Credit Report

The information contained in this credit report has been provided by the applicant, who has read this report and declared it complete, accurate and correct. Sourced Capital has used reasonable care to ensure the information provided is authentic and that it has been replicated clearly and accurately in this credit report. Sourced Capital has assessed the loan against its published risk appetite and credit acceptance criteria, but it has not audited the information and, consequently, provides no warranty, recommendation or advice in relation to this loan application.

Investors should always seek their own advice before investing and are reminded that their capital is at risk, with P2P investors not benefitting from FSCS protection.

Project Overview

The borrower on this project requests funding to assist with the cost of purchasing a residential development plot known as the land on the corner of Eaves Lane and Brierley Lane, Cuddy Hill, Preston. The initial drawdown (£400,000) against the proposed Sourced Capital loan will be used to support the purchase, at which point full title to the land will be held by the borrowing company.

The site is being acquired with the benefit of full planning permission for 2 substantial new build dwellings. Having established clean title and obtained good loan security, the remaining loan funds (£1,345,000) will be used to undertake the development. Given the nature and size of the proposal a single-phase approach is deemed appropriate, and the entirety of the proposed works are encompassed within this loan structure.

Upon completion of the project, the borrower will look to sell the properties on the open market, with the sale proceeds used to fully repay the Sourced Capital Loan.

Loan Details

MARIE THOMAS1 LTD Land on the corner of Eaves Lane and Brierley Lane, Cuddy Hill, Preston			
Total P2P Loan Facility	**£1,745,000**	Day 1 Release	**£400,000**
Tranche 1 Amount	**£870,000**	Day 1 Loan to Value (LTV)	**50.00%**
Gross Development Value (GDV)	**£2,850,000**	Day 1 Value	**£800,000**
Total Loan to GDV (LTGDV – assuming maximum loan amount)	**61.2%**	Build Period	**12 Months**
Loan Term	**18 Months**	Sales Period	**6 Months**

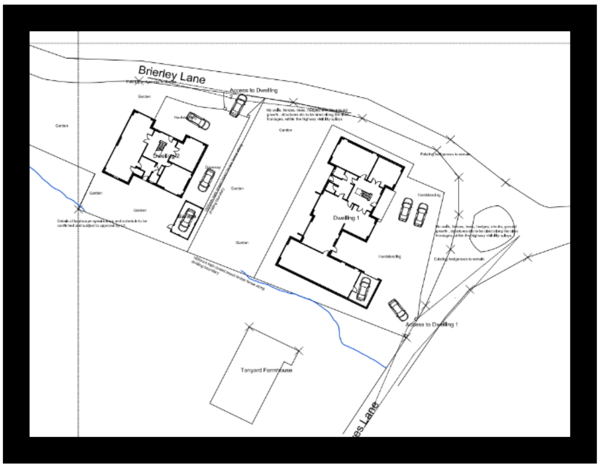
Important Notice

Lenders are being invited to support Tranche 1 of this loan, which is an amount of £870,000. This amount will secure the purchase of the land and finance the first five months' construction costs. It is important for lenders to appreciate that a second tranche will be offered in order to finance the remaining construction aspect of the development and that both this Tranche 1 and the following Tranche 2 (adding up to a maximum loan amount of £1,745,000) will rank equally in terms of security and potential loss. Lenders should, therefore, consider their risks as part of the overall £1,745,000 development transaction.

Lenders in Tranche 1 will be entitled to interest on their investment from the date of the initial loan drawdown, whereas any investors in a subsequent tranche will be entitled to interest only from the date that additional tranche is drawn down.

Whilst the maximum loan amount is established at the outset, funds are only released by Sourced Capital in structured drawdowns. The initial release of funds will support the land acquisition with all further releases of funds being used to finance the development. Any releases of loan funds in relation to the development will only be agreed by Sourced Capital after an Independent Monitoring Surveyor (MS) certifies the works done on site and verifies the amount of the contractor's application for funds. These payments are typically released no more frequently than monthly.

There is an expectation that Tranche 2 of this loan will be funded on the same interest (and other) terms as Tranche 1. All lenders, regardless of which drawdown(s) they are funding under the facility, will enjoy the same security as all other lenders in that facility and all will rank pari passu (equally). Further details regarding the loan structure and security are provided in this Credit Report.



