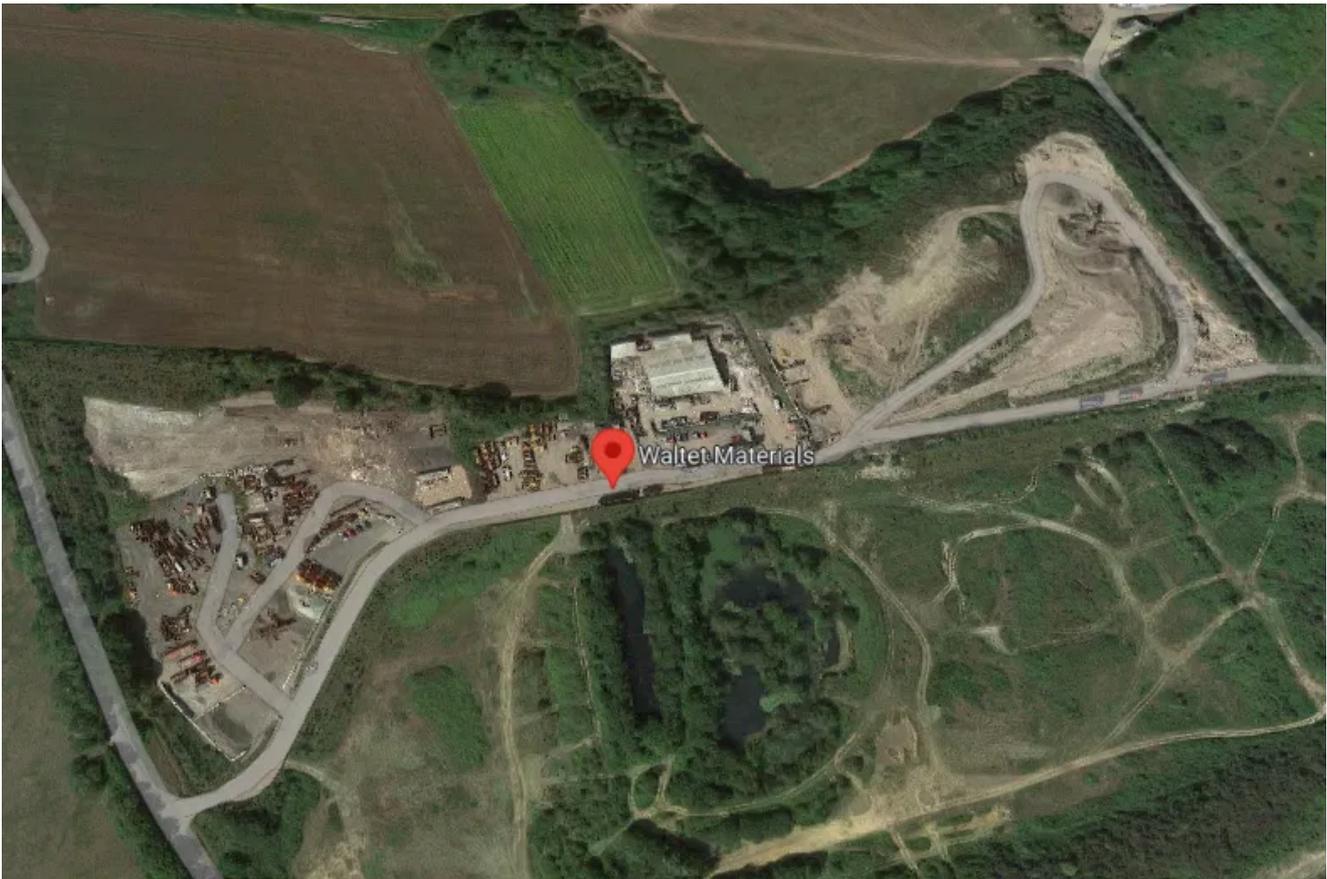


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Full Loan Request: Romsey Industrial

Date:	20/3/2023
Main Site:	1) Maryland, Bunny Lane, Timsbury, Romsey, SO51 0PG 2) Land On The North Side Of Bunny Lane, Timsbury, Romsey, SO51 0PG
Property Description:	The Subject Property comprises an established waste management site with a materials recycling facility and an inert recycling operation which includes a wash plant together with large storage areas to the north and south of the site.
Loan Summary:	We are asked to provide a 49% LTV gross loan facility, in order to refinance the current lender, and to raise capital for improvements to the buildings and the site.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£4,000,000	Passing Income	£340,000
Gross Loan	£1,950,000	Loan to Value (LTV)	49%
Blended Interest Rate	9.00%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£1,950,000	9.00%	8.10%	1.94x

PROPERTY			
Market Value	£4,000,000	Passing Income	£340,000
Vacant Possession Value	£4,000,000	Estimated Rental Value	£340,000
Tenure	Freehold	Asset Class	Industrial
EPC Rating (min. E)	D	Planning Use	B2

Property Details

The subject site is currently used as a waste management and recycling facility where a variety of waste types are processed for recovery and recycling.

