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Full Loan Request: North East Mixed Use Portfolio Refinance

| | |
|------------------------------|--|
| Date: | 10/5/2023 |
| Main Site: | <ol style="list-style-type: none">1) 2 Lady Pit Lane, Leeds, LS11 6AJ2) 4 Station Road, Conisbrough, Doncaster, DN12 3DB3) 360 Anlaby Road, Hull, HU3 6NS4) 101 Wales Road, Kiveton Park, Sheffield, S26 6RA5) 16 The Wynd, Marske by Sea, Redcar, TS11 7LA6) 88-90 Main Street, Mexborough, S64 9EB7) 222 Linthorpe Road, Middlesbrough, TS1 3QW8) 226 Linthorpe Road, Middlesbrough, TS1 3QW9) 13 Watson Street, Morley, Leeds, LS27 0AH10) 12 Northgate, Tickhill, DN11 9HY11) 2 College Court, Gildersome Leeds, LS27 7WF12) 14 Hartley Street, Mexborough, S64 9LX |
| Property Description: | An established portfolio of twelve mixed use properties, comprised of ten dental practices, and two office/retail units. |
| Loan Summary: | We are asked to provide a 70% LTV gross loan facility in order to refinance the existing North East Mixed Use Portfolio loan. |



HIGHLIGHTS

| | | | |
|------------------------------|----------------------|----------------------------|-----------|
| Loan Type | Commercial Term Loan | SIPP Eligible | Yes |
| Property Value | £2,327,000 | Passing Income | £205,250 |
| Gross Loan | £1,628,900 | Loan to Value (LTV) | 70% |
| Blended Interest Rate | 7.90% | Loan Term | 36 months |

| Tranche | Risk | LTV | Loan Amount | Gross Interest | Net Interest | Interest Cover |
|----------|--------|--------|-------------|----------------|--------------|----------------|
| C | High | 66-75% | £116,350 | 10.84% | 9.76% | 1.60x |
| B | Medium | 51-65% | £349,050 | 9.42% | 8.48% | 1.77x |
| A | Low | 0-50% | £1,163,500 | 7.15% | 6.44% | 2.47x |

PROPERTY

| | | | |
|--------------------------------|-----------------------------|-------------------------------|---------------------------|
| Market Value | £2,327,000 | Passing Income | £205,250 |
| Vacant Possession Value | £2,005,000 | Estimated Rental Value | £195,850 |
| Tenure | Freehold | Asset Class | Mixed Use (Commercial) |
| EPC Rating (min. E) | B x 1, C x 4, D x 4, E x 3. | Planning Use | E (formerly D1, A1 & B1). |

Property Details

In the same order as above;

1) The Subject Property comprises a ground floor unit currently in operation as a dental surgery. Above the Property is a separate dental workshop not associated with the Subject Property and doesn't form part of our security. The ground floor unit is positioned to the end of a terrace, all occupied by commercial users. The net internal floor area amounts to 1,516 sq ft.

2) The Property comprises a large Victorian house which has been converted and is currently operated as a dental surgery. The property is of traditional brick construction surmounted by a multi pitched slate roof incorporating a chimney stack and areas of Victorian roof cresting. The net internal floor area amounts to 2,282 sq st.

3) The Property comprises a two storey terraced property currently occupied as a dental surgery. The Property is of traditional brick construction surmounted by a multi-pitched timber framed roof with slate interlocking tiles. Elevations are painted brick facing incorporating a glazed retail frontage. The net internal floor area amounts to 1,654 sq ft.

4) The Subject Property comprises a two-storey plus attic building currently occupied as a dental surgery. The property is of traditional brick construction surmounted by a timber framed pitched roof with slate tiles. The net internal floor area amounts to 1,564 sq ft.

5) The Subject Property comprises a two-storey, terraced retail unit, currently operating as a dental practice. The building is of brick construction with tiled cladding in parts, under a tiled pitched roof structure, with rear offshoots of the same construction under a pitched and mono-pitched roof structure. The net internal floor area amounts to 1,554 sq ft.