Security

Type	Detail	Valuation	Prior charge
1st Legal Charge	Land on the corner of Eaves Lane and Brierley Lane, Cuddy Hill, Preston	£2,850,000 (GDV)	N/A
1st -Ranking Debenture	MARIE THOMAS1 LTD	No Value Attached	N/A
Joint & Several Personal Guarantee	£500,000 from Mark Whelan & Donna Wynne	No Value Attached	N/A
Collateral Warranties	From the Architect and Structural Engineer	No Value Attached	N/A

Risk Rating, Fees and Charges

Interest		Fees	
Borrower Rate	12%	Borrower Arrangement Fee	2%
Margin	0% - 2%	Payable to broker	0%
Rate to investor *	10%-12% (see details later in this report)	Exit Fee	3%
Interest Payments	All interest paid upon repayment		
Capital Payments	Lump sum repayment		

Risk	
All new loans are subject to analysis by Sourced Capital using a credit risk model. The derived loan categorisation is determined by assessment of different characteristics of the loan. These relate predominantly to the borrower's experience and credit standing, the nature and quality of the project to be funded, the robustness of the exit strategy and the level of loan security. The risk categorisation is intended only to provide a means of comparison between different loans based upon constant data inputs. The loan categorisation does not and is not intended to provide any assurances as to which loans may or may not experience repayment issues.	
Risk Category (lower/medium/higher)	Medium

Project Details

Proposal

- The borrower is raising a total loan amount of £1,745,000 which will be used to assist with the purchase and development of a residential development site which benefits from implementable planning permission to erect 2 x detached luxury new-build dwellings.
- The land to be purchased (known as Land on the corner of Eaves Lane and Brierley Lane, Cuddy Hill, Preston) is approximately 0.62 acres (0.25 hectares)in size and provides a level site of rectangular shape.
- The total loan proceeds are sufficient to develop the two properties and achieve Practical Completion of the entire project. This approach of a single-phase development is deemed appropriate given the size and nature of the scheme.
- The properties to be developed are both substantial, with Plot 1 sized at 492.4 sq.m (5,300 sq.ft), excluding the garage. Plot 2 is the smaller, but still large being sized at 371 sq.m (4,000 sq.ft).
- As would be expected of a new luxury home, both dwellings will be presented with a high specification of fixtures and fittings upon completion. Plot 1 will have the advantage of benefitting from an indoor swimming pool.
- A loan term of 18 months is proposed, allowing a 12-month period for the construction, followed by a further 6 months to complete the sales and realise sales proceeds. Whilst it is known that the borrower is intending to market the properties during construction, it is considered prudent to allow an adequate time post-construction for all legal formalities to be finalised and full repayment to be delivered.
- Repayment of the loan will be achieved via sale proceeds generated against the completed dwellings.
- Further details regarding the site, valuations and monitoring surveyor (MS) comments will be provided later in this Credit Report.
- This Credit Report includes a full financial appraisal in a later section. For ease of reference, however, and to assist readers of this report gain an early understanding of the proposal, a brief summary is also provided here:
    - The borrower has negotiated to acquire the site for an agreed price of £425,000 + fees / SDLT / costs. To complete the proposed conversion, there is a total projected build cost of £1,345,000 (£1,134,346 + contingency & professional fees).
    - The difference between the total costs (£1,770,000) and the loan amount (£1,745,000) is the borrower's cash contribution to the purchase of £25,000 + payment of all associated purchase costs, which will be injected at the outset.
    - The borrower has already injected significant funds of their own to obtain the planning permissions relating to the development. The borrower negotiated and contracted the purchase price on an option, subject to planning being obtained. It is this planning permission that has enabled the current value of the land to significantly exceed the purchase price
- Whilst the total loan facility agreed is £1,745,000, the first tranche raised from lenders is £870,000. The second tranche for the remainder of the loan will be raised at a future date and lenders are reminded to be aware of the terms outlined within the "important Notice" section earlier in this report.
- Of the £870,000, only £400,000 will be released on Day 1 to assist the purchase. The remainder of loan proceeds will be withheld by Sourced Capital and released in managed drawdowns

tranches to the contractors as the scheme progresses. The release of these withheld funds will only be made against receipt of acceptable interim reports from an Independent Monitoring Surveyor (MS), confirming that the amounts are appropriate against the progress made and the remaining costs to complete the scheme.