The Subject Property comprises a materials recycling facility (MRF) and inert recycling operation with a waste washing plant together with areas of processing and storage land, part of which has been hard surfaced.

The site is accessed from the southern boundary via Bunny Lane, where the site is secured with steel palisade fencing and a double width gate.

The site access road is concrete surfaced with kerbs and a separate tarmacadam footpath.

The access road passes to the east of a large area of storage land which is surfaced with compacted road planings.

This area is used for material storage, with separate product bays created from concrete block walling.

To the west of this there is a recycled aggregates washing plant which has been developed on a concrete base.

Water for the wash plant is supplied from a mixture of mains, extraction from a neighbouring water source and borehole installed to the north of the wash plant.

All the process water is collected and recycled back through the plant.

The wash plant produces six products: 0-4 and 0-2 sand, 4-10 mm, 10-20 mm aggregated and oversized between 20-40 mm and 20-80 mm.

The overall site area is just over 15 acres, and has industrial and office accommodation with GIA of just over 9,000 sq ft.



Washing Plant



Skip Storage



Wash Plant bays for screened product



Weighbridge



Offices



Inert Waste Recycling Area



Storage Area



MRF Building



MRF Building - Internal

Location Report

The Subject Property is situated in a rural location east of Timsbury in Hampshire, approximately 2.5 miles north of Romsey.

The site is accessed via Bunny Lane, just off the A3057 which leads southwards to Romsey and Junction 3 of the M27, and is 8 miles to the west of Junction 12 of the M3.

The Property lies 13.5km (8.4 miles) to the north west of Eastleigh, 15.5km (9.6 miles) to the south west of Winchester and 16.2 km (10.0 miles) to the north of Southampton.



Tenant Details

Tenant	Waltet Materials Limited	Business Activity	Waste Recycling
Lease Type	FRI	Lease Start	March 2023
Months to Lease Break	60	Lease Expiry	March 2028
Passing Rent	£340,000 p.a.	Occupancy Level	100%

Tenant Commentary

The operating company of the OpCo/PropCo structure is Waltet Materials Limited.

Waltet Materials is a waste recycling company, who also specialise in skip hire, as well as grab lorry hire, and tipper lorry hire. Please see <https://waltet.co.uk/>

The business, which was established in 1988, is expecting to be trading profitably once more in the 2024 financial year (FY). It had a positive net worth of £1,531,148 as at 31 July 2021.

A new wash plant, which went into final commissioning in Q4 2022, will significantly drive gross margins in 2023 and beyond.

Truck Fuel prices have stopped increasing and prices have been adjusted slowly to recover lost margin which happened in FY22. Fuel savings are c.£5k a week compared to FY22.

Repairs and maintenance contracts have been agreed for all fleet vehicles, so repair costs will be lower for FY23 than FY22 by c.£45k.

They have also invested heavily in the last two or three years in their IT infrastructure and operating systems, making the business more efficient than it was up until the end of the last financial year.

The FY23 projections show a c.£300-350k EBITDA profit, but the overall result will be a small loss. For FY24, both EBITDA and net profit will be in the black.

Planning/Operator Licence – Bunny Lane has been used for recycling purposes for in excess of 50 years before Waltet acquired the site and obtained the operating licence to do so. The licencing portal has all the licences and licence adjustments that the site has had.

The Borrower spent three years obtaining the latest operators licence, and were one of the first in the country to successfully complete the new Environment Agency recycling operating licence.

The licence also includes the permanent permission to have a washplant operation, and have permission to allow 200,000 tonnes of inert waste or mixed waste to be brought to the site for recycling each year.

The Washplant went into final commissioning in Q4 2022. This commissioning stage saw significant material being made which has a retail value of £15 per tonne, where recycled crushed concrete retail value is £5.50 per tonne, so the washplant will significantly drive gross margins in 2023 and beyond.

