|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Borrower  GHL (Whitby) Limited  Version 9.0 | 19-Apr-2024 | Relationship | Product type | Broad/detailed sector | Asset type | Industry | Proposed for |
| GHL (Whitby) Limited | Existing Borrower | Development Real Estate | Resi Dev (>50% valuation comes for Residential) | Residential | 41100 / Development of building projects | CRMC(NO Exceptions to Policy Proposed[Link>>](#_Committee)**)** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Deal synopsis | | | * **Borrower**: GHL (Whitby) Limited,(“Borrower’),SPV of Galliard Holdings Ltd & C J O'Shea Group Ltd (50:50 ) has requested ON for a c£20.5m development facility for the phase 1 of a 3-phase development (Incl.:78- bed, 5-star Hotel & 179 holiday lodges) on a coastal Raithwaite estate spanning across 83.5 acres (F/H; has a 4 -star, 73 bed hotel on site; Rest site is vacant) in Whitby, North Yorkshire (YO21 3ST). * **Current Request for Phase 1:** Borrower has already purchased the 83.5 acres site for c£13.7m & additionally incurred c£1.28m towards professional fees & initial development for phase 1 and has requested ON to completely fund the remaining development cost (incl. fees, interest) for phase 1. * Phase 1 comprise development of 21 Holiday lodges & extensive refurbishment of the existing hotel (FH, 4-Star, 73-bed) on site to a 78- Bed luxury 5-star hotel having SPA, multiple pools etc. * **Phase 2 & 3** debt & costing not considered as borrower focus is on Phase 1 and will likely get cheaper financing from another lender on the phase 2 & 3 which does not incorporate hotel elements of the wider site. Though ON will have the charge on complete site. | | | | | | | | | | | | | | | |
|  | | | Property development facility (Phase 1) | | | | | | | | | | | | | Trading Loan (Hotel) | | |
| End Use | | | Hotel Refurbishment & Dev. of 5 additional rooms | | | | Dev. of 21 Holiday lodges and infra costs for phase 1 | | | | | | | **Total** | | Hotel refurb. loan to flip into trading | | |
| Gross facility | | | £9,561,781 | | | | £10,866,753 | | | | | | | **£20,428,534** | | **£9,561,781** | | |
| Net facility | | | £8,706,473 | | | | £9,894,713 | | | | | | | **£18,601,187** | | -- | | |
| Term | | | **Phase 1:** 18 months | | | | | | | | | | | | | 36 Months | | |
| Pricing | | | 5.00% + BoE BR | | | | | | | | | | | | | 4.50% + BoE BR | | |
| Amortization | | | Bullet repayment at maturity | | | | | | | | | | | | | Nil | | |
| Interest payment | | | Roll up | | | | | | | | | | | | | Cash Paid | | |
| Arrangement fee | | | 1.00% on Phase 1 funds (£204,285) | | | | | | | | | | | | | | | |
| Exit fee | | | 0.75% on Phase 1 funds (£153,214) | | | | | | | | | | | | | | | |
| IMW | | | 10 months’ interest, if only Phase 1 funds utilised | | | | | | | | | | | | | 18 months’ interest | | |
|  | | | Cross-collateralised | | | | | Aggregate exposure | | | | | | ON debt selldown | | | | |
|  | | | NA | | | | | £34,496,281 | | | | | | No | | | | |
| UBO/management | | | UBO | | Guarantee (Phase 1 Facility) | | | | | | | Guarantee From: | | | | Credit search | | |
| Stephen Conway  Rory O’Connor | | 10% of Gross loan, to cover capital and interest or cost overruns | | | | | | | Galliard Homes &  O’Shea Group | | | | No Hits / No Adverse Hits | | |
| Capital stack/ key metrics | | | |  |  |  | | --- | --- | --- | | **Capital stack** | | | |  | Amt (£’000) | % | | ON | 20,429 | 57.6% | | Cash Equity | 15,030 | 42.4% | | **Total** | **35,459** | **100%** | | | | | | | | | |  |  |  | | --- | --- | --- | | **Key metrics** | **Base case** | **On Dwn** | | LtGDV | 51.7% | 65.6% | | LTC | 57.6% | 57.1% | | ICR (Y3) | 1.9x | 1.8x | | Gross Lev. (Trading) – (Y3) | 6.9x | 7.5x | | | | | | | | |
| Returns (Development) | | | | | | | | | | | | | | | | | | | |
| Gross yield | | 10.92% | | | | | | | | | | | RWA\* | | | | | 150% | |
| PD (Old Moody’s model /ONrA) \* | | 0.17% / 0.09% | | LGD (Old Moody’s model /ONrA) \* | | | | | 15.0% / 15.0% | | | | Proposed internal risk rating (existing /ON internal test grid) | | | | | 1 / 1 | |
| Returns (Investment) | | | | | | | | | | | | | | | | | | | |
| Gross yield | | 10.25% | | | | | | | | | | | RWA\*\* | | | | | 100% | |
| PD (Old Moody’s model) \* | | 0.71% | | LGD (Old Moody’s model) \* | | | | | 15.0% | | | | Proposed internal risk rating (existing /ON internal test grid) | | | | | 1 | |
| Deal team | | | | | | | | | | | | | | | | | | | |
| DFD | Damien Hughes | | | | | Credit Analyst | | | | Siddartha Jain | | | | | QC / Team Lead | | Mukesh Modi | | |
| Disclosure: Abovementioned individuals certify that they do not have any existing or potential conflict of interest with the Client or any related parties. \*As per standard policy / calculations/ RWA 150% as per article 126. \*\*As per standard policy / calculations/ RWA 100% as per article 124 | | | | | | | | | | | | | | | | | | | |

Client referencing

|  |  |
| --- | --- |
| Deal introducer | Client referenced/details of reference |
| Mark O’Connor, Investment Director, O’Shea Group | O’Shea and Galliard are existing clients. |