- The Day 1 release of £400,000 against the Day 1 value of £800,000 presents a very strong security position for lenders with a LTV of just 50%. This excellent initial position has been the result of the borrower achieving an uplift in value through gaining the planning permission to undertake this proposed development.
- The loan terms are summarised below:

Loan amount	£1,745,000
Forecasted GDV	£2,850,000
Loan interest rate for lenders*	10% per annum
Bonus interest paid to lenders	2% per annum on investments over £20,000
Borrower Interest Rate	12% per annum
Loan term	18 months
Repayment of interest	End of the term / upon repayment of the loan
Loan security	First Legal Charge over the land and properties built thereon. Other security to include a PG, debenture and collateral warranties
Loan exit	Repayment from sales proceeds
Planning status	Full Consent Held
RICS independent valuation completed	Yes – see comments later in this report

Borrower

Borrower	MARIE THOMAS1 LTD (MTL)
Company Number	13612185

- MARIE THOMAS1 LTD (MTL) was first incorporated 9th September 2021 and has since been inactive. MTL was specifically incorporated for the purposes of this venture and has not yet actively traded.
- Prior to the deal progressing to completion, Sourced Capital's legal due diligence process will ensure that there is no security registered by MTL in favour of any other lenders and also that no other borrowing liabilities are outstanding. The borrower will be confirmed as a clean special purpose vehicle (SPV).
- The most recent Companies House search showed that MTL has the SIC Code 68100 (Buying and selling of own real estate). This is not considered fully appropriate for the intended trading activity. The borrower will be required to register a more appropriate SIC Code to accurately reflect housebuilding before the loan draws down.
- The shareholding of the borrowing company (MTL) is as follows:
    - 50% owned by Mark Whelan (MW)

    - 50% owned by Donna Wynne (DW)
- MW has worked in the property sector for 35 years and has gained a wealth of experience in project management. MW's career history includes working on numerous new builds in the corporate world, comprising manufacturing facilities, residential accommodation, office blocks, roads, utility schemes etc.
- Supporting his extensive practical experience, MW has a relevant academic history, evidenced by his engineering degree, masters degree in business, as well as his construction & project management qualifications.
- DW has 28 years of experience within the property sector and has worked with MW on multiple projects. It is worthy of note that this includes project managing the build of their own family home.
- DW is degree-educated in fine arts and an award-winning designer with many residential and commercial commissions successfully delivered.
- The ownership/management structure of the borrower is deemed fully adequate for the proposed project. This knowledge base will be further supplemented by appropriate professionals being engaged to support the borrower. This will include all technical assistance needed pre-development in relation to architects, structural engineers, ground condition reports, environmental reports, etc.
- Further, as with all loans currently issued by Sourced Capital, the borrower's key principles are franchisees within the Sourced Franchise Network. It is known, therefore, that the borrowers are property professionals and undertake ongoing training to keep abreast of issues impacting the property sector.
- MTL, MW and DW have all provided a clean credit reference search and have fully satisfied the regulatory requirements of Know Your Client (KYC) Anti Money Laundering (AML).

Site Details and Property Details

- The development site to be purchased is known as the land on the corner of Eaves Lane and Brierley Lane, Cuddy Hill, Preston. The subject property is situated fronting the south side of Brierley Lane at the junction with the north side of Eaves Lane.
- The subject property comprises a fairly level rectangular plot of open land with implementable planning permission granted for the erection of two sizeable detached houses.
- The site covers a total area of 0.62 acres and benefits from access off both Eaves Lane (which will serve Plot 1) and Brierley Lane (which will serve Plot 2). The site is enclosed to all boundaries and formerly comprised part of a garden area serving the adjacent house.
- Cuddy Hill is a rural village situated approximately 8.5kms northwest of the City of Preston, lying between the equally popular similarly sized villages of Barton and Eaves. Due to the low-density population and appealing landscapes, the location is deemed desirable and appropriate for the type of development proposed.
- The location further benefits from close proximity to the Forest of Bowland Area of National Beauty and short travelling distances to the Lake District National Park and the Western Coastline
- The surrounding land around the site consists of a mixture of residential, agriculture and woodland. This comprises houses of varying age, style and size interspersed with working farms and commercial properties. These properties include a number of executive residences, valued in the £1m+ price bracket.
- Whilst the village of Cuddy Hill offers only limited facilities to residents, an extensive range of amenities and facilities can be accessed within the nearby town of Broughton and the city of Preston.