Valuation Commentary

A valuation of the property was carried out by Avison Young on 24th February 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- it is a large site with opportunity for diverse activities to treat a range of waste types
- the Property is in a good location away from sensitive receptors
- currently a strong market, with a high level of development activity
- the competition is limited
- it is a well run operation with a proven track record in the market
- any value attributed to mobile and fixed plant and machinery has been disregarded
- for the purposes of the valuation report, portacabins and HGV containers are not classed as buildings
- the subject site benefits from good access to the main highway network and a good waste catchment area
- the Property has an established use for the recovery and recycling of commercial and industrial waste together with inert waste streams which underpin the waste facility
- the associated planning and environmental permit covering the whole site provide a broad range of waste types with a significant annual tonnage
- the installation of the inert washing plant has given scope to provide a range of higher added value products to the market, which can command a higher selling price
- a marketing period of circa 6 to 12 months would be required to achieve a sale at the stated opinion of Market Value
- the Property is considered suitable for secured lending purposes.

Valuation Numbers			
Market Value	£4,000,000	Vacant Possession Value	£4,000,000
Passing Rent	£340,000	Estimated Rental Value	£340,000
Reinstatement Value	£720,000		

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	£1,950,000	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	49%	LTV Covenant	55%
Interest Cover Ratio (ICR)	1.94x	ICR Covenant	1.25x
Rate of Interest	9.00%	Interest Expense (p.a.)	£175,500

Serviceability	Rental income of £340,000 will be received, with interest payments due of £175,500 p.a.
Interest Reserve	Proplend will retain £87,750 (6 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 loan term of 36 months.

Existing Facility			
Lender	Handelsbanken	Expiry	28/3/2023
Amount Outstanding	£1,400,000	Status	Up to Date

Business Plan During Loan Term
<p>The previous valuation report advised that the Property had a lack of service connections, a poor quality building, and a lack of planning permission for wash plant.</p> <p>The capital raise element is being used to address these issues (planning has now been granted for the wash plant). Approximately £300,000 is required for putting in mains electricity and water.</p> <p>The Borrower is also in the throes of closing one of the offices in Nursling and moving the team to Bunny Lane (the Subject Property), which will save c.£60,000 per annum in current overheads. Approximately £50,000 to £60,000 will be invested in new office portacabins at Bunny Lane.</p> <p>The washplant is on course to do £570k of sales by Jul-23.</p> <p>The Borrower is investing in the Bunny Lane infrastructure, and this will add value to the site, both from a cost savings perspective but will increase the asset value.</p> <p>The real focus on FY23 (from Aug-22) was to win longer term contracts and increase market share of this business, FY22 their skip/mixed waste recycling business grow by 35% year on year.</p>

Exit Strategy

There are three possible exit routes. In order of most likely to least;

- 1) refinance
- 2) trade sale
- 3) MBO/MBI with potential equity investment.

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	Individual Guarantee from an Individual Director of Waltet Limited for the sum of £487,500		
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BORROWER

Name	Waltet Limited
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Registration	UK Registered Limited Company
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Main Business Activity	OpCo/PropCo structure. Our Borrower is the Prop Co, registered in the UK, with no other assets held.
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Ownership Structure	The Company is 100% owned by Mr Mark Howard.
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Sponsor	
Name	Mark Howard
Age	61
Relevant Experience	<p>Mark has worked in the industry for many years for large quarry-based PLCs; Cemex, Hanson, and Aggregate Industries.</p> <p>At aged 34, he founded Waltet with a junior partner. Waltet grew over a period of 20 years to a business employing 120 people.</p> <p>The junior partner encountered catastrophic personal problems, and became increasingly distracted as a result. Mark has now bought him out of the business.</p> <p>They are streamlining the business in order to be able to create solid foundations for sustainable profitable growth.</p> <p>Now with 100% control of shares, Mark's focus will be on return of capital employed. Mark has personally invested considerably in the business over the years.</p>
Credit History	The Sponsor's Credit Safe score is Strong - risk band 10, and Lexis Nexis checks Passed.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	LOW
Risk Rating [3.5 to 10.02]	5.77
Risk Level	MEDIUM LOW

Lender Risks	Mitigant	Risk Level
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Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrower has invested heavily in the business and continues to do so.</p> <p>The current plans are centred around creating further longevity for the business, as well as adding value to the site.</p> <p>The Borrower has three clear and viable exit routes, provided the business returns to profit, as expected.</p>	<p>Medium</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 Borrower and associated tenant are both incentivised to ensure our interest payments are met (which are lower than those being paid to Handelsbanken, which was an amortising facility).</p> <p>Further comfort may be found in our holding of 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 Subject Property is a long-established, well located, and well run waste recycling site.</p> <p>As above, the Borrower has three clear exit routes, and in the event the tenant does not return to profitability, and the Property is sold, the current plans will add value to the asset and make it more appealing to potential buyers.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons.	<p>The gross loan advance is for a relatively modest 49% of the vacant possession value.</p> <p>The site is well located with little local competition, and the stated value should be fetched within a 6-12 month marketing period.</p>	High

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 49% 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:

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.