# Section 1: Executive summary

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  | | --- | | Loan purpose and deal background | | * **Phase Split:** Dev. Of 179 Holiday homes (Lodges/Villas/Apartment) & refurb of an existing 4-Star, 73- Bed hotel into a 5-Star, 78 Bed Hotel:  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Phase I** | | **Phase II** | | **Phase III** | | | **Particular** | **#** | **Particular** | **#** | **Particular** | **#** | | 1 bed Lodges | 6 | 1-Bed Apartment | 7 | 1-Bed Apartment | 21 | | 2 bed Lodges | 8 | 2-Bed Apartment | 10 | 2-Bed Apartment | 31 | | 3 Bed Lodges | 4 | 3-Bed Apartment | 1 | 1 bed Lodges | 21 | | Coastal Villas  (2-Bed) | 1 | 3 Bed Lodges | 33 | 2 bed Lodges | 27 | | Coastal Villas  (3-Bed) | 2 |  |  | 3 Bed Lodges | 7 | | **Total** | **21** | **Total** | **51** | **Total** | **107** | | **Refurb 73- Bed Hotel into 78- Bed Hotel** | |  |  |  |  |  * **Site:** 85 acres site of which 1.56 acres is held by 3rd party (sold by previous owner) <[Details](#ThirdpartyOWNERSHIP)><[Site Map](#EXISTINGSITE)>. Borrower owns 83.5 acres, acquired in Apr’23 for 13.75m (incl. £1m stamp duty), funded through equity. * **Phase 1 development**:  1. **Refurbishment and extension of existing hotel** (operational since Oct-2011)**:** The incumbent 73-beds <[Link](#EXISTINGSITE)>, 4-Star Raithwaite Hall Hotel (bifurcated amongst Raithwaite Hall (main hotel): 45 Beds <[Link](#RaithwaiteHALLhotel)> and The Keep: 28 Beds <[Link](#THEkeep)>) would undergo extensive refurbishment (Capex: c.£8.8m) and would be upscaled to 5-Star standards, besides increasing the capacity to 78-beds, through construction of 5 x 1-Bed luxury Woodland lodges (Capex: £0.56m) <[Link](#PROPOSEDunitMIX)> and addition of spa, pools, new restaurants on site. During refurbishment period, all operations of the hotel will be closed. Expected PC: Soft launch by Summer 2024.  * The borrower would partner with Black Swan Oldstead (a Michelin Star Restaurant), which is led by Chef Tommy Banks <[Link](https://www.blackswanoldstead.co.uk/)>  1. **Construction of luxury Holiday home Units:** Development of 21 units comprising mix of 1 to 3 bed - Lodges, Coastal Villas, and Cottages (Capex: £7.0m). 2. **Infrastructure related works:** It includes sitewide drainage and service trenches connections, Estate Road works and landscaping, S104 drainage and pump station works, Earthworks remodelling, and S278 highway improvements, among others (Capex: c.£3.5m).   Overall, the estimated development costs for Phase 1 stood at £19.9m, of which £1.3m has already been incurred by the borrower, whilst the balance £18.6m to be funded by ON.   * **Phase 2 & Phase 3 development (Not considered currently):** Under these phases, borrower would develop 158 units incl. a mix of 1 to 3 bed - Lodges, Apartments and Cottages. <[Phase-wise Unit Mix](#PROPOSEDunitMIX)> (Capex: £35.0m), Furthermore, remaining infrastructure works would be carried out against a planned capital outlay of £3.8m. * **Scheme Background** * **Planning permission:** Planning permission for the proposed scheme was received in Jan-2018 <[Planning Link](#PlanningDECISION)>besides other permissions in the subsequent years. * **Current development Status (Phase 1):** Holiday Units: The Entrance Lodges (4 units) foundation were installed prior to acquisition, whilst in case of The Entrance Coastal Villas (3 units), substructure works commenced in Oct-23. Hotel: Strip out works for the first fix MEP ongoing. <[Map View](#ProjectSTATUS)>   **Strategy:** Furnished below are the assets wise details:   * **Hotel:** As advised by Knight Frank, hotel ADR to increase to £250 levels from levels of £158 in 2023.Borrower plans to operate the hotel and will flip the dev. Loan into trading. The borrower has discussed the ADR and Occ. With Knight Frank and benchmarked there KPIs (ADR/Occ.) basis the <[KF report](#KFdata)> * **21 Holiday Units reserved:** As per borrower entire 21 units for phase 1 were earlier reserved under the previous owner of which 7 units are still reserved including: 3-Cottages, 2 Lodges and 2 Costal Villas each. (Details on cancellation for the 14 other units not provided). * Borrower has confirmed that, £1,000 reservation fees is held by the sales agent for the 7 units. Sale contracts are being prepared which will set out term for a 10% deposit to be collected on formal exchange. Exchanges are expected in the next 2 months. * **Borrower Group:** Both **Galliard Holdings Limited** <[Details](#Galliard)> and **CJ O’Shea Group Limited** <[Details](#Oshea)> are known to ON. On an aggregated basis, Galliard has total o/s of c.£21m amongst 6 different loans <[Existing Galliard exposure](#GalliardEXPOSURE)>, whilst for CJ O’Shea Group, ON approved two deals in 2022 but were Withdrawn/Lost <[nCino Link](https://oaknorth.lightning.force.com/one/one.app#%3D)>. Notably, the JV has cumulative delivered 13,500+ units in last 10 years. |  |  |  | | --- | --- | | Summary credit insights | | |  |  | | Location [link](#_Location_Analysis)>>/ property [link>>](#_ANNEXURE_1:_property): | * **Location:** Whitby is a Popular tourist destination with demonstrated demand for both hotel rooms and holiday homes. Tourism accounts for 23% of total employment with footfall of c.7 million annually. * **Site**: Coastal facing site, with few units to be sea facing as well. | | Execution Risk | * Development costs and timelines may not be met. **Mitigant:** Experienced developer, O’shea Group, having over 6 decades of experience and a c£1.75bn construction pipeline will be undertaking the construction. Expected to have tight controls in place. | | Price related risk | * Prices of units may see a shortfall. Further there are limited holiday home comps available. * **Mitigant:** The project has seen the demand with entire 21 units for phase 1 were earlier reserved under the previous owner of which 7 units are still reserved. However, need comfort on demand for such high specs and high-priced homes. * **Pricing:** Borrower’s estimated avg. price/unit is £486.4k. We have also looked at the price of residential homes in nearby location, wherein prices of homes are similar range as the borrower, however, size of homes is 67% more than the (2-bed) units being offered by borrower. | | Valuation of  Hotel / Operating performance | * Borrower has currently shared the turnkey value of hotel at £15.9m and expects the stabilised value to be 15-20% higher. (Updated Valuation CP to ON Lend), which will further improve the LTV. * **Key Risks:** Detailed projections for the hotel with key cost breakdown & revenue sources not provided (Will be CP to ON lend). No strategy on route to market/marketing strategy, target customers. Borrower is banking on newly appointed GM to run the hotel. Also, EBITDA wise past operations have not been profitable. * In Yr 1 hotel is expected to make £1.4m Ebitda vs (£500k) Ebitda when they closed. Seems optimistic. Leverage for hotel very high considering regional location and optimistic forecasts | | Management | * Both Galliard Homes and O’Shea Group have jointly delivered over 13,500 units in last 10 years as JV. * The GM and DGM hired from Gara Rock have experience in turning round the hotels into profitable luxury offering. * **Key Risk:** Updated financials for Galliard and O’Shea Group not provided. However, financials as of Mar-23 for both the entities have been provided below. Details on the liquidity and equity commitment in next 2-3 years across other projects not available. (CP to ON Lend). | | Incentive/ ability to hold | * 10% of the Phase 1 Gross loan amount (i.e. c£2.0m) to cover capital and any interest or cost overruns. * c£15m of equity already injected prior to any utilisation of ON development funds. | | Risk/ return | * Comfortable Debt Metrics in Case 3 with LTV at 51.7% (Case1: 65.6%) & LTC at 57.6% (Case1: 57.1%. | | |  | | --- | | **Subject address** | | **Raithwaite Estate**, Sandsend Road, Sandsend Whitby, North Yorkshire YO21 3ST <[Google View](https://www.google.com/maps/place/Raithwaite+Sandsend/@54.4896068,-0.6896935,14z/data=!4m9!3m8!1s0x487f19bf3e8d604b:0xa399e06d4afc600a!5m2!4m1!1i2!8m2!3d54.4923487!4d-0.661423!16s%2Fg%2F1s04w5djs?entry=ttu)> <[Street View](https://www.google.com/maps/@54.4965198,-0.6552776,3a,90y,127.37h,84.13t/data=!3m6!1e1!3m4!1su2RZOb1j9VXZ52FZL-mqKw!2e0!7i16384!8i8192?entry=ttu)> |  |  | | --- | | **Flood/climate Risk** | | **EPC:** Phase 1 lodges and villas – B (registered under 2013 Building Regulations)  Phase 1 Cottages – C (registered under 2021 Building Regulations).  **Risk from Sea & Rivers**: Very Low; **Mitigation:** NA  **Overall Transition Risk Rating:** **█** |  |  |  | | --- | --- | | **Existing Site Map** | | | **Raithwaite Hall (45 Bed)** | **The Keep (28 Bed)** | |  |  |  |  |  | | --- | --- | | **Proposed Development (CGIs)** | | | **The Entrance Lodges** | **The Entrance Cottages** | |  |  |  |  | | --- | | Proposed Site Map | |  |  |  |  |  | | --- | --- | --- | | Valuation & Credit Metrics | | | | Key metrics (£m) | Base case (Case 1) | on Dwn (Case 3) | | Hotel GDV | 15.9m | 14.0m | | 21 Holiday home units GDV (Phase 1) | 10.2m | 8.7m | | RV of Phase 2 & Phase 3 | 13.3m | 8.4m | | **Total Value (incl. RV of Phase 2 & 3)** | **39.4m** | **31.1m** | | ON Debt (Peak) | 20.4m | 20.4m | | **LtGDV** | **51.7%** | **65.6%** | | **LTC** | **57.6%** | **57.1%** | |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | Key Financials for Trading Loan | | | | | | | | | **Historical (Pre-refurbishment)** | | | | | | | | **Amt: £’000** | **2020** | **2021** | **2022** | | **2023** | | Capacity | 73 | 73 | 73 | | 73 | | Occ. | 72.0% | 51.0% | 81.0% | | 62.0% | | ADR (£) | £150 | £167 | £161 | | £158 | | *Room Revenue* | *2,880* | *1,279* | *2,689* | | *2,578* | | *F&B and other* | *2,414* | *1,370* | *1,973* | | *1,868* | | **Revenue** | **5,294** | **2,650** | **4,662** | | **4,446** | | **GOI** | **2,055** | **804** | **1,721** | | **1,276** | | *Margin* | *38.8%* | *30.3%* | *36.9%* | | *28.7%* | | **EBITDA post FFE** | **388** | **(273)** | **187** | | **(472)** | | *Margin (%)* | *7.3%* | *(10.3%)* | *4.0%* | | *(10.6%)* | | Key Financials | | | | | | | | | **Forecast (post-refurbishment)** | | | | | | | | **Amt: £’000** | **Base case (Case 1)** | | | **On Dwn (Case 3))** | | | | |  | **Yr1 \*** | **Yr2** | **yr1** | | **yr2** | | Capacity | 78 | 78 | 78 | | 78 | | Occ. | 70.0% | 70.0% | 60.0% | | 65.0% | | ADR (£) | £250 | £250 | £223 | | £227 | | *Room Revenue* | *4,982* | *4,982* | *3,808* | | *4,209* | | *F&B and other* | 3,000 | 3,000 | 2,293 | | 2,534 | | **Revenue** | **7,982** | **7,982** | **6,100** | | **6,743** | | **GOI** | **3,470** | **3,470** | **2,652** | | **2,931** | | *Margin* | *43.5%* | *43.5%* | *43.5%* | | *43.5%* | | **EBITDA post FFE** | **1,382** | **1,382** | **1,017** | | **1,154** | | *Margin (%)* | *17.3%* | *17.3%* | *16.7%* | | *17.1%* | | **CFADS** | **1,298** | **1,298** | **960** | | **1,085** | | ICR | 1.5x | 1.7x | 1.1x | | 1.4x | | Leverage | 6.9x | 6.9x | 9.4x | | 8.3x | | LTV | 60.0% | 60.0% | 68.2% | | 68.2% |   \*In borrower case (Case 1), we have only been provided with 1 year of financials post refurbishment. Please note, we have stretched the same until year 3 in borrower case. Updated Projections for 3yrs will be CP to ON Lend |

# Section 2: Deal Metrics

## Sources and Uses

**LAND LOAN**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| SOURCES | PRE-ON DEAL | ON DEAL OR AMOUNT (£) | POST-ON DEAL | % |  | USES | AMOUNT (£) |
| ON Land Loan | -- | £204,285 | £204,285 | 1.5% |  | Property Purchase Price | £12,679,549 |
| Equity for Phase 1 land | £1,541,443 | -- | £1,541,443 | 11.0% |  | Acquisition Costs | £1,067,041 |
| Equity for Phases 2 & 3 land | £12,205,147 | -- | £12,205,147 | 87.5% |  | ON Arrangement Fee | £204,285 |
| **Total** | **£13,746,590** | **£204,285** | **£13,950,875** | **100.0%** |  | **Total** | **£13,950,875** |
| **DEVELOPMENT LOANN** |  |  |  |  |  |  |  |
| SOURCES | PRE-ON DEAL | ON DEAL OR AMOUNT (£) | POST-ON DEAL | % |  | USES | AMOUNT (£) |
| ON Development Loan | -- | £20,224,249 | £20,224,249 | 94.0% |  | Development Costs | £19,884,913 |
| Equity towards development for phase 1 | £1,283,726 | -- | £1,283,726 | 6.0% |  | ON Interest Rollup | £1,623,062 |
| **Total** | **£1,283,726** | **£20,224,249** | **£21,507,975** | **100.0%** |  | **Total** | **£21,507,975** |
| **TOTAL LOAN** |  |  |  |  |  |  |  |
| SOURCES | PRE-ON DEAL | ON DEAL OR AMOUNT (£) | POST-ON DEAL | % |  | USES | AMOUNT (£) |
| ON Loan | -- | £20,428,534 | £20,428,534 | 57.6% |  | Property Purchase Price | £12,679,549 |
| Equity for Phase 1 land and development | £2,825,169 | -- | £2,825,169 | 8.0% |  | Acquisition Costs | £1,067,041 |
| Equity for Phases 2 & 3 land | £12,205,147 | -- | £12,205,147 | 34.4% |  | Development Costs | £19,884,913 |
|  | -- | -- | -- | -- |  | ON Finance Costs | £1,827,347 |
| **Total** | **£15,030,316** | **£20,428,534** | **£35,458,850** | **100.0%** |  | **Total** | **£35,458,850** |

## Key Metrics

| Key data & metrics | | Case 1 | Case 2 | Case 3 | Case 4 |
| --- | --- | --- | --- | --- | --- |
|  | | Underwriting case | Revised proposal | On downside sensitivity | ON stress case |
| Basis | | Borrower's Estimates |  | Valuation basis latest market comps, KF report, borrower data. | Stressed valuation basis standard ON stress case assumptions |
| Total GDV (Split as below) | | **£39.5m** | **£31.1m** | **£14.9m** |
| **Raithwaite Hall Hotel (78-Bed)** | | | | | | |
| **GDV** | | **£15.9m** |  | **£14.0m** | **£7.8m** |
| *-EBITDAR/Margin* | | £1.4m / 17.3% | £1.3m / 17.3% | £0.7m / 9.6% |
| *-Implied Multiple/Yield* | | 11.5x / 8.7% | 10.9x / 9.2% | 10.9x / 9.2% |
| *- Per key value* | | £204k | £180k | £100k |
| *Build costs PSF/per Key* | | *£137/£86k\** | *£138/£86k* | *£148/£93k* |
| **21 Holiday Units (Phase 1)** | | | | | | |
| **GDV** | | **£10.2m** |  | **£8.7m** | **£7.1m** |
| *Built cost PSF* | | *£427* | *£430* | *£462* |
| Total Dev. Costs | | £19.9m | £20.2m | £21.3m |
| Est. Developer profit [% of GDV] | | 10.5% | 5.0% | 0.0% |
| **RV of Phase 2 & Phase 3** | | | | | | |
| **RV** | | **£13.3m <**[**Link**](#RVphased)**>** |  | **£8.4m** | **NM** |
|  |  | | | | | |
| **ON Facility** | | **£20.4m** |  | **£20.4m** | **£22.8m** |
| LtGDV (ON Debt) | | **█ 51.7%** | █ **65.6%** | **NM** |
| LTC (ON Debt) | | **█ 57.6%** | **█ 57.1%** | **█ 60.3%** |

**\***In the light of extensive refurbishment (Cost breakup to be provided; CP to ON Lend), undertaken by the borrower, the subject hotel to be upscaled to a luxury class hotel and refurb cost of c£86k/key seems reasonable compared to c£150k/key construction cost of upscale class hotel, as per KF estimates <[Link](#CostESTIMATES)>.

