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Full Loan Request: Newport Pagnell Commercial Mixed Use

Date:	6/4/2023
Main Site:	14a Tickford Street, Newport Pagnell, MK16 9AB
Property Description:	The Subject Property comprises a detached two storey office with ancillary outbuildings used for storage.
Loan Summary:	We are asked to provide a 53% LTV gross loan facility in order to raise capital to recover cash that was spent refurbishing the Subject Property in 2022, and to raise capital for general working capital purposes for the Subject Asset.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£385,000	Passing Income	£30,000
Gross Loan	£204,050	Loan to Value (LTV)	53%
Blended Interest Rate	7.10%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£11,550	8.10%	7.29%	2.07x
A	Low	0-50%	£192,500	7.04%	6.34%	2.21x

PROPERTY

Market Value	£385,000	Passing Income	£30,000
Vacant Possession Value	£385,000	Estimated Rental Value	£30,000
Tenure	Freehold	Asset Class	Mixed Use (Commercial)
EPC Rating (min. E)	C	Planning Use	B8, E

Property Details

The Subject Property comprises a two storey link detached building that is currently owner occupied as offices.

We estimate the building was originally constructed circa the 17th century and has been extended and modified in the years since.

The building appears to be of conventional construction being of solid brick walls that have been painted white to the front elevation beneath a pitched slate tiled roof.

The Property has been extended to the side and rear by way of single storey extensions which are also of brick walls beneath flat felt covered roofs.

Internally the ground floor is of solid construction and the first floor of suspended timber construction. The walls are painted plaster. Natural light is provided by uPVC framed double glazed casement window units.

The ground floor is comprised of entrance hall, five offices, store, kitchen with further store and ladies and gents WCs.

The first floor is comprised of an open plan office area, with storage space.

Externally, the Property benefits from a tarmac parking area to the front with parking space for up to ten cars. These benefit from charging points for electric cars.

There is also a garage to the side that is of painted timber doors beneath a pitched slate tiled roof.

The net internal area amounts to 1,911 sq ft on an overall site of 0.14 acres.





Location Report

The Subject Property is located on the outskirts of the town of Newport Pagnell in the county of Buckinghamshire and within the city of Milton Keynes. Newport Pagnell is part of the Milton Keynes urban area.

The Property is accessed from Tickford Street (B526) via a small private shared accessway. The surrounding properties are all residential and the accessway is shared with a block of flats.

The Property is approximately $\frac{1}{4}$ of a mile from the centre of Newport Pagnell where local shopping facilities can be found. More extensive shopping facilities can be found in the centre of Milton Keynes which is approximately 4 miles to the southwest. There is also an Asda supermarket in Oakridge Park which is approximately 3 miles to the west.

The Property is approximately 2 miles from junction 14 of the M1 motorway that connects with Luton and London to the south and Northampton, Leicester and the north of England to the north.

The nearest main line railway station is at Milton Keynes Central which is approximately 5 miles to the southwest. From here direct trains can be taken to London Euston with a journey time of just over 30 minutes.



Tenant Commentary

OpCo/PropCo structure - there is a 5-year FRI lease in place with no breaks, commencing April 2023, between the freeholder SPV, Rolec (Tickford) Limited and Rolec (Electrical & Mechanical Services) Limited at a rental of £30,000 per annum.

The trading business within the group, Rolec (Electrical & Mechanical Services) Limited are providers of electrical and mechanical services for residential property, such as Audio Visual, CCTV/Security and Home Automation systems, established in 1976, working for regional housebuilders across the South East. Please see <https://www.rolec.net/>

The tenant's financial accounts to 30 April 2022 show t/o of £16.6m, NPBT of £297k, and NW of £2.654m.

The preceding 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).

Valuation Commentary

A valuation of the property was carried out by J Raymond Welch Surveyors Limited on 21st March 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the interior of the Property is considered to be of good quality
- there are plenty of associated parking spaces
- there is potential to convert the Property to residential use, subject to planning
- given the size, age and nature of the Property, it would be attractive to both the owner occupier, and investor sectors of the market
- should the Property be placed on the market for sale, it would be expected to sell within six months
- should the Property be placed on the market for letting, it is expected to let within six months
- this Property is considered good for secured lending purposes.

