

Master Franchises In New Projects

Executive Summary

- Opportunity to become a strategic local partner in a Modulex Master Franchise in your country
- Established and proven British rapid build technology
- Ability to construct permanent buildings very quickly and to high quality
- First mover advantage in your country with the technology
- Proven and experienced management team
- Investment offers both revenue and capital growth
- Estimated return on investment is a conservative circa 5x in 3-5 years

Introduction

Modulex Modular Buildings PLC, based in the UK ("Modulex UK or The Company") is expanding its global footprint and setting up master franchises to develop the use of proven British steel modular technology to construct buildings in countries where there is growing construction market, mainly emerging markets.

Strategic Local Partner

The Company is seeking established business houses with very good reputation to become a strategic partner in these new markets. The main criteria based on which a local strategic partner is chosen are as follows:

- Good reputation and clean record
- Financially stable and established group
- Strong local connections to manage political and administrative risks
- Access to order pipeline

Technology

Steel modular building is a Modern Method of Construction (MMC), established since 1942 in the UK, producing permanent buildings such as hotels, schools, student accommodation, hospitals, barracks, prisons, offices and residential buildings.

- Proven 60 year old British technology
- British Standard Codified
- Structural Guarantee of 60 years
- Buildings would last as long as traditional buildings
- Superior finishing, by manufacturing buildings in a controlled environment.
- Better thermal values from superior factory installed insulation
- Fixed cost guarantee
- Fixed time guarantee
- 30% cheaper maintenance than traditional buildings
- Earthquake resistant
- 24 hour floor high building capability
- Same materials used as in traditional construction
- Same cost per sq m as traditional build

Master Franchise Agreement

The relationship between Modulex UK and the local subsidiary will be governed by a master franchise agreement.

The Heads of Terms of this agreement are as follows:

- **Upfront fees:** £2 million payable in two installments after commencement of production
- **Royalty fees:** 5% of the Gross Operating Profits (GOP) or 2% of turnover
- **Other fees:** Other fees such as IT, personnel training etc will be charged as per standard terms

Factory

- A manufacturing cluster will be required initially for a new market. This will require ideally 40 acres of land (minimum of 20 acres)
- This cluster will have the following:
 - a. Module Manufacturing Unit
 - b. Steel Rolling, Furniture and Bathroom Pod Units Doors & Windows Unit
- Depending on the size of the market and the country other module manufacturing units can be set up. The Steel Rolling and Doors and Windows unit would supply other module manufacturing factories

Capacity: This cluster will be able to produce circa 200,000 sq. metres of buildings in one year

Project Cost

A manufacturing cluster will cost circa £15 million for the above capacity

Financial Projections:

When operating at **40%** capacity the factory can generate a turnover of circa 30 million.

When operating at **80%** capacity generate a turnover of circa £ 100 million .

The profit after tax is circa 5 - 8% of the turnover