**Note:** We have not shown case 3b, as climate risk scenario has been run on hotel only, whilst GDV includes both hotel and Holiday home (Resi) units. For climate risk scenario on hotel see appendix.

## Things to be Discussed.

|  |
| --- |
| Credit analytics - things to be discussed |
| * Are the cost estimates for Phase 1 is borrower estimates or prepared by project surveyor? * Please provide with the split of capex outlay of hotel covering split on hotel room and the amenities such as spa, restaurant, etc.   **DFD Comment:** We need an updated split here as we have already been provided this prior to minor tweaks in the appraisal which we are now running off. See Cost Breakdown tab in borrower’s model.   * The borrower on their website has stated that hotel is about to get open in Summer. So, we would like to understand, how is borrower planning to incur c.£9m of capex in 3 months timeframe? * There is a cost named as ‘Void cost during refurb’ amounting to £1.6m under Raithwaite Hall hotel (phase 1). We would like to understand the nature of the same, so that we classify it in the relevant head. * When did the hotel stopped trading - pre/post-acquisition by Galliard? Why did the borrower choose to close the hotel rather than operate till they start refub work? * How is the responsibility divided amongst both the partners? Is this their 1st project in hospitality segment.  |  |  | | --- | --- | | Information/Document received | Status [Yes/ No/ Not applicable] | | SALIE | NA | | Companies and Groups account received | Yes | | Climate Questionnaire | Yes | | Pre-sold or pre-let: Full details including price, buyer/tenant, deposit, use of deposit proceeds, longstop date | TBC | | Planning Decision Document | Yes | | Contamination - Budget and contingency numbers for the same | TBC | | Development team details | Architect - Holder Mathias Architects  Structure and Civils - CODA Design  MEP - Energy Unique  Interior Design - SAPIN Studios  No formal appointments are yet in place - team have been working based on purchase orders and letters of intent to date. | | Information Quality |  | |

# Section 3: Asset Details

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  | | --- | | Current / approved planning scheme [link>>](https://developmentandhousing.hackney.gov.uk/planning/index.html?fa=getApplication&id=49380) | | * Existing Site: The Raithwaite estate, spanning across 85 acres of land (83.5 acres, owned by borrower) is located on the outskirts of Village Sandsend (positioned between Sandsend beach and the North York Moors National Park). * The estate comprises 73 beds (Raithwaite Hall: 45 beds and The Keep: 28 beds), 4-star hotel, besides 12 cottages which are under 3rd party ownership, covering area to the tune of 1.56 acres, which effectively is outside the borrower’s control, thus leaving the ON charge at 83.5 acres of land <[Details](#ThirdpartyOWNERSHIP)> * The main hotel includes a restaurant, bar, spa, and leisure facility comprising an indoor pool, steam rooms, sauna, jacuzzi, and three treatment rooms. The hotel also offers a meeting room and large banqueting suite. Detailed KPIs not provided (CP to ON Lend). * **Proposed development (Phase 1):** Extensive refurbishment of the existing hotel (upscaling to 5-Star standards) as well as expanding the capacity to 78-beds (vs. 73-beds currently) through construction of 5 woodland lodges. In addition, borrower to develop 21 holiday home units in combination of 1 to 3 bed – Lodges, Coastal Villas, and Cottages. |  |  | | --- | | Tenancy table | | NA |  |  |  |  |  | | --- | --- | --- | --- | | Unit-Mix (Phase 1) | | | | | **Hotel** | **#Bed** | **Avg. Size**  **(GIA; sq ft)** | **Total Area** | | Raithwaite Hall | 73 | --\* | 47,055 | | Lodges – Woodland (5 x 1-Bed) | 5 | 372 | 1,858 | | **Total Hotel** | **78** | **--** | **48,913** | | **Holiday Units** | **#Units** | **Avg. Size**  **(GIA; sq ft)** | **Total Area** | | Lodges - The Entrance (4 x 3-Bed) | 4 | 861 | 3,444 | | Coastal Villas - The Entrance (1 x 2-Bed; and 2 x 3-bed) | 3 | 1,144 | 3,432 | | Cottages - The Entrance (6x 1-Bed; and 8 x 2-bed) | 14 | 655 | 9,171 | | **Total Holiday Units** | **21** | **764.1** | **16,047** | | **Total Area** | **--** | **--** | **64,960** |   \*Details not available.   |  | | --- | | Presale details | | * As per borrower entire 21 units for phase 1 were earlier reserved under the previous owner of which 7 units are still reserved including: 3 Cottages, 2 Lodges and 2 Costal Villas each.   Borrower has confirmed that, £1,000 reservation fees is held by the sales agent. Sale contracts are being prepared which will set out term for a 10% deposit to be collected on formal exchange. Exchanges are expected in the next 2 months. | | |  |  | | --- | --- | | Existing Site | | | Type of site | Coastal Estate | | Ownership | Freehold | | Approx age of building (Hotel) | 19th century Country home | | Basement | NA | | Floors | NA | | Current area | 83.44 acres | | Current use | 73-bed Hotel + Vacant Land | | Current tenants | NA | | Proposed development [approved planning] | | | Property type | Hotel + Holiday Accomodation | | Basement | None | | Floors | Variable, subject to unit type | | Proposed area | |  |  | | --- | --- | | **Site Type** | **Area (Sqft)** | | Hotel (incl. Woodland Lodge) | 48,913 | | Holiday Homes (21 units) | 16,047 | | **Total** | **64,960** | | | Pre-sale if any | <[Details](#PreSALE)> | | Parking / lift | Yes. Planning consent has been provided for additional car parking under 18/00241/FL <[Link](#PlanningDECISION)> | | Transport amenities | The estate has via York, providing direct train routes to London and Edinburgh. Newcastle International Airport located 75 miles. | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Development | | | | | |
| Status on site before on funds | The borrower has infused £13.75m (incl. £1.1m Stamp duty) to acquire the subject estate in April-2023. Furthermore, borrower infused £1.28m towards development, infrastructure, and fee, etc. | | | | |
| Anything peculiar in development? | Terrain not flat. | | | | |
| Self-build / contractor type | Self-build | Borrower extracting a profit on the build through their self-build entity or at the end at Project | End of Project | If construction technique is modular, will it be eligible for mortgage? | Yes |

|  |
| --- |
| Timeline |
| 2018-2022  Apr’23  Nov’24-Dec’24  Jan’25  Site Purchased  By borrower  Main Consent & subsequent approvals  Approved  May’24  **Development Period**  Hotel: 6 Months; May’24-Nov’24  Holiday Lodges: 12 months; May’24-Apr’25  **Marketing Period for lodges**: 6 months; May’25-Oct’25  ON Dev. Loan starts  Hotel Refurb. Complete\*\*  Oct’25  Hotel refurb loan flips into trading loan  ON Facility  for dev. of 21 Lodges ends  Apr’25  Holiday lodge dev. complete |

# Section 4: DFD View

## DFD Recommendation

| **DFD** Recommendation |
| --- |
| * This is a large and complex site which needs experienced construction counterparties to be able to deliver it efficiently. There are no questions as to whether Galliard/O’Shea are able to deliver this site with construction risk being very low given their track record. * There is a significant level of equity ahead of us and at sub 60% LTC on our downside basis, the proposed debt level is comfortable. * DF team is confident that the cost appraisal provided to us is reliable given the extensive data set the borrower benchmarks this against. Then looking to the values and trading metrics both stack up against ON’s downside analysis and external comps analysis carried out by Knight Frank. In any case we will have an external PMS and Red Book Valuation report carried out prior to the release of any funds on this scheme. * Initially Galliard/O’Shea saw this as a purely RE led scheme in which they could buy the site with planning at a significant discount to market in the knowledge they could deliver high quality holiday lets with sales evidence at £600psf. The hotel element was almost a “nice to have” with which they could do a light refurb on and continue to trade at a 4-star offering trading at good ADRs of c.£160 pre covid and strong occupancy levels. Following acquisition and getting on site they were made aware that the hotel element itself was actually quite tired and found that there was a real opportunity to unlock further value on the wider site if they were to repurpose the hotel element into a luxury 5-star hotel with a spa and F&B offering (including a branding the restaurant with a Michelin stared chef) and build upon the already well-known brand of Raithwaite Hall with its existing client pool. Having now been on site for 12 months they have fined tuned their appraisal/business plan and have progressed well on site following a significant due diligence period, as such there is little chance of any surprises on site during Phase 1 works with a lot of the heavy lifting already done. * Galliard/O’Shea will be the first to say that they are not hoteliers by any means (albeit they have delivered several hotel assets over the years) and as such they have actively sought advice from the likes of Knight Frank on what was needed to achieve the best quality product and have further brought in a highly experienced management team whose CVs are detailed below. DF team is confident that the combination of the development expertise from Galliard/O’Shea alongside the hotel management team that have been brought in will be able to execute the trading element of the hotel. Further to this we have discussed at length with Mark what would happen if KPIs were not met once doors opened and he has confirmed a management agreement will be put in place as soon as possible if they see trading start to dip as they have no interest in losing money on this element once refurbishment has been completed. * The location of the site is a key factor for this leisure led project and will draw on a wide range of potential guests/buyers. There is the coastal offering of Whitby/Sandsend at the front of the site (North East’s primary coastal destination) as well as the country estate type offering at the back of the site which is well suited to the newly created spa. You then also back onto the Yorkshire Moors and so will also be able to tap into those looking to visit this notable landmark of the Northeast. This varied combination will no doubt appeal to a large catchment over and above the already proven demand for this site before it temporarily stopped trading last year.   Overall opportunity to do our first development transaction with two very experienced and trusted counterparties. Recommend approval. |

## Site Visit

|  |
| --- |
| DFD site comments |
| PLEASE SEE SITE VISIT PHOTOS ON LAST PAGE   * Large established site close to Whitby and c1 hour drive from York and walking distance to Sandsend Beach. * Site offers variety of aspects / terrain. Front of the site has sweeping views along the coast while the Hotel sits in a valley toward the rear of the site surrounded by mature gardens and landscaping. There is a lake behind the hotel, which is not currently utilised, but they intend opening this for outdoor swimming and watersports in the summer. * The Hotel is structurally very sound, and the works are predominately just an internal refurb. Spa looks out directly over the gardens and will be a key feature. * The Holiday lodges will be located around the site in a variety of unique settings which will appeal to different purchasers (eg costal, woodland, hilltop). * Was wet and cloudy / foggy when we visited but even in these conditions it was a very attractive site and can understand why Galliard & O’Shea acquired it. |

## DFD view on SALIE.

|  |  |
| --- | --- |
| DFD commentary on SALIE | NA |

## DFD View on Credit Searches/ Other Details

|  |  |
| --- | --- |
| DFD comments / mitigants on credit searches and CDD | NA |

|  |  |
| --- | --- |
| Competing security section/key person insurance | |
| Are there any other creditors at our Borrower or our Guarantor level? | No |
| Has our Borrower or Guarantor given a guarantee to someone else? What are the obligations owed by the Borrower or Guarantor to the creditor(s) (i.e quantum and interest charged by other creditor(s)) | No |
| If the other Loan/Debt providers have taken security or are proposing to take security over our Borrower or our Guarantor(s) post-completion, over which of the Borrower’s or Guarantor’s assets will the creditors take security? | No |
| Is Key Person insurance applicable for this case? | No |

|  |  |
| --- | --- |
| MEZZ lender related | |
| Is a mezz lender involved/ likely to be involved in the deal | No |
| Name of mezz lender | NA |
| Direct mezz or silent | NA |
| Is mezz known to ON or have we done any past deals with them | NA |
| Are terms agreed between borrower and mezz or under negotiation | NA |
| Key terms – loan term, margin, rollup, or cash pay | NA |
| In case of project interest and cost overruns, will mezz increase exposure or will it be funded via equity/ ON Debt | NA |