6) The Property comprises a two-storey plus attic detached property, currently operated as a dental surgery. The dentist is of traditional brick construction surmounted by a multi-pitched and hipped pantile roof with a dormer window to the attic at the rear. The net internal floor area amounts to 2,798 sq ft.

7) The Property comprises a three-storey, terraced mixed use unit currently operating as a dental practice. The building is of brick construction, under a tiled pitched roof structure incorporating a dormer attic window and brick built chimney. The net internal floor area amounts to 1,767 sq ft.

Property Details

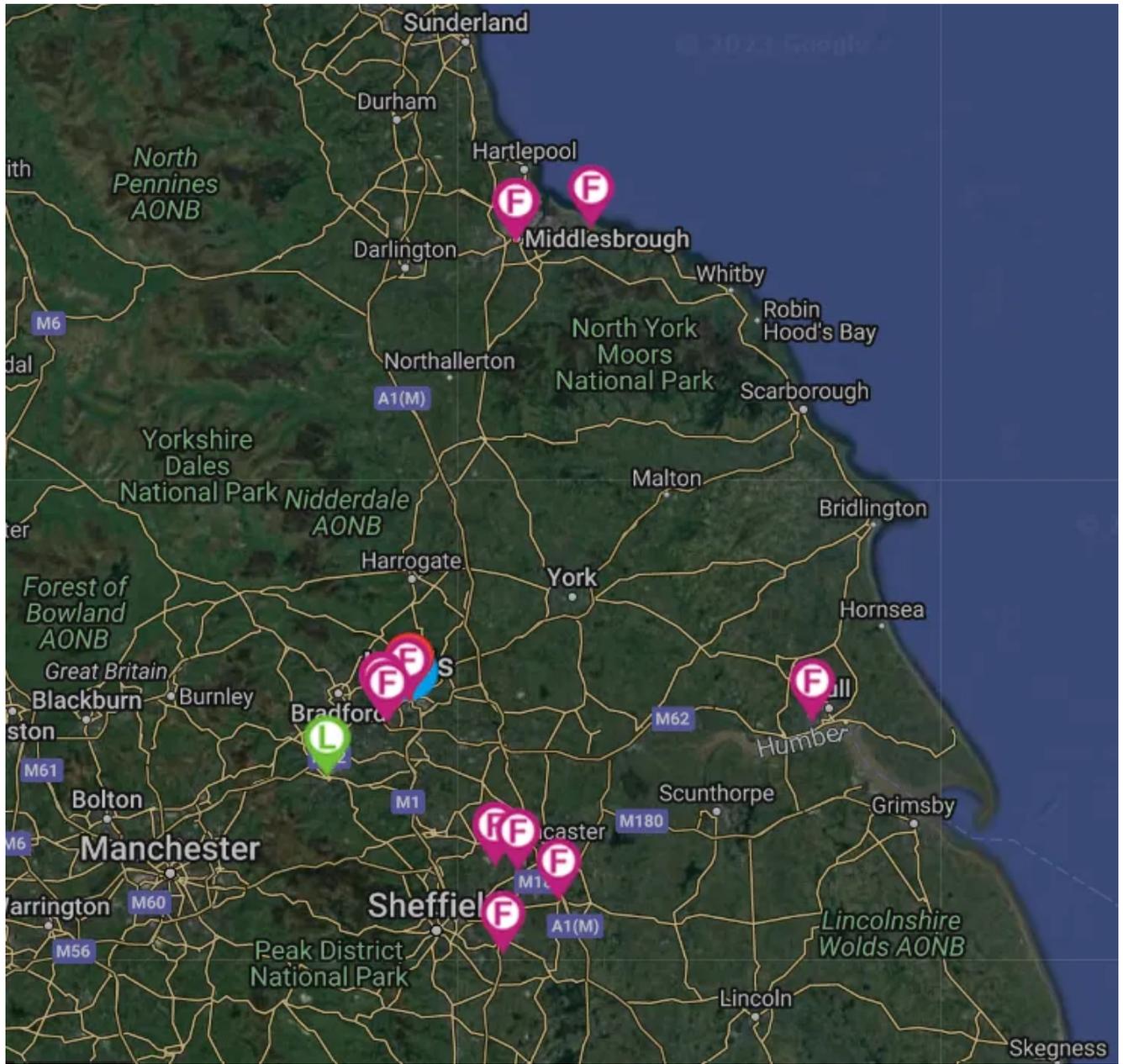
8) The Property comprises a three-storey, terraced mixed use unit currently vacant. The building is of brick construction, under a tiled pitched roof structure incorporating a dormer attic window and brick built chimney. The net internal floor area amounts to 1,361 sq ft.