- The location provides good levels of connectivity for residents by road. Eaves Lane links directly to the A6, a principal arterial route that continues in a southerly direction linking at a roundabout junction with the M55 and M6 Motorways. This then provides access to the wider national motorway network.
- Public transport provides bus routes to surrounding towns and suburbs, as well as to the city centre of Preston. From Preston, rail passengers are directly on the West Coast Line (joining London to Scotland), with regional routes also well-served from Preston.
- Full details of the planning permission held is available by viewing the local authority's planning portal Planning Application Search (preston.gov.uk) using the reference **06/2021/1546** (Ex Ref 06/2020/0486).. This approval decision was granted 05/05/22 and all planning documents are available for viewing via the above link.
- In addition to the local authority's website, detailed information regarding the proposed scheme is provided within the independent valuation report instructed by Sourced and produced by MC & Co. Chartered Surveyors, dated 05/06/2022. That report is available for viewing by lenders.
- The new-build houses will be of timber frame construction with brick faced elevations below a dual pitched roof of timber truss construction weathered with tiles. All windows will be double-glazed and interior fixtures/fittings will be of suitably high standard expected by buyers at this price point.
- Both of the two new properties to be constructed are large, executive/exclusive dwellings. Details of the units are available in the planning documents, the Valuation Report and the Monitoring Surveyor's (MS) Report. For readers' ease of reference, a brief breakdown of the proposed accommodation is also provided in this section of the Credit Report.
- Each house will be of differing sizes and configuration, albeit both Plot 1 and Plot 2 will be arranged over three storeys and each house will have the benefit of enclosed garden areas, private driveway and garage.
- The measurements for the two new properties are as detailed below (the figures excluding the garages)

Accommodation	**m²**	**f²**
Plot 1	492.40	5,300
Plot 2	371.00	4,000
Total Net Sales Area	**863.40**	**9,300**

- The proposed accommodation comprises the following:
- **Plot 1: A Five-Bedroom (All En-Suite) Detached House With Pool and Gymnasium**
  - **Ground Floor:** Entrance onto inner hallway providing access to office, lounge, open plan dining room and living room, utility room, pantry and cloak room with WC. Located off the lounge and dining room is the kitchen with door access onto an indoor swimming pool with gymnasium and further integral access onto the single garage.
  - **First Floor:** Stairs from ground onto landing providing access to master bedroom with dressing room and en-suite bathroom, two further en-suite double bedrooms and family bathroom with WC. There is a secondary staircase onto the second floor.
  - **Second Floor:** Stairs from first floor onto landing providing access to a further two en-suite double bedrooms.
- **Plot 2: A Five-Bedroom (All En-Suite) Detached House**
  - **Ground Floor:** Entrance onto hallway with stairs providing access to the upper floor. Located off the hallway is an open plan lounge/dining area and kitchen with pantry located off the kitchen. There is a further door providing access to the utility room

        and cloakroom with WC. Also accessed off the main hallway is a second lounge and additional reception room.
    - **First Floor:** Stairs from ground onto landing providing access to master bedroom with living area, dressing room and en-suite bathroom, two further en-suite double bedrooms and family bathroom with WC. There is a secondary staircase onto the second floor.
    - **Second Floor:** Stairs from first floor onto landing providing access to a further two en-suite double bedrooms.
- The subject property benefits from connection to or proximity of all mains services, including water, drainage, electricity, gas, data and telephone. In addition to all mains services, both properties will also have the benefit of a modern hot water and space heating system.
- Both properties will be sold with Freehold tenure.

