial Investment.

The Borrower could sell the freehold property to fully repay the borrowing.

This would easily achieve repayment of the proposed loan as we would not expect the MV to decrease for a desirable period property in good condition within a popular location. The Property should therefore remain an attractive investment to both investors and business owners.

The following are considerations that could ensure that the property would continue to generate an income for loan interest serviceability, should the café business not succeed as intended :

- Renting the premises to an independent tenant on a new FRI term lease, where demand for this property type within a popular high street location for local and tourist trade should prove good.
- Relocate the existing Italian Restaurant to the subject Property, as it is within walking distance of the subject property and therefore would not disrupt existing trade.

Security

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

Personal Guarantee	Individual Guarantee from an Individual Director of Porta Investment Ltd for the sum of £70,000
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BORROWER

BORROWER

Name	Porta Investment Ltd
Registration	UK Registered Limited Company
Main Business Activity	<p>A Commercial Property Investment Company established for the asset purchase and relevant property refurbishment works carried out on the property post purchase.</p> <p>OpCo/PropCo structure, the associated trading company Da Luigi Ltd will establish a new 3 Year FRI lease that will pay monthly rental income to this holding company.</p> <p>The Limited Company has no other assets other than the Subject Property.</p>
Ownership Structure	Sole Director Mr Marco Porta and 100% Shareholder.

Sponsor

Name	Marco Porta
Age	37
Relevant Experience	<p>The Borrower has 8 years relevant trade experience and is well established within the local area.</p> <p>The associated existing Italian Restaurant business which is situated a few minutes away from the subject security, has strong online customer reviews. Please see : https://www.daluigi.co.uk/</p>
Credit History	Credit Safe Risk Band 7 and Lexis Nexis checks Passed.

Sponsor

Additional Information

The Director has no other liabilities other than residential mortgage which has £365k equity.

Term Loan Risk Rating		
Risk Category	Score	Rating
Financial Ratios	1.75	MODERATE
Property	1.40	MODERATE
Tenants Leases	1.26	MODERATE
Borrower Sponsor	0.86	MODERATE
Asset Class Outlook	0.50	LOW
Risk Rating [3.5 to 10.02]	5.77	LOW MOD

Lender Risks

Mitigant

Risk Level

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>Director is an established businessman within the hospitality sector and he is dedicated to his business' and this asset, demonstrated by his acquisition and renovation strategy.</p> <p>The Borrower has 8 years relevant trade experience with good local and sector knowledge which he has established through the neighboring Italian Restaurant business that he runs.</p> <p>The loan will allow time for the newly established Café business to grow and increase income and profitability for the tenant company.</p> <p>Exit plans are viable given the good high street location of the property, where letting and sale demand appears stable for this unique period property type.</p> <p>The proposed 3 Year FRI Lease presents an ICR of 2.07x.</p>	<p>Medium</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 Borrowers financial track record, professional experience and character demonstrates that he is reliable and adheres to his monthly financial obligations.</p> <p>Financial MI indicates positive increased income trends and profitability for the trading business, which is expected to grow further going forward.</p> <p>The Borrower will establish a new 3 Year FRI lease between the trading company and the premises prior to drawdown of the proposed lending so that the lease matches the borrowing term.</p> <p>Opco/PropCo Structure, the Borrower has made a significant financial investment in the property (41% LTV request) and is therefore unlikely to allow failure unless circumstances arise beyond his control.</p> <p>Property located in a central high street location with similar trading business, rental demand and yield should remain stable for this tenant sector type. Therefore the property should remain popular and could be easily re-let should the trading business face financial concern.</p> <p>Further comfort may be found in our holding of a 6-month Interest Reserve.</p>	<p>Low</p>

Lender Risks	Mitigant	Risk Level
<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>The Valuation Report confirms that the Leisure Property Market is Good.</p> <p>An LTV below 50% should easily allow for the refinance of the asset over a longer term with a primary lender. Additionally as Da Luigi Ltd builds a growing financial track record, this will strengthen our Borrowers position further.</p> <p>The property is well located in the center of Chipping, near a local high street and offers a unique newly refurbished period character. Sale Demand should remain stable, if not increase, as the number of available similar properties reduces in time.</p> <p>The Borrower has good equity reserves in his Residential Property should this be required as a capital injection.</p>	<p>Low</p>

Lender Risks	Mitigant	Risk Level
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Freehold offers a unique character as a period building and therefore we would expect the demand for this type of property to remain high within the local area, where in time supply may be limited.</p> <p>The central high street location is deemed popular with both locals and tourists and should remain attractive to potential tenants and investors.</p> <p>The gross loan advance is 41% of the current vacant possession value.</p>	<p>Low</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 75% 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 Paris Smith Solicitors will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Platform does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.