9) The Property comprises a two storey detached former residential property currently occupied as a dental surgery. The property is of traditional brick construction surmounted by a pitched timber framed slate roof. Elevations are red brick facing with a Yorkshire stone façade. The net internal floor area amounts to 1,592 sq ft.

10) The Property comprises a two storey detached former residential property currently operated as a dental surgery. The property is of solid stone construction surmounted by a timber framed pitched slate roof incorporating a chimney stack. The net internal floor area amounts to 1,161 sq ft.

11) The Property comprises a two storey modern, open plan office block which has been purpose built. The property is of reinforced concrete frame construction surmounted by a timber framed pitched and hipped slate covered roof. Elevations are brick facing incorporating aluminium framed D/G powder coated double glazed windows. The net internal floor area amounts to 3,002 sq ft.

12) The Property comprises a mid-terraced property with retail frontage at ground floor level and timber framed windows to the first floor front elevation while they are PVCu to the rear elevation. The Property is of traditional brick construction surmounted by a timber framed pitched slate roof.



Location Report

In the same order as above;

1) The Subject Property is situated just south of Leeds, and south of the M621 Motorway towards to the north of Hunslet Carr. The immediate surrounding area is largely residential in nature with some commercial elements. Hunslet Carr is an inner-city area in south Leeds, West Yorkshire. It is 1 mile south east of the city centre.

The Subject Property is situated at the junction of Lady Pit Lane and Hunslet Hall Road. The property can be accessed from the south which enters into a staff car park. The northern boundary meets Hunslet Hall Road while the western boundary directly meets neighbouring offices.

2) The Property is situated to the south west of Doncaster within Conisbrough. The Property is situated to the east of Station Road, which adjoins the A630 to the south. Conisbrough is a town in the metropolitan borough of Doncaster in South Yorkshire and is equidistant from Doncaster and Rotherham.

The Property is positioned centrally on the site. The northern, eastern, and southern boundaries all meet neighbouring residential property.

3) The Property is located to the south of Anlaby Road to the west of Hull city centre. In the immediate vicinity, there are a variety of commercial occupiers which front onto Anlaby Road, with a dense network of terraced housing within close proximity to the subject property. To the east of the site boundary is the railway line with Hull Railway Station being located circa 1 mile east. To the north of the Subject Property is the MKM Stadium.

The Property is accessed via the southern elevation, facing Anlaby Road. To the eastern and western boundaries, the Property directly meets neighbouring retail units. To the north of the site is a small courtyard which can be accessed by a fire exit to the rear of the Property. Beyond this is a neighbouring commercial to the rear.

4) The Property is situated in Kiveton Park, a village on the outskirts of Sheffield to the south side of Wales Road. The immediate surround area is commercial in nature with networks of residential housing beyond. Just south of the subject property is Wales Recreation Ground.

The Property is accessed from the northern boundary fronting onto Wales Road. To the south of the site is a large yard area which is accessed down the western boundary and currently offers car parking. The eastern boundary adjoins a neighbouring retail property occupied by Lloyds Pharmacy. The western boundary meets a neighbouring residential property.

Location Report

5) The Property is situated on The Wynd, Marske-by-the-Sea, located centrally in the town and immediately off the High Street (A1085). Marske-by-the-Sea is a coastal town in the north east of England located between Redcar and Saltburn-by-the-Sea, approximately 12 miles north east of Middlesbrough and approximately 5 miles south east of Redcar forming part of East Cleveland.