## Pricing/ RWA Details

|  |
| --- |
| Deal Level Pricing Output (Development Loan) |
| |  |  |  |  | | --- | --- | --- | --- | |  | **Average deal dynamics (UK)** | **Specific deal - target pricing** | **DFD proposed pricing** | | RWA % | 2,216,599,520 | 150% | 150% | | Facility amount (£) | 2,216,599,520 | 20,428,534 | 20,428,534 | | Proposed margin to charge (%) | 6.00% | 6.26% | 5.00% | | Arrangement fee (%) | 1.07% | 1.00% | 1.00% | | Exit fee (%) | 1.07% | 0.75% | 0.75% | | Term (months) | 35 | 18 | 18 | | Is the loan committed? | No | No | No | | Non-utilisation fee (%) - undrawn committed | 0.00% | 0.00% | 0.00% | | Non-utilisation fee (%) of margin | 0.0% | 0.0% | 0.0% | | Undrawn uncommitted fee (%) | 1.45% | 1.45% | 1.45% | | Spread incl. fees (%) | 6.73% | 7.43% | 6.17% | |

|  |
| --- |
| Deal Level Pricing Output (Trading Loan) |
| |  |  |  |  | | --- | --- | --- | --- | |  | **Average deal dynamics (UK)** | **Specific deal - target pricing** | **DFD proposed pricing** | | RWA % | 4,099,209,136 | 100% | 100% | | Facility amount (£) | 4,099,209,136 | 9,561,781 | 9,561,781 | | Proposed margin to charge (%) | 5.25% | 5.63% | 4.50% | | Arrangement fee (%) | 0.94% | 0.00% | 0.00% | | Exit fee (%) | 0.94% | 0.00% | 0.00% | | Term (months) | 38 | 36 | 36 | | Is the loan committed? | Yes | Yes | Yes | | Non-utilisation fee (%) - undrawn committed | 2.10% | 2.25% | 0.00% | | Non-utilisation fee (%) of margin | 40.0% | 40.0% | 0.0% | | Undrawn uncommitted fee (%) | 1.45% | 1.45% | 1.45% | | Spread incl. fees (%) | 5.84% | 5.63% | 4.50% | |

ANNEXURES BELOW FOR DETAILED INFORMATION / READING

# Annexure A: Demand/supply

|  |
| --- |
| Holiday Accomodation |
| Holiday Accommodation Industry in UK |
| Overview: Holiday accommodation industry in UK has estimated market size of c.£2.9bn (2023) as per IBIS world.   * The industry has broadly 3 segments- * Self-catered cottages and chalets (£1.4bn, 47.0% of market size)- Includes cottages, chalets and flats not encompassed within a holiday resort. A self-catered cottage has a suite, without any complementary services. * Holiday villages (£1.3bn, 45.5% of market size)- Provide a range of accommodation, entertainment, and dining options in a contained village, usually located in a rural or seaside setting. Services are provided by one company, which owns the setting. * Hostels/guesthouses (£215.8m, 7.5%)- These offer a low-cost shared sociable lodging with shared use of amenities.   Trends/Challenges: The staycation trend post COVID-19, spurred the demand for UK holiday accommodation. Furthermore, weak pound has made the UK a more affordable holiday destination for international tourists, driving up demand, while also containing Brits from going abroad.  Outlook: Above factors are expected to drive the market growth for UK holiday Accomodation industry as it is expected to witness CAGR of c.4.1% to reach c.£3.5bn by 2028-29. However, home-sharing platforms like Airbnb are expected to provide a stiff challenge to holiday accommodation providers, which along with staff shortages is expected to weigh on profitability of industry. |
| East & North Yorkshire Regional Hospitality Submarket |
| Overview: Whitby region falls under The East & North Yorkshire Regional hotel submarket, which comprise c.8.6k rooms spread across 420 properties. Over the last 3 years, 4 projects encompassing 170 beds have been delivered. On the M&A front, two deals have been closed over the last 12 months.   |  | | --- | | **Supply and Demand** | |  | | **Occupancy by Class** | |  | | **ADR by Class** | | |  | | |

# Annexure B: Valuation

* 1. Proposed Development analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Proposed valuation (Phase 1) | | | | |
|  | Case 1 | Case 2 | Case 3 | Case 4 |
|  | Underwriting case [Apr-24) | New proposal | ON downside sensitivity | ON stress case |
| Case basis | Borrower's estimate | N/A | Valuation basis latest market comps, KF report, borrower data. | Stressed valuation basis standard ON stress case assumptions |
| GDV (Hotel) | Borrower’s estimate | -- | Refer to the below assumption for Case 3 (<[Link](#DWNSIDECASE)>) | 44.4% fall in GDV  (Refer to be below assumptions for Case 4, <[Link](#STRESSCASE)>) |
| GDV (Holiday Home units) | Borrower’s estimate | -- | Avg. of market comps for Holiday Homes and reserved units’ price for phase 1 | 17.9% fall in GDV |
| Exp. PC | **Development timeline:** 18 months  **Hotel:** Soft launch by Summer 2024  **Holiday home units:** Dec-25 | -- | Same as Underwriting Case | 6-month delay |
| Cost to Complete | Borrower’s Budget | -- | ON view, as below | Borrower Budget + 7.5% increase in remaining material cost1 |

1. We have stressed PC date with a delay of 6 months. Based on ON estimates, we anticipate c.7.5% increase in remaining cost to complete over Case 3 estimates.

Deviation between ON and underwriting case

|  |
| --- |
| * **Hotel:** There were no comparable STR comps available for the subject hotel, as per client the subject hotel to be a 5 -Star luxury class hotel with Turnkey ADRs of c£250 and is being compared with the hotels having ADR ranging from £300-£500. All KPIs provided by the borrower are a direct result of extensive advice from the head of Knight Frank’s hotel team who is well known to the bank. As per borrower, the subject hotel facilities (spa, pool, common areas, restaurants) are comparable to the other luxury class hotels. The ADR to be commanded by the subject hotel is less due to the sub regional location. Hence, we have not ordered the STR comps for the ON case 3 (as the comps referred by the borrower has high ADR of c£300-£500 v/s c£250 projected by the subject hotel post refurb) and have referred to the historical Occupancy of the subject hotel and the Knight frank report <[Link](#KFdata)> on the ADR for the regional luxury hotels in UK. For more details, refer <[Link](#HotelBORROWERdata)> * **Holiday Home units:** ON Downside is based on borrower data related to reserved 21 units for Phase 1 (incl. 14 reserved previously) as well as relevant lodge comps based in North Cornwall Coast, Southwest Wales coast, and Laugharne region. * Limited comps available for holiday home units. |
| * Based on the comps and assumptions, the ON downside valuation for holiday home units is c.£8.7m, 14.7% lower than borrower valuation of c. £10.2m.  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Unit type | No. of units | % of GDV | Borrower view on Price Per Unit (£’000) | Market comp range  (£’000) | ON downside sensitivity on Price Per Unit (£’000) | % Δ | | 1 bed Lodges | 6 | 22.8% | £388 | NA1 | £377 | (2.8%) | | 2 bed Lodges | 8 | 35.8% | £458 | £222 - £250 | £335 | (26.9%) | | 3 Bed Lodges | 4 | 19.4% | £495 | £450 - £595 | £430 | (13.1%) | | 2 Bed Coastal Villas | 1 | 7.3% | £748 | NA2 | £659 | (11.9%) | | 3 Bed Coastal Villas | 2 | 14.7% | £748 | NA3 | £698 | (6.7%) | | **Total** | **21** | **100%** | **£486** | **--** | **£415** | **(14.7%)** |   1- As the relevant market comps not available, therefore, we have taken the avg. price per unit for the 1-bed lodges reserved earlier.  2- Given no 2-Bed coastal villas comps available, we have taken the lowest price/per unit for 2-bed coastal villas reserved earlier.  3- Given no 3 bed coastal villas comps available and reserved previously, hence we have taken a 5% mark-up on the case 3 number for 2-bed coastal unit. |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Phase 1 - Valuation** | | | | |
| **Raithwaite Hotel - 78 Beds** | | | | |
| Amt in £'000 | Underwriting Case [Case 1] | ON Downside Sensitivity [Case 3] | Assumptions | ON Stress Case  [Case 4] |
| Basis | Stabilised performance |  |  |
| No. of rooms | 78 | 78 |  | 78 |
| Occupancy % | 70.0% | 70.0% | **Case 3&4:** We have kept it in line with the borrower's stabilised performance estimates (post refurbishment). As per KF, the avg. occupancy in the regional UK Luxury hotel market stood at 64.1% in 2023 <[Link](#KFdata)>, which in our view seems lower as historically, the borrower site managed to attain 72% occupancy (pre-covid) <[Link](#FinancialSUMMARY)>. | 70.0% |
| ADR £ | £250 | £232 | **Case 3&4:** We have assumed it in line with avg. ADR in the regional UK Luxury hotel market which stood at £232 in 2023, per KF's estimates <[Link](#KFdata)> We have also referred to the past ON deal, where there is 100% increase in ADR’s post refurbishment of hotel, so £232 ADR (post refurbishment) v/s £158 (pre-refurbishment) seems reasonable. | £232 |
| Room Revenue | 4,982 | 4,625 | Based on KPIs above | 4,625 |
| F&B and Other Revenue | 3,000 | 2,785 | **Case 3&4:** Given there are no separate KPI's provided, we have assumed it as same % as Case 1. | 2,785 |
| Total revenue | 7,982 | 7,410 |  | 7,410 |
| EBITDAR post FF&E | 1,382 | 1,283 | **Case 1:** FF&E assumed at 3% of Revenue. | 714 |
| Margin % | 17.3% | 17.3% | **Case 3:** We have kept it equivalent to Case 1 as in the past ON Deals (wherein F&B and other revenue is a sizeable contributor to the overall revenue) the avg. margins stood in the region of 25%. Notably, F&B and other segment contributes c.40% to the overall revenue for the subject hotel **Case 4:** We have stressed margins basis the standard ON Stress case cost assumptions. | 9.6% |
| Val. Multiple / yield | 11.5x / 8.7% | 10.9x / 9.2% | **Case 3&4:** We have kept it equivalent to the avg. for past ON deals (Outside London; Luxury/Upper Upscale hotels), which stood at 10.9x. | 10.9x / 9.2% |
| **Turnkey FH Value (A)** | **15,932** | **14,013** |  | **7,796** |
| *Price per bed* | *204* | *180* |  | *100* |
|  |  |  |  |  |

|  |
| --- |
| **GDV** |
| | Key assumptions | Case 1 | Case 2 | Case 3 | Case 4 | | --- | --- | --- | --- | --- | | Underwriting case | New proposal | ON downside  Sensitivity | ON stress case | | Build cost psf (21 Holiday Units) | £427 |  | £430 | £462 | | Build cost psf/per key (Hotel) | £137/£85k | £138/£86k | £148/£93k | | Contingency 1 | 3.7% | 5.0% | 5.0% | | Professional Fee 1 | 4.6% | 5.0% | 5.0% | | Est. Developer Profit | 10.5% | 5.0% | 0.0% |  1. Case 3, & 4 considered at 5% basis standard ON assumption. |



For Phase 2 & Phase 3 RV, please refer to the <[Link](#RVphased)>. For valuation in Case 3, we have taken the similar assumption/comps, as taken for case 3 calculations in phase 1. <[Link](#HHunitsVal)>.