Build Appraisal

- The borrower has been given approval from Sourced Capital to progress their preferred procurement methodology and to formally appoint MARIE THOMAS PROJECT MANAGEMENT LTD (MTPML) as main contractors
- MTPML is owned by the two key principals within the borrowing company, namely MW & DW. Given the intrinsic connection between borrower and contractor, the project is essentially being self-procured and project managed by the principals.
- As highlighted previously within this report, MW & DW have extensive experience within the property industry, with directly-relevant construction expertise, technical knowledge and experience. It is the ability to demonstrate capability that underpins Sourced Capital's willingness to enable MTPLML to be main contractors on this scheme.
- From a lenders' perspective, it would typically be considered helpful that that the construction management company has a strong vested pecuniary interest to ensure that the development scheme successfully completes and is a financial success.
- The connection between the borrower (developer) and the main contractor is deemed beneficial as it significantly reduces the usual element of contractor's profit on the build costs. The primary driver for MTPML is to ensure the scheme is delivered to completion as cost-effectively as possible to maximise profitability at the point of sale.
- The contractors have produced a total build cost and build schedule for the entirety of the development, pricing it at £1,134,346. Whilst costed as a fixed price, turnkey contract, a 10% contingency has been added by Sourced Capital for prudence and good practice, increasing the available funding for construction works to £1,247,780. When added to the amounts required for the £58,500 CIL payment, warranty and professional fees, this brings the total build costs to the figure of £1,345,000 stated elsewhere in this Credit Report.
- A JCT Building Contract (intermediate) will be in place between the borrower and MTPML to confirm these figures and it is a condition of sanction that Sourced Capital's representatives are satisfied with the construction documentation before any funds are released towards the construction costs.
- Sourced Capital has been provided with a detailed schedule of works, outlining a projected build term of 12 months. This has been reflected within the proposed loan term, allowing for a prudent 6-month sales/marketing period thereafter.
- Whilst the valuer references the build costs within their report, lenders should refer to the costings as detailed within the MS Report, as these reflect the latest, updated version of the budgets and quotes received.

- It is interesting to reference the valuer's comments that (at the lower level budget), they considered "these costs are fair and reasonable for a "self-build" developer". The fact that the projected costs have since risen is a very clear, real-life example of how volatile the material and labour costs can be in the current market. As such, it is evident why it is important to constantly review the project finances and why it is also considered prudent to include a contingency.
- For the protection of lenders' interests, the finalised costs have been reviewed by an independent Monitoring Surveyor (MS) instructed by Sourced Capital to overview the aforementioned build schedule/costs and further details regarding their initial report will be discussed in a later section of this Credit Report.
- Going forwards, the same MS will provide interim reports to confirm all is in order with the development prior to any funding being released from the loan.
- In summary, the proposed procurement methodology is deemed to be acceptable to Sourced Capital and has been ratified as acceptable by the Independent Monitoring Surveyor. A pre-requisite will be sight of the formal construction contracts and associated construction documentation.

Monitoring Surveyors Initial Report

- Quantum GN Limited (QGN) have prepared an Initial Monitoring Surveyor Report, dated 30th June 2022. A copy of this document is available for viewing by lenders.
- The independent MS was instructed to provide an independent project review to include the proposed build costs/schedule provided by the main contractor and also comment upon any other salient issues.
- Given that the amounts and timelines for this project have been mentioned elsewhere in this Credit Report already, it is not proposed to unnecessarily repeat that same information in this section of the report.
- Instead, it is deemed acceptable to summarise that the MS confirms the loan amount, the amount being released on Day 1 and the amount of the conversion costs, are all acceptable at the figures as detailed within this Credit Report.
- Within their initial report, the MS comments that both the allocated build costs and build term look realistic and sufficient to take the project to practical completion. The MS believes the proposed JCT contract to be sufficient for the development.
- Planning permissions are confirmed as acceptable, detailing the planning approvals referenced earlier in this Credit Report. QGN will monitor the pre-occupation conditions throughout the build duration.
- The MS Report advises of the following contracts and appointments, the key team members being:
  - Contractor: Marie Thomas Project Management Ltd (appointed by JCT Intermediate Building Contract)
  - Architect: JWM Design & Planning
  - Engineer: BDI Structural Solutions
  - Monitoring Surveyor: QGN
  - Building Control – Ball & Berry
- Section 1.5 of the MS Report includes a summary of recommendations that should be addressed. These are effectively just a replication of Conditions of Sanction in the Offer Letter issued by Sourced Capital. As such, all these points are already in scope and Sourced Capital will ensure that each of the points are addressed as part of the due diligence process.