6) The Property is situated to the north of Main Street close to the town centre of Mexborough. The immediate surrounding area comprises a network of terraced residential housing along with retail occupiers fronting Main Street. To the south of the Property is an industrial estate, less than half a mile away. To the north are playing fields. Mexborough town centre is situated less than a mile to the south east.

7 & 8) The Subject Properties are located on Linthorpe Road in Middlesbrough, the main thoroughfare where, to the northern end, is a pedestrianised prime shopping area attracting national retailers including Next, Boots and Starbucks. Though as you progress to the southern end there is a gradual shift from the retail offering on the high street to include for bars and restaurants, which is where the Properties are located.

9) The Property is located to the east of Watson Street, to the south west of Morley Town Centre. The immediate surrounding area is residential in nature, predominantly in the form of Semi-detached houses. Morley is well accessed being situated at Junction 27 of the M62 motorway which connects with the M621 motorway also.

10) Tickhill is a market town and civil parish in the Metropolitan Borough of Doncaster, South Yorkshire, close to the border with Nottinghamshire. The Subject Property is situated to the West of Northgate Road (A60) to the north of the town centre. Tickhill has good access to the national motorway network via Junction 3 of the M18 Motorway 5 miles to the west and the A1(M) Motorway less than half a mile to the east.

11) The Property is situated within Gildersome, a village and civil parish in the City of Leeds, 5 miles south west of Leeds city centre in West Yorkshire. The Subject Property is located north of the A62 to the east of College Road within College Court. The surrounding area is largely residential in nature with some commercial property in the immediate vicinity. The property is less than a mile north of Junction 27 of the M62 and its junction with the M621 Motorway.

Location Report

12) Mexborough is a town in the Metropolitan Borough of Doncaster in South Yorkshire. The Subject Property is located just south of Main Street to the west side of Hartley Street, close to the town centre of Mexborough. The immediate surrounding area is mixed retail and residential.

Tenant Commentary

The twelve Properties are let on FRI Leases, as per the table below. The first ten trade as dental surgery practices, and the final two let to third party office/retail tenants.

Five of the twelve Properties are let to connected parties - the Sponsor is the 100% Shareholder of Genix Healthcare Ltd, which is the parent of each Genix Healthcare tenant listed in the table below.

| Property Name | Tenant Name | Annual Rent (£) | Lease Start | Lease End | Break Date |
|--------------------|---------------------------|-----------------|-------------|-----------|--------------|
| 2 Lady Pit Lane | Rodericks Dental Limited | 13,500.00 | Feb-20 | Jan-35 | |
| 4 Station Road | Dental Partners Limited | 19,000.00 | Jan-20 | Jan-35 | Years 5 & 10 |
| 360 Anlaby Road | Genix Healthcare Hull Ltd | 15,000.00 | Feb-20 | Jan-30 | |
| 101 Wales Road | Dental Partners Limited | 12,500.00 | Feb-20 | Jan-35 | Years 5 & 10 |
| 16 The Wynd | Genix Healthcare Marske | 17,000.00 | Feb-20 | Jan-30 | |
| 88-90 Main Street | Rodericks Dental Limited | 25,500.00 | Feb-20 | Jan-35 | |
| 222 Linthorpe Road | Genix Healthcare Middles | 17,000.00 | Apr-21 | Apr-26 | |
| 226 Linthorpe Road | Genix Healthcare Middles | 15,000.00 | Sep-22 | Sep-27 | |
| 13 Watson Street | Dental Partners Limited | 18,250.00 | Feb-20 | Jan-35 | Years 5 & 10 |
| 12 Northgate | Genix Healthcare Tickhill | 11,000.00 | Feb-20 | Jan-35 | |
| 2 College Court | AFP Digital Limited | 36,000.00 | Nov-19 | Nov-24 | |
| 14 Hartley Street | Mahmudi Jamshid | 5,500.00 | Apr-19 | Mar-24 | |

Tenant Strength

Rodericks Dental Limited

The company has a risk score of 51/100 and is rated low risk. They have a credit limit of £100,000 and contract limit of £5,100,000. We therefore consider that the market would perceive this tenant to be of a reasonable local covenant strength.

