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27th July 2026

Michael Stephens
Castle Properties Limited

Dear Michael

Mulberry was unable to proceed with the acquisition of Haglands because it could not secure funding for the affordable housing element of the scheme.

Funding for smaller residential developments has become increasingly difficult to obtain. There are fewer lenders active in the sector, borrowing costs have risen, loan-to-cost ratios have reduced, and lending criteria have become significantly more stringent. Banks are adopting a more cautious approach to risk, requiring developers to commit substantially more equity while imposing tighter requirements around cash flow, security and overall project viability.

Like many SME developers, Mulberry intended to fund the acquisition through a combination of senior bank debt and mezzanine finance. Both lenders had independent legal representation and sought to protect their respective security positions.

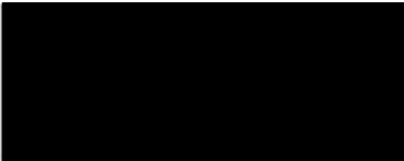
Historically, development lenders were prepared to fund land acquisitions on the basis that terms with a Housing Association were agreed after completion of the land purchase. That is no longer the case. Although Heads of Terms had been agreed and solicitors instructed in April 2025, shortly before exchange, our senior lender made funding conditional upon Mulberry first entering into a legally binding agreement with a Housing Association.

There are now very few Housing Associations willing to acquire small numbers of affordable homes, and the prices they are prepared to pay have fallen significantly. The only offer received was materially below our expectations and provided for payment only on practical completion of the affordable units. Consequently, Mulberry would have been required to fund both the land acquisition and the full construction cost of the affordable homes before receiving any proceeds.

The additional borrowing required led the lender to demand a substantially higher equity contribution from Mulberry. Despite exploring several alternative funding structures, no commercially viable solution could be identified, leaving us with no choice but to withdraw from the purchase.

It is important to emphasise that this outcome did not arise from any concerns about Mulberry's financial standing or ability to deliver the development. Rather, it reflected a fundamental change in development funding and lender requirements, driven by the increasingly difficult market for affordable housing. The combination of reduced Housing Association demand, lower acquisition values and lenders' insistence on a pre-exchange affordable housing contract created a funding structure that was no longer commercially viable for a development of this scale.

Yours sincerely



Adam Norton
Director