* 1. Hotel Comps

|  |
| --- |
| Past ON deals |

* Below table details on the upper upscale and luxury hotels deals outside London having F&B %tage of total revenue 40% and above.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Hotel Name** | **City** | **Keys** | **Hotel Segment** | **Valuation (£k)** | **Valuation per Bed (£k)** | **FH EBITDA Multiple (x)** | **Yield (%)** | **EBITDAR Margin (%)** |
| Crab Manor | North Yorkshire | 20 | Luxury | 6,250 | 313 | 9.0x | 11.1% | 22.4% |
| Elcot Park Hotel -Signet Hotels Ltd. | Berkshire | 70 | Upper Upscale | 27,150 | 388 | 11.1x | 9.0% | 25.0% |
| Losehill House Hotel | Hope Valley | 22 | Upper Upscale | 4,000 | 182 | 9.0x | 11.2% | 22.2% |
| Formby Hall Golf Resort & Spa | Liverpool | 118 | Luxury | 38,000 | 322 | 9.9x | 10.1% | 25.9% |
| Quays Hotel Sheffield | Sheffield | 128 | Upper Upscale | 16,822 | 131 | 12.0x | 8.3% | 20.0% |
| Dornoch Hotel | Dornoch | 89 | Upper Upscale / Luxury | 26,200 | 294 | 14.5x | 6.9% | 26.3% |
| **Average** |  |  |  |  |  | **10.9x** |  | **23.6%** |

|  |
| --- |
| Hotel comps provided by the borrower |
|  |

|  |
| --- |
| Knight Frank Data |
| * The table below showing the performance of the Regional UK Luxury Hotel market shared by the Knight frank, basis which they are benchmarking the subject hotel KPI’s. |

|  |
| --- |
| Knight Frank - UK build costs for hotels by region |
|  |

|  |
| --- |
| Cost estimates for different type of hotels |
| * Below table details on the build cost of different hotels, given the subject hotel to be a luxury class hotel and refurb cost of c£86k/key seems reasonable compared to c£150k/key construction cost of upscale class hotel. |

* 1. Holiday Units/Home Comps

|  |
| --- |
| Reserved units’ data – 21 units (incl. 14 units previously reserved) |

* Below table details on the 21 units previously reserved under the previous owners, of which below highlighted 7 units still remain reserved.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Location** | **Type** | **Bed** | **Price** | **Size** | **PSF** | **Status** |
| **1-Bed Cottage** | | | | | | |
| The Entrance | Cottage | 1 | £350,000 | 538 | £650 | Previously Reserved |
| The Entrance | Cottage | 1 | £350,000 | 484 | £723 | Previously Reserved |
| The Entrance | Cottage | 1 | £450,000 | 710 | £633 | Previously Reserved |
| The Entrance | Cottage | 1 | £350,000 | 538 | £650 | Previously Reserved |
| The Entrance | Cottage | 1 | £365,000 | 538 | £678 | Reserved |
| The Entrance | Cottage | 1 | £465,000 | 538 | £864 | Previously Reserved |
| **Average** |  |  | **£377,000** | **£558** | **£700** |  |
| **2-Bed Cottage** | | | | | | |
| The Entrance | Cottage | 2 | £450,000 | 700 | £643 | Previously Reserved |
| The Entrance | Cottage | 2 | £450,000 | 700 | £643 | Previously Reserved |
| The Entrance | Cottage | 2 | £465,000 | 915 | £508 | Previously Reserved |
| The Entrance | Cottage | 2 | £465,000 | 807 | £576 | Previously Reserved |
| The Entrance | Cottage | 2 | £450,000 | 700 | £643 | Previously Reserved |
| The Entrance | Cottage | 2 | £450,000 | 807 | £557 | Previously Reserved |
| The Entrance | Cottage | 2 | £465,000 | 786 | £592 | Reserved |
| The Entrance | Cottage | 2 | £465,000 | 786 | £592 | Reserved |
| **Average** |  |  | **£457,500** | **£775** | **£594** |  |
| **2-Bed Coastal Villa** | | | | | | |
| Coastal Villas | Villa | 2 | £750,000 | 1,165 | £644 | Previously Reserved |
| Coastal Villas | Villa | 2 | £659,000 | 1,004 | £692 | Reserved |
| Coastal Villas | Villa | 2 | £800,000 | 1,263 | £634 | Reserved |
| **Average** |  |  | **£748,333** | **£1,144** | **£657** |  |
| **3-Bed Lodge** | | | | | | |
| The Entrance | Lodge | 3 | £495,000 | 861 | £575 | Previously Reserved |
| The Entrance | Lodge | 3 | £495,000 | 861 | £575 | Previously Reserved |
| The Entrance | Lodge | 3 | £495,000 | 861 | £575 | Reserved |
| The Entrance | Lodge | 3 | £495,000 | 861 | £575 | Reserved |
| **Average** |  |  | **£495,000** | **£861** | **£575** |  |

|  |
| --- |
| Lodges Comps |
| Below are the relevant 2-bed and 3-bed lodge comps based in North Cornwall Coast, Southwest Wales coast, and Laugharne region.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Property Address** | **Property Type** | **Area (Sq. Ft.)** | **Asking Price** | **Price / Sq. Ft.** | **Comments** | | **2-Bed** | | | | | | | Kynance | Holiday Home | 790 | £250,000 | £316 | North Cornwall coast | | Angrove, North Yorkshire | Holiday Home | 762 | £234,981 | £308 |  | | Ullswater Heights, North Lakes | Holiday Home | 750 | £221,999 | £296 |  | | **Average** |  | **£767** | **£235,660** | **£307** |  | | **3-Bed** | | | | | | | Th Canto | Holiday Home | 1,290 | £595,000 | £461 | Southwest Wales Coast | | The Wilde | Holiday Home | 1,290 | £550,000 | £426 | Southwest Wales Coast | | The Apex | Holiday Home | 1,210 | £525,000 | £434 | Holiday Home In Laugharne | | **Average** |  | **£1,250** | **£530,000** | **£423** |  | |

* 1. Financial Summary (Trading Hotel – Post refurbishment)

**In borrower case (Case 1), we have only been provided with 1 year of financials post refurbishment. Please note, we have streched the same until year 3 in borrower case.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **ON Downside Case (Case 3)** | **ON Stress Case (Case 4)** |
| **ADR** | **Y1 & Y2 –** Assumed a gradual ramp-up vs. Case 1  **Y3 (Stabilised) –** Assumed in line with avg. ADR in the regional UK Luxury hotel market which stood at £232 in 2023, per KF's estimates <[Link](#KFdata)> | **Y1 to Y3 –** Same as Case 3, as the avg. stress case revenue assumption per ONCi estimates are either nil or showcasing growth. |
| **Occupancy** | **Y1 & Y2 –** Assumed a gradual ramp-up vs. Case 1  **Y3 (Stabilised) –** Assumed in line with the borrower's stabilised (Y3) performance. As per KF, the avg. occupancy in the regional UK Luxury hotel market stood at 64.1% in 2023, which in our view seems lower as historically, the borrower site managed to attain 72% occupancy (pre-covid). | **Y1 –** Flattish to Case 3, as the avg. stress case revenue assumption per ONCi estimates for FY25 was nil. **Y2 –** Kept it flattish to Y1, as the avg. stress case revenue assumption for FY26 was reflecting growth. **Y3 (Stabilised) –** Same as Case 3 |
| **Costs (excl. Fixed costs)** | Assumed as a % of revenue basis borrower case | As per ONCi stress case assumptions |
| **FF&E Reserve** | Borrower projections didn’t account for the FF&E reserve; however, we have assumed FF&E reserve at 3% of revenue and deducted the same from the borrower case as well. | Same as Case 3 assumptions |
| **Management Fee/Ho cost** | Assumed as a %tage of revenue, in line with borrower assumption | Same as Case 3 assumptions |
| **Interest Rate** | Basis Bank rate curve | Flat 6.0% BoE + Margin |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Amt in £000s*** | **Borrower Case (Case 1)** | | | | | | | | | **ON Downside Case (Case 3)** | | | | **ON Stress Case (Case 4)** | | |
| **Actual** | | | | **Budget** | **Forecast** | | |  | **Forecast** | | | | **Forecast** | | |
| **2020** | **2021** | **2022** | **2023** | **2024** | **Year 1** | **Year 2** | **Year 3** |  | **Year 1** | **Year 2** | **Year 3** |  | **Year 1** | **Year 2** | **Year 3** |
|  | **Pre-refurbishment (4-Star Hotel)** | | | | | **Post-Refurbishment (5-Star Hotel)** | | |  | **Post-Refurbishment (5-Star Hotel)** | | |  | **Post-Refurbishment (5-Star Hotel)** | | |
| No. of rooms | 73 | 73 | 73 | 73 | 73 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 |
| Occupancy % | 72.0% | 51.0% | 81.0% | 62.0% | 66.0% | 70.0% | 70.0% | 70.0% | 60.0% | 65.0% | 70.0% | 60.0% | 65.0% | 70.0% |
| ADR £ | £150 | £167 | £161 | £158 | £163 | £250 | £250 | £250 | £223 | £227 | £232 | £223 | £227 | £232 |
| RevPar £ | £108 | £85 | £130 | £98 | £108 | £175 | £175 | £175 | £134 | £148 | £162 | £134 | £148 | £162 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *Room Revenue* | *2,880* | *1,279* | *2,689* | *2,578* | *2,833* | *4,982* | *4,982* | *4,982* | *3,808* | *4,209* | *4,625* | *3,808* | *4,209* | *4,625* |
| *F&B* | *1,791* | *622* | *1,612* | *1,430* | *1,594* | *2,508* | *2,508* | *2,508* | *1,917* | *2,119* | *2,328* | 1,917 | *2,119* | *2,328* |
| *Spa* | *338* | *17* | *153* | *253* | *300* | *473* | *473* | *473* | *362* | *400* | *439* | 362 | *400* | *439* |
| *Others* | *284* | *732* | *208* | *185* | *42* | *19* | *19* | *19* | *15* | *16* | *18* | 14 | *16* | *18* |
| **Revenue** | **5,294** | **2,650** | **4,662** | **4,446** | **4,768** | **7,982** | **7,982** | **7,982** | **6,100** | **6,743** | **7,410** | **6,100** | **6,743** | **7,410** |
| *Revenue Growth (Yoy)* | *NA* | *(49.9%)* | *75.9%* | *(4.6%)* | *7.2%* | *NA* | *0.0%* | *0.0%* | *NA* | *10.5%* | *9.9%* | *NA* | *10.5%* | *9.9%* |
| Departmental Expenses | 3,239 | 1,846 | 2,941 | 3,171 | 3,136 | 4,513 | 4,513 | 4,513 | 3,449 | 3,812 | 4,189 | 3,637 | 4,021 | 4,418 |
| **Gross Operating Income (GOI)** | **2,055** | **804** | **1,721** | **1,276** | **1,632** | **3,470** | **3,470** | **3,470** | **2,652** | **2,931** | **3,221** | **2,463** | **2,723** | **2,992** |
| *GOI Margin %* | *38.8%* | *30.3%* | *36.9%* | *28.7%* | *34.2%* | *43.5%* | *43.5%* | *43.5%* | *43.5%* | *43.5%* | *43.5%* | *40.4%* | *40.4%* | *40.4%* |
| *Staff Costs* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* | *--* |
| *Other Undistributed expenses* | *1,316* | *936* | *1,378* | *1,465* | *1,314* | *1,386* | *1,386* | *1,386* | *1,032* | *1,141* | *1,267* | *1,312* | *1,451* | *1,607* |
| *Fixed Costs* | *192* | *61* | *16* | *150* | *263* | *282* | *282* | *282* | *282* | *282* | *282* | *282* | *282* | *282* |
| **Total Overheads** | **1,508** | **997** | **1,394** | **1,614** | **1,577** | **1,668** | **1,668** | **1,668** | **1,314** | **1,422** | **1,548** | **1,594** | **1,733** | **1,889** |
| **Net Operating Profit (NOI)** | **547** | **(193)** | **327** | **(339)** | **55** | **1,802** | **1,802** | **1,802** | **1,338** | **1,509** | **1,673** | **869** | **990** | **1,103** |
| *Net Operating Profit (NOI) Margin* | *10.3%* | *(7.3%)* | *7.0%* | *(7.6%)* | *1.1%* | *22.6%* | *22.6%* | *22.6%* | *21.9%* | *22.4%* | *22.6%* | *14.2%* | *14.7%* | *14.9%* |
| Management Fee/HO Costs | *--* | *--* | *--* | *--* | *105* | *180* | *180* | *180* | *138* | *152* | *167* | *138* | *152* | *167* |
| **EBITDA before FF&E** | **547** | **(193)** | **327** | **(339)** | **(50)** | **1,622** | **1,622** | **1,622** | **1,200** | **1,357** | **1,506** | **731** | **838** | **936** |
| *EBITDA before FF&E Margin* | *10.3%* | *(7.3%)* | *7.0%* | *(7.6%)* | *(1.1%)* | *20.3%* | *20.3%* | *20.3%* | *19.7%* | *20.1%* | *20.3%* | *12.0%* | *12.4%* | *12.6%* |
| FF&E Reserve | 159 | 79 | 140 | 133 | 143 | 239 | 239 | 239 | 183 | 202 | 222 | 183 | 202 | 222 |
| **EBITDA after FF&E** | **388** | **(273)** | **187** | **(472)** | **(193)** | **1,382** | **1,382** | **1,382** | **1,017** | **1,154** | **1,283** | **548** | **636** | **714** |
| *EBITDA after FF&E Margin* | *7.3%* | *(10.3%)* | *4.0%* | *(10.6%)* | *(4.1%)* | *17.3%* | *17.3%* | *17.3%* | *16.7%* | *17.1%* | *17.3%* | *9.0%* | *9.4%* | *9.6%* |
| **CFADS [80% of EBITDA before FF&E]** | NA | | | | | **1,298** | **1,298** | **1,298** | **960** | **1,085** | **1,205** | **585** | **671** | **749** |
| **Total ON Debt** | **9,562** | **9,562** | **9,562** | **9,562** | **9,562** | **9,562** | **9,562** | **9,562** | **9,562** |
| **Credit Metrics (ON Debt)** |  |  |  |  |  |  |  |  |  |
| ICR (EBITDA/Interest Service) | 1.5x | 1.7x | 1.9x | 1.1x | 1.4x | 1.8x | 0.5x | 0.6x | 0.7x |
| Gross Leverage (Debt/EBITDA) | 6.9x | 6.9x | 6.9x | 9.4x | 8.3x | 7.5x | 17.4x | 15.0x | 13.4x |
| LTV | 60.0% | 60.0% | 60.0% | 68.2% | 68.2% | 68.2% | NM | NM | NM |