Dental Partners Limited

The company has a risk score of 96/100 and is rated very low risk. They have a credit limit of £75,000 and contract limit of £115,000. We therefore consider that the market would perceive this tenant to be of a reasonable local covenant strength.

Genix Healthcare Hull Ltd

The company has a risk score of 73/100 and is rated very low risk. They have a credit limit of £6,000 and contract limit of £9,000. We therefore consider that the market would perceive this tenant to be of a reasonable local covenant strength.

Genix Healthcare Middlesbrough Ltd

The company has a risk score of 58/100 and is rated low risk. They have a credit limit of £500 and contract limit of £3,500. We therefore consider that the market would perceive this tenant to be of a reasonable local covenant strength.

Genix Healthcare Tickhill Ltd

The company has a risk score of 73/100 and is rated low risk. They have a credit limit of £2,500 and contract limit of £4,000. We therefore consider that the market would perceive this tenant to be of a reasonable local covenant strength.

AFP Digital Ltd

The company has a risk score of 47/100 and is rated low risk. They have a credit limit of £23,000 and contract limit of £34,500. We therefore consider that the market would perceive this tenant to be of a reasonable local covenant strength.

14 Hartley Street is let to Mahmudi Jamshid as a sole trader/barber shop.

Valuation Commentary

A valuation of the property was carried out by Sanderson Weatherall on 30 November 2022 ^{***}, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- multi property portfolio, located across the north of England
- let and producing a rental income of £205,250 p.a.
- parts of the portfolio are considered to be overrented
- much of the portfolio is let to connected parties
- many of the leases have not been formally engrossed and presents a risk to any potential buyer that the Dental tenants could walk away from their obligations
- the connected party leases are generally made to Special Purpose Vehicles (SPV), thus offering limited covenant strength compared to the parent company
- intensification of risk owing to the high proportion of the portfolio being let to dental practices, although we do consider the dental market to be generally robust in terms of tenant covenant
- the covenant strength of the individual practices is discussed above, but we also set out below the findings of a CreditSafe Report prepared in respect of Genix Healthcare Limited (UK05160344), the parent company:

The company is rated with a score of 64/100 and as such are viewed as Low Risk. The company has share capital of £100,000 and for the last reported year returned a turnover of £4,072,208 and a Pre Tax profit £609,105.

We consider the market would perceive this tenant to be of a reasonable regional covenant strength.

- the twelve Subject Properties are considered suitable for secured lending purposes.

Valuation Numbers

| | | | |
|----------------------------|------------|--------------------------------|------------|
| Market Value | £2,327,000 | Vacant Possession Value | £2,005,000 |
| Passing Rent | £205,250 | Estimated Rental Value | £195,850 |
| Reinstatement Value | £4,560,000 | | |

^{***} The valuer has reconfirmed that the valuation figures hold good for a further month (to 9/6/2023) ^{***}

Report on Title

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

| LOAN | | | |
|-----------------------------------|------------|--------------------------------|-----------|
| Gross Loan | £1,628,900 | Loan Purpose | Refinance |
| Loan Term | 36 months | | |
| Loan to Value (LTV) | 70% | LTV Covenant | 75% |
| Interest Cover Ratio (ICR) | 1.60x | ICR Covenant | 1.3x |
| Rate of Interest | 7.90% | Interest Expense (p.a.) | £128,683 |

| | |
|-------------------------|--|
| Serviceability | Rental income of £205,250 per annum is being received, with interest payments due of £128,683 p.a. |
| Interest Reserve | Proplend will retain £32,171 (3 months interest) from the gross loan amount which will be held on account. |

| Fees | | | |
|------------------------|-----|-------------------|--|
| Arrangement Fee | 2% | Broker Fee | 1% |
| Early Repayment | N/A | Exit Fee | 1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term. |

| Existing Facility | | | |
|---------------------------|------------|--------------------------------------|------------------------|
| Lender | Proplend | Expiry | 28/5/2023 |
| Amount Outstanding | £1,931,000 | Status | Active - Good Standing |
| Rate | 7.50% | Existing Facility Description | Commercial Mortgage |

Business Plan During Loan Term

The Borrower will continue to execute the asset management initiatives, maximise rents and build up a rental history with the existing tenants.