Valuation

- An independent professional valuation was instructed by Sourced Capital, with the correctly addressed report produced by MC & Co. Chartered Surveyors (MC&C) dated 5th June 2022. A copy of the valuation report is available for viewing by lenders.
- MC&C provided their valuation for Secured Lending Purposes and advise that they "...consider that the property represents suitable security for your proposed loan purposes…"
- Within the afore-mentioned report, the Day 1 Valuation is advised as £800,000 (as shown on the front page of this Credit Report). The loan structure agreed with the borrower is for Sourced Capital to release just £400,000 at this juncture. The Loan to Value (LTV) will, therefore, equate to just 50% on Day 1.
- The professionally advised Gross Development Value (GDV) after completion of the development is £2,850,000. Using this figure and the fully drawn loan amount of £1,745,000 (including all contingencies), the Loan to Gross Development Value (LTGDV) equates to 61.2%.
- All valuation figures provided by MC&C have been prepared in accordance with normal practice and they have valued the property by way of the residual and comparable (market) approach. Full details of the comparable properties assessed to help determine the GDV are detailed within the valuation report.
- Having analysed the comparable sales, the valuer advises a market rate of £315 per sq.ft for plot 2 and £300 per sq.ft for plot 1. A breakdown of their proposed estimated values is presented below:

Accommodation	GDV	Price Per Square Foot
Plot 1	£1,590,000	£300
Plot 2	£1,260,000	£315
Total	**£2,850,000**	

- The Day 1 Valuation advised by the valuer is calculated by using the projected GDV and then calculating what would be deemed the remaining value after allowing for all potential costs of the development – including the expected developer's profit. This is the industry-wide accepted approach known as the residual value methodology.
- As is typical with all Sourced Capital's new loans, in addition to the Open Market Value (OMV), the valuer was also requested to advise valuation figures adjusted to reflect the special assumption of a restricted marketing period of 180 days. This is requested to reflect a distressed sale scenario and help assess the risk of loss in default.
- In this instance, the valuer has advised that there would be no adjustment needed to either the £800,000 Day 1 Value or £2,850,000 GDV if a restricted marketing period of 180 days was evident.
- Lenders can, therefore, take comfort in the knowledge that the independent professional valuer is of the opinion that the maximum marketing period needed to achieve the stated values for Day 1 and GDV is just 6 months.
- Further, it should be noted that the valuer has also provided valuation figures assuming a restricted marketing period of just 90 days. Such an assumption would typically be used to represent the "worst case scenario" (aka "Doomsday scenario").
- Even within this extremely distressed sale scenario, the valuer has advised an estimated GDV figure of £2,500,000 and a day 1 Value of £720,000. Against the total loan amount of £1,745,000 and the Day 1 advance of £400,000, these would equate to an LTGDV of 69.80% and Day 1 LTV of 55.56% respectively.
- Therefore, lenders can be reassured by the fact that even within this highly restricted timescale scenario, an extremely strong security position should remain.

- The valuer indicates no anticipated issues with regards to contamination, flood risks or other environmental issues impacting the site. A full review of these issues will, however, form part of the legal due diligence process and specific searches and surveys will need to be provided as a condition of sanction.
- In summary, based upon the valuer's commentary for both costs and timelines, the proposed loan structure is deemed completely suitable. Furthermore, the proposed development appears completely suitable for the subject location and saleable within a 6-month timeline.
- All the figures referenced in this Credit Report are consistent with those detailed within the independent valuation report.

Financial Appraisal

- A summary of the key financial metrics is provided in the table below:

	Financial Summary		
Purchase Price	£425,000 + Acquisition Costs		
Day 1 Market Value	£800,000		
Borrower Cash Contribution	£25,000 + Acquisition & Planning Costs		
Loan for Purchase	£400,000		
Loan for Development Works	£1,345,000		
Total Facility	£1,745,000		
Finance costs (Full interest and all fees)	£401,350		
Cost of Works (Includes contingency)	£1,345,000		
Acquisition Costs (Paid by borrower)	£49,250		
Total Project Costs	£2,171,350 (+ Acquisition Costs)		
Estimated Developer Profit	£678,650 (- Acquisition Costs)		
Forecasted Profit / GDV	23.81% (pre acquisition costs) 22.08% (post acquisition costs)	10% GDV Drop	20% GDV Drop
Forecasted GDV †	£2,850,000	£2,565,000	£2,280,000
LTGDV	61.23%	68.03%	76.53%
LTV at purchase*	50%	N/A	N/A
† The Gross Development Value (GDV) is based on the independent professional valuations using comparables from "On-Market" and "Sold" prices of similar properties. *The LTV at Purchase is calculated using the Day 1 Valuation and the initial release from the loan.			