# Annexure C: borrower/UBO

* 1. Borrower Details and past relationship

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Borrowing entity | | | | | |
| Borrower name | GHL (Whitby) Limited | | | | |
| Borrower address (registered) | 3rd Floor, Sterling House, Langston Road, Loughton, Essex, United Kingdom, IG10 3TS | | | | |
| Company number | 14670471 | Occupation / industry | Development of building projects | SIC code | 41100 |
| Date established | 17th Feb 2023 | Legal form of business | Private limited Company | Auditors | TBC |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Existing relationship with the borrower** | | | | | | | | | | | | | |
| Deal name & type | Stage | Date | Term (months) | | Facility amount | | Current O/S debt | | Margin / index | | GDV | LTV |
| **The Galliard Group (Basis Aggregated Exposures – End Feb-2024)** | | | | | | | | | | | | | |
| Evolve (Colchester) Limited | PM | Mar-21 | 44 | | £6,284,488 | | £2,972,947 | | 6.00% | | 6,057,548 | 49.09% |
| Northwood Street Ltd. | PM | Dec-19 | 54 | | £4,813,182 | | £4,813,182 | | 6.00% | | 12,059,182 | 39.91% |
| Northwood Street Ltd. | PM | Aug-20 | 46 | | £2,020,218 | | £2,020,218 | | 6.00% | | 5,061,553 | 39.91% |
| Northwood Street Ltd. | PM | Aug-20 | 46 | | £666,600 | | £666,600 | | 6.50% | | 1,670,132 | 39.91% |
| Felcon Blackheath Ltd. | PM | Feb-19 | 83 | | £1,117,526 | | £1,117,526 | | 4.16% | | 1,805,000 | 61.90% |
| GH/AH Bear Lane Ltd | PM | Mar-19 | 80 | | £9,380,000 | | £9,380,000 | | 5.98% | | 19,800,000 | 47.37% |
| **Proposed** | | | | | | | | | | | | | |
| GHL (Whitby) Limited | CA |  | | 18 | | £10,214,267\* | Nil | 5.00% | | 19,745,830\* | | 51.7% |
| **Total Exposure** | **--** | **--** | | **--** | | **£34,496,281** | **£20,970,473** |  | | **£66,199,245** | | **52.1%** |
| **\*** We have only considered 50% exposure as; it is a 50:50 JV between Galliard and O’Shea Group. | | | | | | | | | | | | | |
| **Monitoring update** | | | | | | | | | | | | | |
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| Organization structure |
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| --- | --- | --- | --- |
| Management | | | |
| Key management personnel | | | |
| **Galliard Homes**  Executive Chairman/Co-Founder  Stephen Conway  Group Finance Director  Amanda Dijk  Chief Marketing Officer  Gary Conway  **O’Shea Group**  Executive Chairman  Rory O Connor  Investment Director  Mark O Connor | Years of experience  32+ years  Years of experience  23 years  Years of experience  25+ years  Years of experience  34+ years  Years of experience  10+ years | Relevant expertise  Entirely Relevant  Relevant expertise  Entirely Relevant  Relevant expertise  Entirely Relevant  Relevant expertise  Entirely Relevant  Relevant expertise  Largely Relevant | |
| Exco profile | | |
| **Galliard Homes**   * **Stephen Conway:** He founded Galliard homes in 1992 along with John Black. * Prior to Galliard Homes, he was trained as a Banker and founded a property-based company, which he sold to Frogmore Estates plc. * **Amanda Dijk:** A qualified CA and a Law Graduate began her career with Sampson West Chartered Accountants. * She joined Galliard Homes in 2016 as Group Financial Controller, before assuming the responsibility of Group FD in Jan-2022. * Prior to Galliard, she had a long stint as a Director of Finance with London City Airport and remained pivotal in executing sale of the airport for c£2bn. * **Gary Conway:** Being a law graduate, he holds over 25-years of experience in the property space. He worked initially in marketing and site acquisition for the Galliard Group. * He was appointed to the Galliard Board in 2017.   **O’Shea Group**   * **Rory O Connor:** He has been associated with the Group since 1990 and has been instrumental in critical decisions over the years. He has grown the group from a top RC contractor and plant hire business to current heights i.e. being a multi-faceted property investment, development, and construction company it is today. * He has been investing in UK Property for over 30 years. He is a prominent figure in the London market having been involved in some of the largest London land sales and development projects. Rory has grown O’Shea Group from a concrete frame contractor to the one of the largest and most profitable private developers in London. * He is also a qualified Chartered Accountant. * **Mark O Connor:** Director in the O’Shea Group & Ronoco Capital with a total experience of >10 years in the industry. * Prior to joining the group, he worked with JLL as associate director for c,5 years in their Living Capital Markets and Debt Advisory business. business. Here, he advised developers and investors on funding solutions across the capital stack in the residential and alternative sectors. * He holds Master of Science (MSc.) in Real Estate from Henley Business School in 2016 and is a Chartered Surveyor   **Other key project Personnel (Raithwaite Estate)**   * Peter James Boyle (GM): He holds 13 years of experience in the hospitality sector and joined Gara Rock Hotel & Spa in Jul-2019. He has assumed the position of GM in Apr-2022. He remained critical in turned around the business to a profit making one (£1.7m in 2021) from loss making (£1.2m in 2018). * Prior to Gara Rock, he was closely associated with the F&B department during his stints with DoubleTree by Hilton Hotel, Bespoke Hotels Ltd., and Radisson Blu, etc. * Jayne Cartwright (DGM): He began his career in Nov-2009 and worked with Global Brands (Premier Inn Hotel and DoubleTree by Hilton) at various capacities, before joining Gara Rock Hotel & Spa in Jul-19. * Alan Coleman (Project Manager): Over 3 decades of experience in maintenance, construction, and site management etc. He been hired by O’Shea Group for the Raithwaite estate project in May-2023. * He has rejoined Raithwaite project (previously remained associated during Jun-Oct’21) post purchase from the previous owner. As part of the current project, he would be responsible for hotel refurbishment, construction of holiday cottages and Villas, installation of a foul water pump station, etc. * He has remained part of various projects during his career, with association with Saudi Aramco as Project Engineer (for 7 years) being a key highlight of his career. * Rachel Thomson (Quantity Surveyor): A qualified Quantity Surveyor having 16+ years of experience. Presently, she has been associated with Worley Europe (fka Anglo American) for last two years as a civils main contractor, on the construction of Woodsmith Mine on the North Yorkshire Coast. * Previously, she has had a long stint with Willmott Dixon i.e., from Jan-2008 to Feb-2021 and moved up the ladder from an Admin Apprentice to Quantity Surveyor. For Willmott Dixon, she worked on Education, Public Realm and Social Housing repairs & maintenance. | | |
| Notes | | |
| NA | | |

|  |
| --- |
| Galliard Holdings Limited |
| **Overview:** Incorporated in 1992, The Galliard Group is a property development, hospitality and management company providing mixed-use, residential, hotel and commercial projects across London and southern England. The Group has a £3.95bn portfolio under construction which includes 6,905 homes and 341 hotel suites.   * The Group operates through three different divisions incl. Galliard Homes (undertakes sale of studios, luxury apartments, townhouses, and family properties), Galliard Commercial (development of hotels, commercial and retail premises besides undertaking JV projects and 3rd work), Galliard Construction (providing residential, commercial, and mixed-use developments as well as JV projects and 3rd party developments).   **Financials**   |  |  | | --- | --- | | **Income Statement** | **Balance Sheet** | |  |  | |

|  |
| --- |
| CJ O’Shea Group Limited |
| **Overview:** Incorporated in 1966, C.J. O’Shea and Company Limited (O’Shea) is predominantly a building contractor and property developer having executing projects across London and Southeast region.   * The company caters to both private and public clients and have delivered projects ranging from high rise developments, conversions of existing buildings, and refurbishments of mixed-use schemes. * Typically, the project size ranges between £10m to >£300m. Presently, projects to the tune of £1.75bn are under construction in London. * The group specializes in residential delivery. They have delivered over 10,000 units as a contractor, developer, or investor in the past 10 years. * O’Shea develops the majority of their projects in conjunction with joint venture partners.   **Financials**   |  |  | | --- | --- | | **Income Statement** | **Balance Sheet** | |  |  | |