Exit Strategy

The Properties within the portfolio are long-term investments for the Borrower. Approaching maturity, the Borrower will seek to refinance to the most competitive lender of the day.

Security

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

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

| | | | |
|---------------------------|--|--|--|
| Personal Guarantee | Individual Guarantee from an Individual Director of A & H Developers Ltd for the sum of £407,225 | | |
|---------------------------|--|--|--|

BORROWER

| | |
|-------------|----------------------|
| Name | A & H Developers Ltd |
|-------------|----------------------|

| | |
|---------------------|-------------------------------|
| Registration | UK Registered Limited Company |
|---------------------|-------------------------------|

| | |
|-------------------------------|--|
| Main Business Activity | The Borrower is a commercial property investment company, registered in the UK, with other assets. |
|-------------------------------|--|

| | |
|----------------------------|--|
| Ownership Structure | The Company is 100% owned by Safia Mustafa Holdings Ltd. Safia Mustafa Holdings Ltd is 100% owned by Dr Mustafa Tariq Mohammed. |
|----------------------------|--|

| Sponsor | |
|----------------------------|--|
| Name | Mustafa Tariq Mohammed |
| Age | 53 |
| Relevant Experience | <p>Dr. Mustafa Mohammed is Managing Director of Genix Healthcare and Chairman of the Trailblazers Dental Group.</p> <p>Mustafa started out in the family business taking over Genix Pharma in 1995. After rapid growth, the business now has operations in ten countries and over 60 established brands in the marketplace.</p> <p>In 2005, Mustafa founded Genix Healthcare to address the severe shortage of NHS dentists in the UK.</p> <p>Genix currently has 16 NHS Dental Practices across England and is looking to grow the company further by acquiring and setting up new practices in areas where there is a shortage of NHS practices.</p> <p>In 2011, Genix Healthcare became the first dental corporate to launch a major initiative to recruit over 100 apprentices in England in 18 months.</p> <p>Mustafa is committed to increasing the workforce through its apprentice programme with significant investments.</p> <p>The Genix Healthcare Apprenticeship Programme provides comprehensive training support for candidates, from receptionist, business administration and customer service training right through to a level three qualification in dental nursing.</p> <p>Further training is encouraged to allow candidates to complete a hygiene therapy qualification and a degree in dental studies.</p> |
| Credit History | Strong - Credit Safe risk band 9, and Lexis Nexis checks Passed. |

| Term Loan Risk Rating | |
|----------------------------|------------|
| Risk Category | Rating |
| Financial Ratios | MEDIUM |
| Asset Class Outlook | MEDIUM |
| Property Risk | MEDIUM |
| Tenants Leases | MEDIUM |
| Borrower Sponsor | LOW |
| Risk Rating [3.5 to 10.02] | 6.69 |
| Risk Level | MEDIUM LOW |

| Lender Risks | Mitigant | Risk Level |
|--|--|------------|
| The Borrower is not able to successfully execute their business plan. | <p>The Sponsor is a highly experienced and professional landlord.</p> <p>He has successfully owned and managed the portfolio for more than 12 years.</p> | Medium |
| 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>The tenants are largely professional dental practices and have been paying the rent due in a timely manner.</p> <p>Similarly, the Borrower has made all interest payments to us in a timely manner for the existing loan.</p> <p>Further comfort may be found in our holding of a 3-month Interest Reserve.</p> | Medium |

| 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>As above, the Borrower has a good track record to date with ourselves, and if the second loan performs as the first one has done, we may wish to throw our hat into the ring for the ultimate refinance.</p> | <p>Medium</p> |
| <p>The Property falls in value due to either macroeconomic or property specific reasons</p> | <p>Uncertainty remains in the economy due to well documented wider external factors, which may cause values to fall in the short term.</p> <p>Some of the Properties are converted residential units which could be converted back to residential if required.</p> | <p>High</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 70% 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 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.