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Full Loan Request: Suffolk Agricultural

Date:	19/10/2022
Main Site:	1) Whitegates Farm, Old Newton, Stowmarket, IP14 4ED 2) Crowborough Farm, Grove Lane, Ashfield, Stowmarket, IP14 6LZ 3) Eldens Lane Farm, Mendlesham, Stowmarket, IP14 5TG 4) Hollybank Farm, Daisy Green Lane, Wickham Skeith, Eye, IP23 8NB 5) Lovelace Farm, New Delight Road, Rickingham, Diss, IP22 1LX 6) Old Hundred Lane Farm, Mendlesham Green, Stowmarket, IP14 5TF 7) Forest Farm, Shingham Road, Beechamwell, Shingham, Swaffham, PE37 8AY
Property Description:	A portfolio of seven poultry farms, which are described as being well located with good access to road links, and with good bird welfare standards noted.
Loan Summary:	We are asked to provide a 27% LTV gross loan facility in order to raise capital to redress a shortfall in the company's final salary pension scheme.

HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£11,735,000	Passing Income	£1,115,560
Gross Loan	£3,220,000	Loan to Value (LTV)	27.44%
Blended Interest Rate	7.51%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£3,220,000	7.51%	6.76%	4.61x

PROPERTY			
Market Value	£11,735,000	Passing Income	£1,115,560
Vacant Possession Value	£12,555,000	Estimated Rental Value	£1,299,000
Tenure	Freehold	Asset Class	Agricultural
EPC Rating (min. E)	Exempt	Planning Use	Class R

Property Details

In the same order as above;

1) The farm comprises seven broiler houses. The seven broiler houses were constructed in the 1980s but refurbished in circa 2008/2009. They have concrete floor, block dwarf walls, timber (posted) frame with insulated timber elevations under a profile metal clad roof. Welfare windows to 5% of floor area are fitted in House 3-7. H1 & H2 have welfare windows to 7% of floorspace. The farm's productive floor areas are 93,979 sq ft in size and the overall site comprises 8.43 acres.

2) The farm comprises 7 broiler houses and a three-bed, detached, bungalow with surplus land. There is open countryside to the north and south but dwellings immediately to the east and west. There is a fixed timber framed/clad reception block at the gated entrance. The poultry houses are constructed with concrete floor, block dwarf walls with timber (posted) frame, insulated timber walls under an insulated profile metal clad pitched roof. Each house has its own workroom with alarms for heat, feed, water and power. Inside, there are 6 lines of nipple drinkers, 4 lines of pan feeder and high frequency/fluorescent lighting. The property has side inlets and ridge mounted extraction fans. Each gable end has 4 x 48-inch extraction fans. The farm's productive floor areas comprise 92,697 sq ft in total, and the overall site comprises 6.70 acres.

3) The farm comprises seven broiler houses, a three bedroomed bungalow, and a small grazing paddock. The broiler houses have concrete floors, blocked dwarf walls, timber (posted frame), insulated timber elevations under insulated profile metal clad roofs. The buildings have been retro fitted with welfare windows, which equate to approximately 7% of floor space. The ventilation system for house 1 to 6 is via a side inlet to ridge extraction fans, with four 48-inch gable end fans in each house. House No. 7 has a ridge vent inlet system with side extraction fans, with no gable end fans. Each house has one feed bin ranging in capacity from 24 to 28 tonnes. The productive floor areas are 93,397 sq ft combined, and the overall site is approximately 8.08 acres.

Property Details

4) The farm comprises eight broiler houses and a three-bedroomed bungalow. The broiler houses have concrete floors, concrete blockwork dwarf walls, and a timber posted frame, with insulated timber elevations beneath an insulated profile clad metal roof. All the buildings have retro-fitted windows, which are to a ratio of 6% of floorspace. Houses 1 to 5 have side inlets with ridge extraction fans and four 48" gable end fans. Houses 6, 7a and 7b have ridge vent inlets with side extraction fans, and no tunnel ventilation. Each house has six lines of nipple and cup drinkers with pan feeders, and stripped fluorescent lighting. The houses are heated by LPG fired Hired Hand heaters. Each house has one or two feed bins ranging in capacity from 26 to 34 tonnes. The productive floor areas comprise 93,880 sq ft combined, and the overall site is approximately 6.21 acres.