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| **Joint projects of Galliard Homes and CJ O’Shea Group** |
| * The JV of Galliard Homes and O’Shea Group have delivered 13,500+ units over the last decade. Some of the key project completed/ongoing are furnished below:  | **PROJECTS** | **NO OF UNITS** | **AREA** | **GDV (£)** | **REMARKS** | **STATUS** | **PICTURES** | | --- | --- | --- | --- | --- | --- | --- | | **ORCHARD**  **WHARF** | 338 Pvt Resi units | 0.9 Acres | NA | Mixed-use development | Completed |  | | **WICKSIDE** | 500 resi. unit  + Commercial | 7.12 Acres | £260m | Mixed-use development | Under Construction  To complete in Spring 2026 |  | | **Honey Monster** | 1,500 Homes + 200k sq. ft of commercial | 17 Acres | NA | Mixed-use development | Under Construction |  | | **The Stage, Shoreditch** | 412 resi units | NA | £750m | NA | Completed |  | | **Baltimore Tower, Isle of Dogs** | 451 resi units | NA | £430m | NA | Completed |  | | **Shiplake Meadows** | 65 retirement Homes | NA | £50m | Retirement Homes | Under Construction |  | |

* 1. SALIE

| Asset & liability analysis (SALIE) | |
| --- | --- |
| NA | |
| DFD commentary on acceptable SALIE | NA |

* 1. Credit Searches

|  |
| --- |
| CDD |
| CDD to be completed upon CRMC approval |

|  |  |  |
| --- | --- | --- |
| Credit searches | | |
|  |  |  |

# Annexure D: Loan structure

* 1. Gross to Net lend Walk.

|  |  |  |  |
| --- | --- | --- | --- |
| Gross to net lend | | | |
|  | Day 1 | Development tranche | Total |
| **Gross Lend** | **£204,285** | **£20,224,249** | **£20,428,534** |
| Interest Rollup @ 5.00% / BOE Base (5.25% floor) | -- | £1,623,062 | £1,623,062 |
| Arrangement Fee @ 1.00% of Gross Lend | £204,285 | -- | £204,285 |
| **Net Lend** | **--** | **£18,601,187** | **£18,601,187** |

* 1. Collateral and Covenants

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Collateral, covenants, and heads of terms | | | | | | | | |
| Security | | | | | | | | |
|  | | Underwriting case | | | | ON downside sensitivity | | |
| Security type | | Current value | | Loan to value | | Current value | | Loan to value |
| First legal charge over subject property (GDV) - Incl. RV for Phase 2 & 3 | | £39,491,659 | | 51.7% | | £31,145,621 | | 65.6% |
| Covenants | | | | | | | | |
|  |  | | Level | | Covenant | | Headroom | |
| LTGDV | Loan to Gross Development Value | | 51.7% | | <=62.5% | | +10.8% | |
| LTC | Loan to Cost | | 57.6% | | <=65.0% | | +7.4% | |

* 1. Development loan facility - headline terms

|  |  |
| --- | --- |
| **These terms provide the principal terms and conditions of the credit approval and is subject to satisfactory completion of OakNorth’s usual due diligence requirements and subject to legal advice and all necessary financing documentation.**  **Please note that these terms will be valid until the date falling 2 weeks from the date of this email after which date the terms set out herein will expire and a new credit approval will be required.** | |
| **Borrower(s)** | GHL (WHITBY)LIMITED |
| **Shareholder(s)** | Galliard Homes, O’Shea Group |
| **Main Contractor** | C.J. O’Shea and Company Limited |
| **Guarantor(s)** | Galliard Homes, O’Shea Group |
| **Loan Amount (Phase 1 only)** | Development Peak Debt Facility of £20,428,534  Hotel Trading Facility of £9,561,781  Upon completion of the Hotel development, £9,561,781 of the Development Facility will flip into a Trading Hotel Facility. |
| **Availability Period** | First utilisation to be within a period of 3 months following the date of the facility agreement and delivery of all security and conditions precedent. |
| **Sources and Uses of Funds** | Refer to the S&U table above (Section 2.1) |
| **Total amount available for utilisation (Gross Lend minus interest roll up/ interest reserve, if any)** | Refer to the Gross to Net table above (Section D.1) |
| **Minimum Equity** | £14,000,000 to be injected prior to any utilisation of development funds. Please note this is assuming that costs up to the end of Nov-23 are equity funded with the rest of the scheme fully debt funded. |
| **Financial Covenants** | **Development Facility:**   1. Peak **Loan to Total Cost** will be equal to or less than 65%. 2. Peak **Loan to Gross Development Value** may not at any time exceed 62.5%. at any time with reference to a fresh valuation. A fresh valuation is to be provided prior to drawdown.   **Hotel Trading Facility:**  1) **Interest Cover** will be no less than 1.2x.  2) **Gross Leverage** will be no more than 9.0x  3) **Loan to Value (Stabilised Value)** will be no more than 65.0% |
| **Purpose** | **Development Facility:**  Development of the 21 holiday units, refurbishment and extension of existing hotel, Infrastructure costs, interest costs and the payment of all Bank fees and costs.  **Hotel Trading Facility:**  General working capital purposes and maintenance of the Hotel assets, interest costs and the payment of all Bank fees and costs. |
| **Development** | Refurbishment of the existing hotel and construction of 21 holiday accommodation units |
| **Property address** | Raithwaite Estate, Sandsend Road, Sandsend Whitby, North Yorkshire YO21 3ST |
| **Term** | Phase 1: 18 months from the first Utilisation Date. |
| **Required Completion Date of the Development and any key milestones (e.g. date for the commencement of works)** | Phase 1: 17 months from the first Utilisation Date. |
| **Repayment** | Bullet Payment |
| **Security** | * Debenture over the Borrower (including first ranking legal charges) over the freehold. * Assignments of all development documentation, insurances, and material contracts) * Share Charge over the Borrower * Assignment and subordination of all shareholder loans in the Borrower * Typical construction collateral warranties from contractor and main sub-contractors as appropriate.   All security is to secure the obligations of all Obligors to the Finance Parties. |
| **Guarantees** | 10% of the Phase 1 Gross loan amount to cover capital and any interest or cost overruns. |
| **Subordination** | All shareholder/intercompany debt and security to be subordinated, including and any other parties.  No permitted disbursements for the duration of the loan term, without bank Consent. |
| **Margin** | **Development Facility:**  5.00% + Bank of England Base Rate.  **Hotel Trading Facility:**  Upon PC the hotel the Hotel Trading Facility amount of £9,561,781 as stated above will have the applicable margin of 4.50% + Bank of England Base Rate.  Upon Gross Leverage of less than 5x achieved for 2 consecutive quarters (to be tested in line with the covenant section above) the applicable margin will ratchet down to 4.00% + Bank of England Base Rate.  Please note Base Rate will be the Bank of England Base Rate as at the date of the loan agreement, currently 5.25%). |
| **Payment of interest** | Roll up |
| **Minimum Interest Charge** | 10 months’ worth of interest if only Phase 1 funds are utilised.  20 months’ worth of interest if Phase 2 funds are utilised. |
| **Internal Fees** | Arrangement Fee: 1.00% / £204,285  Exit Fee: 0.75% / £153,214  Internal Legal Administration Fee: £4,000  External legal Fee: TBC  External Valuation Fee: TBC  \*Please note if Phase 2 or 3 funds are utilised a further 1.00% of any additional drawn amount will be applicable for an additional arrangement fee.  \*\*Please note if Phase 2 or 3 funds are utilised a further 0.75% of any additional drawn amount will be applicable for an additional exit fee. |
| **Contingent commitment fee** | If the Basel 3.1 Regulations require a Lender or the Lenders to hold capital against unconditionally cancellable uncommitted facilities, the Borrower will pay a fee of [1.45%] per annum on the undrawn portion of the Facility on and from the date on which the Agent notifies the Borrower that the additional fee will be due and payable. |
| **Key CPs/Conditions of Sanction** | 1. Valuation Report to confirm a minimum stabilised valuation of £92,539,785. 2. Any archaeological, environmental, ground condition, structural or any other survey or report recommended by our advisers. Including reliance on any material reports required by OakNorth. 3. Satisfaction of the equity invested in the Borrower. 4. Satisfactory business plan/forecast. (This will be satisfied upon OakNorth credit committee approval) 5. Monitoring Surveyor’s report and OakNorth satisfaction with the fit-out development works. 6. Copies of and satisfaction with all insurance policies (buildings insurance / CAR as applicable) in forms and substance satisfactory to OakNorth, including an insurance broker’s letter from the insurance broker if available. 7. OakNorth diligence on the proposed development works contractor in a form and substance satisfactory to OakNorth (through the provision of accounts (audited if available)) 8. Collateral Warranties and acceptable levels of PI cover for each of the: a. Main Contractor b. M&E Engineer c. Structural Engineer d. Architect e. Other principal parties with design responsibility. 9. Satisfaction with Planning Consent. 10. Report on Title / Overview Report in a form and substance satisfactory to OakNorth. 11. Statement of assets, liabilities, income, and expenditure to the satisfaction of the bank from the Guarantors. 12. Bank statements for all bank accounts open in the name all Obligors. 13. The Borrower to have signed up to Direct ID by no later than the first drawdown date. 14. Completion, to the Finance Parties' absolute satisfaction, of all due diligence under any applicable money laundering regulations and "know your customer" and business checks in accordance with any applicable legislation and regulations. 15. Any other CPs as detailed in the facility agreement or required by the Lender.   Key on-going information deliverables for all Obligors (Development facility):   1. Monthly PMS report from the OakNorth appointed PMS in a form and substance satisfactory to OakNorth. 2. Site visits by OakNorth. 3. OakNorth quarterly Direct ID obligations |
| **Information Undertakings** | Key on-going information deliverables for all Obligors:   1. Monthly PMS report from the OakNorth appointed PMS in a form and substance satisfactory to OakNorth. 2. Site visits by OakNorth when required. 3. OakNorth quarterly Direct ID obligations. |
| *Version 1.0 – January 2024* | |