- The advised LTGDV of 61.23% is calculated assuming all of the loan balance has been fully drawn. This includes full use of the contingency which has been included within the loan for prudence.
- The low day 1 LTV (50%) and LTGDV (61.23%) present a strong security position for lenders from the initial drawdown.
- The full loan amount of £1,745,000 will be raised across two different tranche loans and released in structured drawdowns by Sourced Capital.

- The first amount of £400,000 will be released to support the purchase of the property. These funds will only be released by the solicitors acting for Sourced Capital to legally complete the purchase when all legal due diligence has been satisfied. At this point, the borrower will have full ownership and the loan security will be confirmed as being correctly in place.
- The remaining £1,345,000 from the total loan proceeds will be released to support the development costs being incurred by the borrower.
- These funds will be drawn down via a number of separate releases, following receipt of satisfactory interim reports from the Independent Monitoring Surveyor (MS). Following each site visit, the MS will provide a report advising Sourced Capital as to the amount of funds to be released (reflecting the work done to that point). Those interim reports from the MS will also advise if the standard of work is acceptable and compliant. In addition, the MS will comment on the projected time and costs remaining to complete the development.
- This proposed loan structure enables Sourced Capital to closely monitor the development as it progresses. In turn, we will regularly update lenders regarding the development of the scheme and whether it remains on course to be successfully delivered as expected within the agreed loan structure.
- Given the strong security position and the deal dynamics, lenders can see from the above table that the LTGDV stays below 70%, even allowing for a 10% reduction in the professionally advised GDV, whilst still including the fully contingency in the costs.
- For further comfort, should the GDV reduce in value by as much as 20% from the point of loan drawdown, there is still ample security cover, with the LTGDV being 76.53% when using these distressed assumptions – again, whilst still including the fully contingency in the costs.
- As mentioned earlier in this Credit Report, there is a CIL requirement to pay an amount of £58,500. This requirement does not create any issues with the proposed repayment strategy and is accommodated within the costs allocated within the loan structure.

Exit

- The primary strategy for repayment of the loan is from the sale of the properties being developed.
- As previously detailed within this Credit Report, the loan structure provides all the required funding for the projected development costs (including a contingency and CIL).
- The independent valuation instructed by Sourced Capital was obtained to determine the projected security values and is fully supportive of the proposed loan structure.
- In addition to the headline GDV, the independent valuation advised that even with a restricted marketing period of 180 days, the properties would still be expected to sell for the advised GDV of £2,850,000. Consequently, even in a distressed sale position, the valuations indicate that investor capital should not be at risk.
- The level of security cover provided by the LTGDV provides comfort for lenders. The prices realised by the borrower at sale would need to be more than £1,105,000 (38.77%) below the GDV advised by the professional valuations (provided specifically for loan security purposes) before any lender capital is at risk of loss.
- In assessing the exit strategy, it is a strength for lenders that the security is represented by two different units. Whilst £1.56m and £1.26m are high-value properties, this level is in keeping with similar properties in the locality and will, undoubtedly, have a larger target buyer market than a single unit at £2.85m.
- It is additionally comforting to note that following the first sale, there will be a large reduction to the loan balance outstanding and any residual balance will benefit from a very low LTV.

Security

- The primary loan security is the unfettered first legal charge to be held over the land being purchased and the properties being developed thereon.
- All the figures detailed in this Credit Report are based upon the opinion provided by an independent valuer and a copy of the full valuation report is available for viewing by lenders.
- Against the advised Day 1 valuation of £800,000, the Loan to Value (LTV) is just 50% with the initial tranche of £400,000 drawn.
- The full loan of £1,745,000 against the advised GDV of £2,850,000 represents a LTGDV of 61.23%.
- Full details of the property have been provided earlier in this credit report.
- A joint and several personal guarantee (PG) of £500,000 will be provided by the two key principals (MW & DW). For absolute clarity, there is no allocation of any value to the personal guarantee within the LTV calculation. This PG is being taken to formally connect the principals to the loan and to demonstrate their belief and commitment to the scheme proposed.
- MW and DW have provided details of their personal assets/liabilities. For confidentiality purposes, however, these will not be published on the platform as there is no reliance upon the PG when assessing the LTV.
- A 1st-ranking debenture will be held in relation to the borrower. Similar to the PG, no security value has been allocated to the debenture.
- To complete the security suite, Collateral Warranties from the Architect and Structural Engineer will be held.