5) The farm comprises seven broiler houses and a three bedroomed bungalow. The broiler houses have concrete floors, concrete blockwork dwarf walls, and a timber posted frame, with insulated timber elevations beneath and insulated profile metal clad roof. All the buildings have retro-fitted windows, to a ratio of approximately 7% of floorspace. Houses 1 to 6 have side inlets with ridge extraction fans and four 48" gable end fans. House No. 7 has ridge vent inlets with side extraction fans, and no tunnel ventilation. Each house has six lines of nipple and cup drinkers and pan feeders, with stripped fluorescent bulbs. The houses are heated by LPG fired Hired Hand heaters. Each house has one or two feedbins ranging in capacity from 14 to 18 tonnes. The productive floor areas measure 94,784 sq ft combined, and the overall site is 7.25 acres.

6) The farm comprises seven broiler houses and a three bedroomed bungalow. The broiler houses have concrete floors, blocked dwarf walls, timber (posted) frame, insulated timber elevations under insulated profile metal clad roofs. The buildings have retro fitted windows, to a ratio of approximately 6% to floor space. Houses 1 to 4 and house No. 6 are ventilated via side inlets to ridge extraction fans. House No. 5 and 7 have ridge vent inlets and side extraction fans. All houses have four 48" gable end fans (with two extra gable end fans in H3). Each house has six lines of nipple and cup drinkers, and four lines of pan feeders, with strip fluorescent lighting. The houses are heated via LPG fired Hired Hand heaters. Each house has one or two feed bins, ranging in capacity from 12 to 28 tonnes. The productive floor areas measure 93,384 sq ft combined, and the overall site is 7.39 acres.

7) The Subject Property comprises seven broiler houses and a three-bedroom bungalow. The broiler houses have concrete floor, blocked dwarf walls, timber (posted) frame, insulated timber elevations under insulated profile metal clad roofs. The farm's productive floor areas are 92,462 sq ft in size and the overall site comprises 9.62 acres.