# Annexure E: Location

|  |
| --- |
| A map with a location pin  Description automatically generated |
| Location analysis |
| |  |  |  |  | | --- | --- | --- | --- | | Any other |  | | | | Transport amenities/ access | Whitby rail station is c.8 mins drive from subject location. | | | | Other key insights | All the basic amenities (i.e. hospitals, pharmacy, restaurants / bars, gas stations and supermarkets) are within 2.5 miles from the estate. | | | | Amenities | Place | Distance | Travel Time | | Bus stop | Raithwaite Hall | 0.5 mi | 11 mins walk | | Metro rail | Whitby | 2.6 mi | 8 mins drive | | Airport | Teesside International Airport | 39.2 mi | 60 mins drive | |

| Proposed Unit mix |
| --- |
| **PHASE WISE UNIT MIX** |
| |  |  |  |  | | --- | --- | --- | --- | | Unit-Mix | | | | | **Hotel** | **#Bed/Units** | **Avg. Size** | **Total Area** | | **Phase 1** | | | | | Raithwaite Hall | 73 | -- | 47,055 | | Lodges – Woodland (5 x 1-Bed) | 5 | 372 | 1,858 | | **Total Hotel** | **78** | **--** | **48,913** | | **Holiday Units** | **#Units** | **Size** | **Total Area** | | **Phase 1** | | | | | Lodges - The Entrance (4 x 3-Bed) | 4 | 861 | 3,444 | | Coastal Villas - The Entrance (1 x 2-Bed; and 2 x 3-bed) | 3 | 1,144 | 3,432 | | Cottages - The Entrance (6x 1-Bed; and 8 x 2-bed) | 14 | 655 | 9,171 | | **Phase 2** | | | | | Lodges - The Clearing / Dunsley Beck (12 x 3-Bed) | 12 | 861 | 10,333 | | Apartments - Newholme Farm  (6 x 1-Bed) | 6 | 484 | 2,906 | | Apartments - The Valley  (1 x 1-Bed; 10 x 2-bed, 1 x 3-bed) | 12 | 746 | 8,956 | | Lodges - The Hilltop (21 x 3-Bed) | 21 | 861 | 18,083 | | **Phase 3** | | | | | Apartments - The Village  (21 x 1-Bed; and 31 x 2-bed) | 52 | 629 | 32,701 | | Cottages - The Village  (21 x 1-Bed; 27 x 2-bed, 7 x 3-bed) | 55 | 670 | 36,823 | | **Total Holiday Units** | **179** | **703** | **125,849** | | **Total Area** | **--** | **--** | **174,762** | |
| **PHASED MAP AND UNIT MIX** |
|  |

| **Phase 1 (P1) Construction Plan** |
| --- |
|  |

| **Phase 2 (P2) Construction Plan** |
| --- |
|  |

| **Phase 3 (P3) Construction Plan** |
| --- |
|  |

| **Current Project Status (Phase 1)** |
| --- |
|  |

|  |  |  |  |
| --- | --- | --- | --- |
| Planning Decision Notice | | | |
| The planning reference number for the **Main consent** (18/00241/FL), **Coastal Villas** (20/01808/FL), **Woodland Rooms** (2020/0702/FL), and **Hotel changes** (NYM/2023/0876) | | | |
| **Jan-18 (18/00241/FL)** | **Aug-20 (20/01808/FL)** | **Sep-22 (NYM/2020/0702/FL)** | **Mar-24 (NYM/2023/0876)** |
|  |  |  |  |

# Annexure F: Counterparties

| Professional team – planning consultant | | |
| --- | --- | --- |
| Role | Company | Experience |
| Contractor | CJ O’Shea and Company Limited | For Overview and Financials, please follow the <[Link](#OSHEAdescription)> |
| Interior Design | SAPIN Studios | * The company was incorporated in Apr-2023 and is based in London. No more details are available about the company in public domain. |
| Architectural Design | Holder Mathias Architects | * The company <[Website](https://holdermathias.com/about/)> has been providing services for 50+ years and have successfully executed projects across sectors Mixed use sites, Leisure & Hospitality, Residential, Retail, Workplace, Sport, Education, Healthcare, etc. * Through its offices in London, Cardiff and Munich, the company serves its clientele both locally and overseas. |
| Structural Engineers | CODA Design | * Located in Sheffield & Manchester and being in existence for >2 decades, CODA <[Website](https://codaarchitecture.co.uk/)> provides its services across Architecture, Urban Design and Executive Architecture. * The company provides its services across UK and have successfully completed projects across Residential, Student Accomodation, Commercial (Offices, Industrial Units, Showrooms, Workshop, hotel, carehome), and Carehome segments. |
| M & E Design and Coordination | Energy Unique Ltd | * Based in Bradford, West Yorkshire, Energy Unique Ltd <[Website](https://www.energyunique.co.uk/)> provides wide range of services (incl. Mechanical & Engineering Services Engineering design, Lighting design, Feasibility studies, Expert witness reports, etc.) caters to clients across multiple sectors incl. commercial, industrial, hospitality, retail, sheltered housing, extra care, care facilities, etc. among others. * All designs are prepared by in-house teams utilising specialist hardware, software and dynamic simulations with BIM and thermal modelling capabilities. |

# Annexure G: policy

* 1. Policy

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Committee | | | | |
| Deal size --- >>> |  | <= £3m  [SDC] | £3 - £7m  [MDC] | £7m+  [CRMC] |
| Type of facility |  |  |  |  |
| Property development - phased deals |  | MDC | CRMC | CRMC |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Policy | | | | | | | | |
| Asset class | Key metrics |  | Borrower | ON sens | On stress | Policy | \*Guidelines | Exception |
| Development | LTGDV | % | 51.7% | 65.6% | NM |  | \*<65% see sector | No |
| LTC (cash) | % | 57.6% | 57.1% | 60.3% | <75% | <65% | No |
| Investment | ICR (Y1) | x | 1.5x | 1.1x | 0.5x | >1.3x | >1.5x | No |
| Gross Leverage (Y1) | x | 6.9x | 9.4x | 17.4x | <11x |  | No |

* 1. Sectoral Limit

|  |  |  |  |
| --- | --- | --- | --- |
| **Sector** | | | |
| **Residential Accommodation - Development** | **Sectoral** | **Total** | |
| **Data as of 31-Mar-24** | **Committed Position (Drawn + Committed Undrawn)** | **Committed Position (Drawn + Committed Undrawn)** | ***Committed Position (Drawn + Committed Undrawn) % of Total*** |
| Current | £687,068,328 | £4,380,428,152 | *15.68%* |
| New / Subject deal | £20,428,534 | £20,428,534 |  |
| **Total, if approved** | **£707,496,862** | **£4,400,856,686** | ***16.08%*** |
| **Within Limit** | **£880,171,337** |  | ***20.00%*** |
| **Remaining Capacity** | **£172,674,475** |  | ***3.92%*** |

* 1. Single Name Exposure Limit

|  |  |  |
| --- | --- | --- |
|  | Policy limit (£mn) | Amount (£mn) \*\* |
| Single Name Limit | Lower of 95mn or 20% of CET1\* | 20.4 |

\*As of Sep 2022, 20% of CET1 is c£120mn

\*\* Maximum Target Borrower Limit for next 12 m

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Applicability | Limit (£mn) | Amount (£mn) \*\* | Comment |
| Single Site Exposure |  | 35 | 20.4 |  |
| Correlated Exposure |  | 75 |  |  |
| Aggregated Exposure |  | 50mn BAU / 75m exceptional |  |  |

\*\* Maximum Target Borrower Limit for next 12 m

# Annexure H: Climate risk

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| S. No. | Address | epc rating | | | Physical risk [flood risk] | | | Emissions - borrower's scope 1/2 (tco2 eq. P.a.) | | | |
| Current | Regulatory compliant | River &  sea water | | Surface & ground water | Current | | Regulatory compliant | |
| 1 | Raithwaite Estate, Sandsend Road, Sandsend Whitby, North Yorkshire YO21 3ST | **Phase 1 lodges and villas –** B (registered under 2013 Building Regulations)  **Phase 1 Cottages –** C (registered under 2021 Building Regulations). | NA | Very Low | | Low | NA | | NA | |
|  | | | | | | | | | |
|  | | | | | | | | | |

|  |  |
| --- | --- |
| Climate risk score card | |
|  | |
| Companies house and web checks ON end borrower | |
| Companies house checks | Web checks |
| Nothing Adverse | Nothing Adverse |

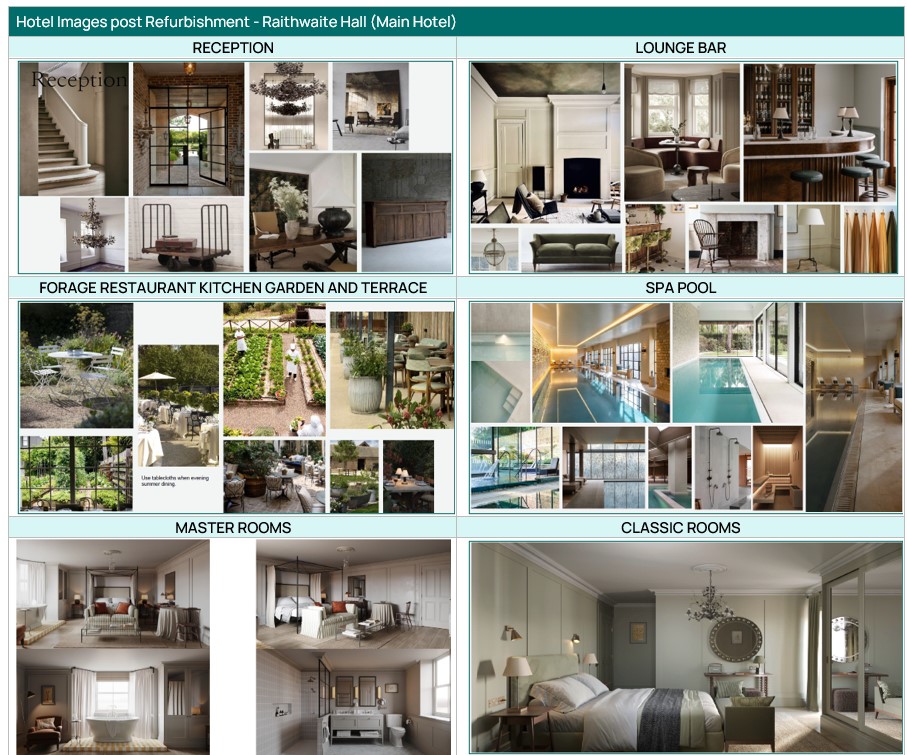
# Annexure I: Key Information

|  |
| --- |
| **Area under 3rd Party Ownership** |
| * **Following small parcels of land do not fall under the borrower’s control:**  |  |  | | --- | --- | | **Site Name** | **Area under 3rd Party Ownership** | | The Valley | 0.25 acres | | Newholme Farm | 0.31 acres | | The Lake House | 0.82 acres | | The Entrance (Long leaseholds) | 0.17 acres | | **Total** | **1.56 acres** |  * **Please refer to the plan in the below map, which outlines in orange the above areas in 3rd party ownership. It comprises, 12 x cottages (sold off from 2012-2022), of which 8 are located to the north of the main hotel, and 4 to the west of the main entrance. These do not form part of the ownership of the site.** |

# Annexure J: RV for Phase 2 & 3

| Key assumptions | Case 1 | Case 2 | Case 3 | Case 4 |
| --- | --- | --- | --- | --- |
| Underwriting case | New proposal | ON downside  Sensitivity | ON stress case |
| Build cost psf (Holiday Units) | £262 |  | £264 | £283 |
| Contingency | 4.0% | 5.0% | 5.0% |
| Professional Fee | 5.0% | 5.0% | 5.0% |
| Est. Developer Profit | 10.0% | 7.5% | 0.0% |
| Loan Tenure (Proposed) | 40 months |  | 40 Months | 52 Months (assuming 12 months delay) |





A collage of images of a hotel room

Description automatically generated

# Annexure K: Site Visit Photos

|  |  |
| --- | --- |
| **Rear Gardens** | **View from The Valley** |
|  |  |
| **View from The Entrance Cosatal Villas** | **Rear of hotel leading out from Bar with outdoor area** |
|  |  |
| **1st floor lobby in Raithwaite Hotel** | **Room in raithwaite hall** |
|  |  |
| **Room in raithwaite hall** | **Entrance to Restaurant** |
|  |  |
| **Lake at rear of hotel** | |
|  |  |
| **Internal And External Of Spa Development** | |
|  |  |
|  |  |
| **View from Bar’s Balcony** | |
|  |  |
| **Bar** | |
|  |  |