Conditions and Covenants

Conditions Precedent

- Satisfactory Report on Title or appropriate title indemnity insurance.
- Loan and security documentation with Collateral Warranties and step in rights.
- Sight and Satisfaction with a full independent valuation of the Property, including marketability and market absorption commentary.
- Sight and satisfaction with a full financial appraisal of the project, including details of works/costs.
- Satisfaction with all KYC/KYB/AML processes, including confirmation regarding shareholding and directorships.
- Sight and satisfaction with an independent Monitoring Surveyor's Initial Report.
- Sight and satisfaction with a build programme from the contractors showing a maximum period of 12 months and confirmation from the Monitoring Surveyor that a build time not exceeding 12 months is achievable.
- Confirmation of implementable planning for the proposed development – matching the appraisal.
- Loan and security documentation with Collateral Warranties and step in rights.
- Sight and satisfaction with environmental reports.
- Satisfaction that Energy Performance Certificates will be in place and will be at a rating level "E" or better.
- Representative of Sourced Capital to visit the Property or arrange a site visit.
- All professional reports are to be addressed to Jark Security Trustee Limited (as Security Trustee).
- Adequate insurance cover with Jark Security Trustee Limited named as First Loss Payee.

- The proposed contractors and procurement methodology to be acceptable to Sourced Capital.
- Sight and satisfaction that the borrower has an acceptable SIC Code registered at Companies House.
- Sight and satisfaction with an appropriate JCT contract for the construction project.
- Satisfaction that all relevant parties of the development team hold adequate PI Cover.
- Evidence the pre-commencement planning conditions have been discharged or submitted for discharge
- Sight and satisfaction of the site investigation report.
- Building regulations plans approval or evidence this has been submitted.
- F10 & pre-construction H&S information.

Conditions Subsequent

- Monitoring Surveyor is to visit the site as appropriate to value the works and report to Sourced Capital no less frequently than bi-monthly.
- Representative of Sourced Capital to visit the Property or arrange a virtual visit at any time, subject to reasonable notice being provided.
- Drawdowns not more than monthly against satisfactory Monitoring Surveyor certificates.
- All professional reports are to be addressed to Jark Security Trustee Limited (as Security Trustee).

Covenants

- Max 65% loan to GDV.
- We do not fund VAT so the Borrower will need to cover VAT costs.
- The Borrower should ensure that sufficient working capital is available to meet the build costs between the stage drawdowns as certified by the MS.

Risk Appraisal

Security Risk – As with all property security, there is a risk that fluctuating market valuations may result in the security cover not being adequate to cover the loan balance, should there ever be a need to rely on the security in case of default. In this instance, with the loan to values stated, there is significant scope for any reductions in security value before the loan amount ever becomes exposed. An independent valuation has been instructed by Sourced Capital to assess the security cover and independent solicitors will be utilised to undertake the required work for Sourced Capital to perfect the loan security.

Development Risk – Any new-build development will present a risk to lenders that the construction works may not be completed to the required quality or may be subject to overrun on costs or timescales. The loan structure proposed provides a contingency for both cost and time with the security coverage calculated assuming the full amount (including contingency) being drawn. Sourced Capital has undertaken due diligence on the main contractor and a JCT contract will be in place giving comfort regarding the costings and the intended procurement method. It is additionally comforting that the owners of the main contractor for this project are also key principals within the borrowing company, as this avoids the risk of “rogue contractors” not committed to achieving completion. They bring a wealth of experience and are also financially tied to the project becoming a success.

Exit Risk – The loan is being provided on the basis that the repayment will come via receipt of sales proceeds. The obvious risk to lenders is that the borrower is unable to sell the properties at the expected price point. The clear mitigant to this risk is provided by the security coverage held and the positive commentary from the independent valuer. The valuation appears extremely robust, and it is expected that there will be a lot of interest in the site from buyers. Notwithstanding this, the GDV could still reduce by up to 38.77% before any lender capital is at risk.