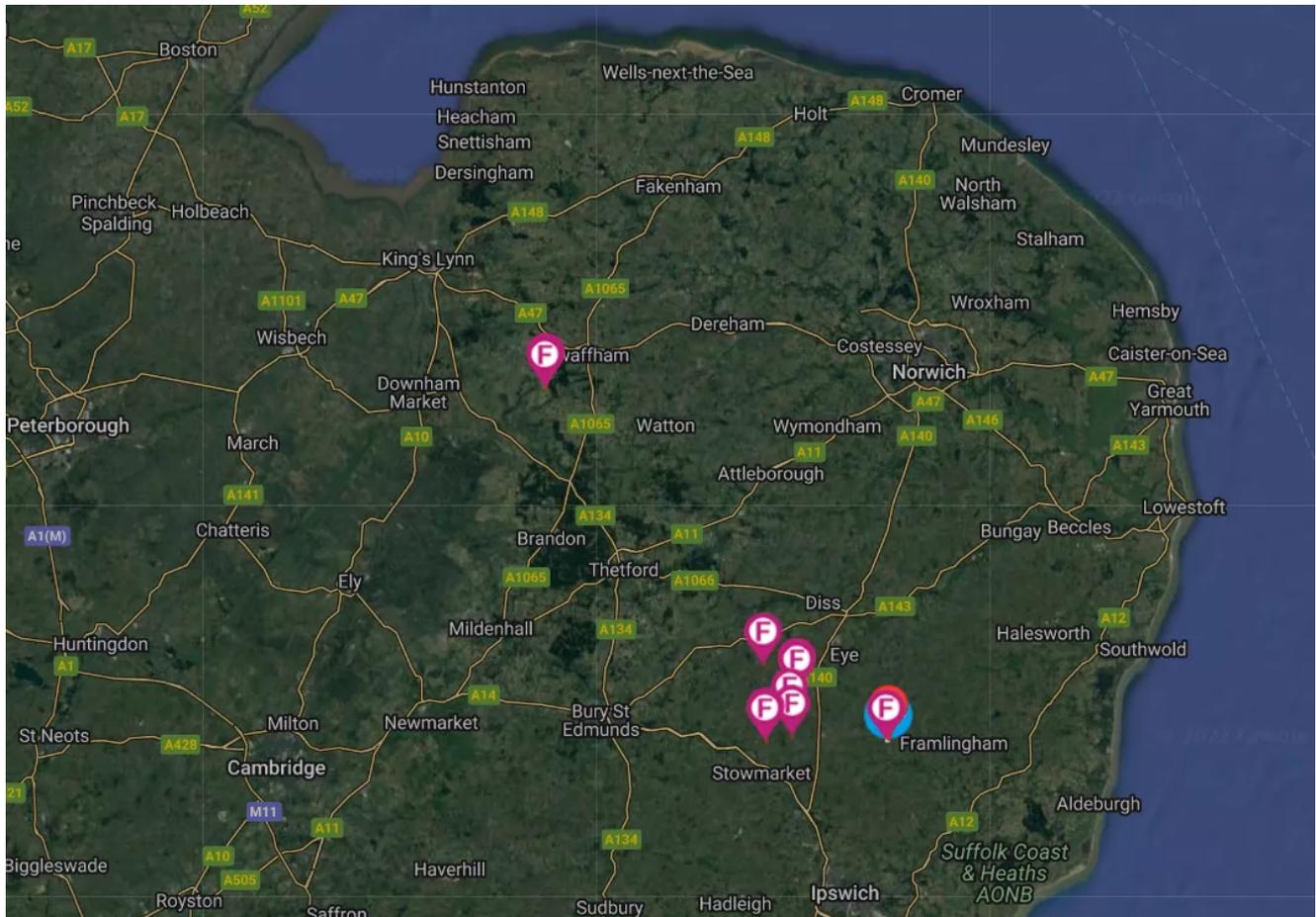


Location Report

Location Report

In the same order as above;

- 1) The farm is in the village of Old Newton, which is located circa 5 miles north-east of Stowmarket and 4 miles north of the A14.
- 2) The farm is located a short distance from the village of Ashfield which is located circa 20 miles north east of Needham Market. It is a short distance from the A1120, circa 12 miles from the A140 which leads to the A14.
- 3) The farm is located in open countryside, circa 7 miles north east of Stowmarket and 11 miles south west of Diss.
- 4) The farm is located in open countryside on the edge of the village of Wickham Skeith circa 9.5 miles north of Stowmarket, and 9 miles south-west of Diss.
- 5) The farm is located in open countryside circa 10 miles north of Stowmarket, and 9 miles south-west of Diss.
- 6) The farm is located in open countryside circa 5 miles north-east of Stowmarket and 13 miles south of Diss.
- 7) The farm is located in open countryside circa 4 miles south-west of Swaffham.



Tenant Commentary

Established in 2006, Hook 2 Sisters Limited has been set out to produce healthy broilers to the highest welfare standards.

The business now grows 6 million chickens across the full spectrum of systems including Standard, Freedom Food, Oakham, Free Range and Organic.

The tenant's clients include Aldi, Asda, Co-op, KFC, Lidl, Marks & Spencer, Morrison's, Sainsbury's, Tesco and Waitrose.

Please see <https://www.2sfg.com/>

Hook 2 Sisters Limited is owned 50:50 by two ultimate parents - P D Hook (Group) Limited, and Boparan Holdco Limited (which owns 2 Sisters Food Group Limited).

P D Hook (Group) Limited's accounts to year end 31 October 2021 show turnover of £191.8m, with profit before tax of £14.6m.

Boparan Holdco Limited's accounts to year end 31 July 2021 show turnover of £2,609m, with profit before tax of £174.2m.

PROPERTY	CURRENT RENT (PA)	RENT FROM 01 JUNE 2024 (PA)
Forest Farm	£144,467	£188,622.48
White Gates Farm	£163,424	£164,463.25
Crowborough Farm	£162,665	£162,219.75
Eldens Lane Farm	£159,006	£163,444.75
Holly Bank Farm	£162,238	£164,290
Lovelace Farm	£162,237	£165,872
Old Hundred Farm	£161,523	£163,422
TOTAL	£1,115,560	£1,172,334.23

Lease arrangement The leases at the time of writing, expire in August 2024, but by the time of drawdown will have been extended to 2029 (this process is well underway, and near completion). The tenant has been renting these farms since the early 2000s.

Valuation Commentary

A valuation of the property was carried out by Bidwells LLP on 22 September 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the farms are in good order and demonstrate high bird welfare standards
- the farms are well located with good access to road links
- the farms are well laid out, efficient and fit for purpose
- the size and configuration of the farms create operational efficiencies and economies of scale
- the farms are in good locations specifically for the poultry industry being in close proximity to the processing factories
- the portfolio of Properties represents suitable security for the proposed loan
- there is a limited market for the whole portfolio as is, but the Properties may appeal to a wider audience with vacant possession.