Valuation Numbers			
Market Value	£385,000	Vacant Possession Value	£385,000
Passing Rent	£30,000	Estimated Rental Value	£30,000
Rent psf	£15.69	Re Instatement Value	£500,000

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	£204,050	Loan Purpose	Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	53%	LTV Covenant	60%
Interest Cover Ratio (ICR)	2.07x	ICR Covenant	1.25x
Rate of Interest	7.10%	Interest Expense (p.a.)	£14,487

Serviceability	Rental income of £27,000 per annum will pass with interest payments due of £14,487 p.a.
Interest Reserve	Proplend will retain £3,622 (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.

Business Plan During Loan Term

The net loan advance will be used to replenish cash that was spent refurbishing the Subject Property in 2022, as per the table below.

The additional capital will be lent to the associated tenant company pertaining to a recently secured project - there are no gas services available to the development and local planning restrictions do not allow air source heat pumps at the Property, therefore the project will utilise a district ground source heat system linking the Properties together via a number of deep bores.

The specialist manufacturer that the Borrower client wishes to procure for the ground source heat exchanger and cylinders work on a pro-forma basis which requires capital expenditure ahead of payment rather than the normal 60-day terms as with other regular suppliers and manufacturers.

Refurbishment Costs	
Contamination removal - Oil tank/pipeline	£2,500
Metal perimeter fencing, pedestrian and vehicle gate	£15,000
Remove all internal walls/plaster/floors - take back to brick	£6,500
New Floors/wall/plastering/decoration	£8,000
Internal Fitout	£8,000
Air Conditioning	£16,500
New Windows & Front door	£11,000
Carpets	£7,000
Tree surgery/Car Park works/EV Chargers	£4,500
TOTAL	£79,000

Exit Strategy

Repayment will come by way of three years rent (£90k), as well as repayment of the loan to the trading company that is the tenant.

The Borrower will also potentially be looking to sell the Property in three years time as part of the CEO/Managing Director's plans for his retirement.

Security

Charge	First Legal Charge	Debenture	Debenture Required
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Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Rolec (Tickford) Limited for the sum of £51,012.
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Property Insurance	PSL Interest to be Noted on Completion
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BORROWER

Name	Rolec (Tickford) Limited
Registration	UK Registered Limited Company
Main Business Activity	<p>The proposed Borrower is a special purpose Limited Company, registered in the UK.</p> <p>It has no assets other than the Subject Properties.</p>
Ownership Structure	<p>The Company is owned by;</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	56, 49, 52, 50 & 50 respectively.
Relevant Experience	Please see the outline summary below.
Credit History	All five Directors have clear CreditSafe searches, plus all Lexis Nexis checks Passed.
Additional Information	Please note that these Sponsors were also behind the Borrower for our Milton Keynes Warehouse loan, that was taken out in February 2022, and was fully redeemed one year early in February 2023.

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>	

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]	5.64
Risk Level	LOW

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The loan is at a modest LTV, which should be reduced further by the time of maturity, due to the £90k rent being paid, and available to reduce the capital, and also the stated refurbishment will hopefully add value to the Property, other things being equal.</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 substantial haircut.</p>	<p>Medium/Low</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 rental income generated from the profitable associated tenant business provides a healthy ICR.</p> <p>Further comfort may be found in our holding of a 3-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 viable exit strategies.</p> <p>As a plan C, if required, we may wish to make an offer for a subsequent loan approaching maturity, if the Borrower and tenant continue to perform.</p>	<p>Medium/Low</p>

Lender Risks	Mitigant	Risk Level
<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>At the time of drawdown, the gross loan advance equates to:</p> <ul style="list-style-type: none"> - 53% of OMV - 53% of VPV - 59% of the 90-day value. 	<p>Medium/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 53% 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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