• Valuations

No.	Title No.	Property Name	Address	Productive Space (sq.ft.)	Market Rent (£pa)	Market Value Subject to Lease	Market Value Subject to Lease (90day Sale)	Market Value with VP	Estimated Reinstatement Value
1	NK172789	Forest Farm	Shingham Road, Beachamwell, Swaffham, Norfolk PE3 7AY	92,462	175,000	1,630,000	1,145,000	1,600,000*	3,095,000
2	SK207689 SK179871	White Gates Farm	Old Newton IP14 4ED	93,979	187,500	1,715,000	1,200,000	1,875,000	3,240,000
3	SK207694	Crowborough Farm	Ashfield, Suffolk IP14 6LZ	92,697	185,000	1,650,000	1,165,000	1,775,000	3,045,000
4	SK207693	Eldens Lane Farm	Cotton, Mendlesham IP14 5TG	93,397	187,000	1,670,000	1,170,000	1,800,000	3,090,000
5	SK207690	Holly Bank Farm	Daisy Green, Wickham Skeith IP23 8NB	93,880	187,500	1,720,000	1,200,000	1,900,000	3,100,000
6	SK207691	Lovelace Farm	Allwood Green, Rickinghall, Suffolk IP22 1LX	94,784	190,000	1,690,000	1,185,000	1,815,000	3,125,000
7	SK207692	Old Hundred Lane Farm	Mendlesham Green, Suffolk IP14 5TF	93,384	187,000	1,660,000	1,165,000	1,790,000	3,090,000
				654,583	1,299,000	11,735,000	8,230,000	12,555,000	21,785,000

*Our valuation is based on the property in its existing condition and excludes the planned works to upgrade the feeding and drinking systems.

Report on Title

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

LOAN

Gross Loan	£3,220,000	Loan Purpose	Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	27.44%	LTV Covenant	50%
Interest Cover Ratio (ICR)	4.85x	ICR Covenant	2x
Rate of Interest	7.51%	Interest Expense (p.a.)	£241,822

Serviceability Rental income of £1,115,560 p.a. is being received, with interest payments due of £241,822 p.a.

Interest Reserve Proplend will retain £120,911 (6 months interest) from the gross loan amount which will be held on account.

Fees

Arrangement Fee	2%	Broker Fee	1%
Early Repayment	None	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term.

Business Plan During Loan Term

Once the shortfall in the pension fund has been filled by virtue of the net loan proceeds, the pension scheme will be sold - most likely to Just Group Plc (this is at an advanced stage). All of the Borrower's obligations to the pension scheme end at that point.

Exit Strategy

With the rental income at over £1m and with other assets that the Sponsor has, the Borrower will look to redeem the borrowing from the surplus rental income and/or their own resources.

As alternative, we also know that the introducer has had a preliminary discussion with a private bank, who have indicated an initial interest to provide a straight refinance.

Security

Charge	First Legal Charge	Debenture	Debenture Required
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Property Insurance	PSL Interest to be Noted on Completion		
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Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Rannoch Food Group Limited for the sum of £644,000		
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BORROWER

Name	Rannoch Food Group Limited
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Registration	UK Registered Limited Company
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Main Business Activity	<p>This Company was previously the operating entity at each of the seven farms, and used to have approximately 1300 staff.</p> <p>The Sponsor was behind a Buy-In Management BuyOut in 2002, whereby the business was acquired from the previous owners (the Williams family).</p> <p>The Company now just acts as landlord and the assets held as long-term investment.</p>
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BORROWER

Ownership Structure The Company is owned by Rannoch Food Holdings Limited, which itself is owned by Rannoch Top H Limited.

Rannoch Top H Limited is 70% owned by John Dutton, and the remaining 30% owned between 4 Williams Family Trusts (the largest of which has 11% shareholding).

Sponsor

Name John Dutton

Age 68

Relevant Experience CEO/Founder/Non-Executive Director - a senior business leader with over 30 years' experience of food manufacturing including the creation, acquisition and development of businesses in the UK, Europe, Costa Rica, Kenya, South Africa and Brazil.

Credit History Strong. CreditSafe risk band 10, and Lexis Nexis checks Passed.

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>The Borrowing entity is asset rich, and post-completion will be in a more cash-positive position following the sale of the pension scheme.</p> <p>The Borrower is run by a successful Sponsor who has multiple viable exit routes.</p>	Medium

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>Comfort is income is taken from the FRI leases in place with a tenant considered by the valuer as being a Grade A covenant strength.</p> <p>The interest costs in the Rannoch accounts relate to any amount due to the pension fund which will all disappear when the loan draws down, so this frees up the costs in the accounts to support part of the loan repayments, if required.</p> <p>The ICR is an extremely healthy 4.61x and will improve further from June 2024, to 4.85x.</p> <p>We will also hold a 6-month Interest Reserve.</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>The Borrower as above has more than one viable option available to ensure the loan is fully redeemed in a timely manner.</p> <p>Even if the landscape of the commercial lending market has radically changed by the time this loan approaches maturity, it is envisaged that there will still be a lender, or lenders, that will be willing to provide funding to cover the debt on this security comprised of over 53 acres.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons	Clearly, there are wider external factors that may cause the values of the Subject Properties to decrease throughout the loan term, but the LTV is a modest 27.44%, and the LTVPV is lower still, at 25.6%. The loan-to-90-day disposal value is 39%.	Low

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 28% 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 LLP will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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