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Draft¹
Location plan
Photographs

PRIVATE AND CONFIDENTIAL

Trustees of Hammerhead TV Pension Schemes No.1 and No.2
Unit 19, Liongate Enterprise Park
80 Morden Road
Mitcham
Surrey
CR4 4NY

For the attention of Mr. P. Turtle
Our Ref: VA122.cdt

30th October 2012

Dear Sirs

Trustees of Hammerhead TV Pension Schemes No.1 and No.2 ("the Scheme")
Unit 2, Rugby Park, Battersea Road, Heaton Mersey, Stockport SK4 3EB

In accordance with your instructions, the basis of which was stated in our letter of 4th October 2012 and confirmed as acceptable by your email of 6th October 2012, we report as follows.

It is understood the property is an asset of the pension fund and that the purpose of the valuation report is in connection with the valuation of the pension fund asset.

As discussed we shall report on the Market Value of the property subject to the existing lease granted to Hammerhead TV Facilities Limited together with our opinion of the Market Rent as at the date of valuation. You have also instructed us to report on the Market Value on the Special Assumption that the property is available with full vacant possession as at the valuation date. Our report is otherwise subject to the qualifications within the attached Memorandum which shall also form the basis of our report to you.

It is confirmed that the valuation shall be prepared in accordance with the appropriate sections of the Practice Statements ("PS") and United Kingdom Practice Statements ("UKPS") contained within the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (the "Red Book").

The property was inspected by Chris Threlfall BSc (Hons) MRICS on 8th October 2012 which is the valuation date for the purpose of this report. It was possible to inspect all of the property for the purpose of this valuation report. Our valuation is subject to the Memorandum at Section 3.0 and as clarified in the attached Memorandum, this is not a structural survey.

We confirm that we have undertaken the valuation acting as an External Valuer, qualified for the purpose of the valuation. It is further confirmed that we have no current, anticipated or previous recent involvement with the property and/or the parties to the transaction and do not therefore consider that any conflict arises in preparing the advice requested.

We also confirm the valuer has sufficient current local knowledge of the particular market; and the skills and understanding to undertake the valuation competently. The valuer is also registered with the Valuer Regulation Scheme of the RICS.

We report our opinion of value as follows:

Unit 2, Rugby Park, Battersea Road, Heaton Mersey, Stockport SK4 3EB

VALUATION as at 8th October 2012

Market Rent:	£27,500 (Twenty Seven Thousand Five Hundred Pounds) per annum
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Market Value (subject to the lease dated 19th May 2009)	£290,000 (Two Hundred and Ninety Thousand Pounds)
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Market Value (subject to the Special Assumption that the subject property is vacant)	£265,000 (Two Hundred and Sixty Five Thousand Pounds)
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Please note that detailed assumptions are contained in this report and memorandum. These should be considered in conjunction with this valuation.

Yours faithfully

Chris Threlfall BSc (Hons) MRICS
CDT Consulting Limited

2.0 Main Report

1.0 LOCATION

- 1.1 The location of the subject property is well known to you. We have nevertheless specified the main characteristics of the area in order to provide context to the comments and opinion in our report.
- 1.2 The Rugby Park development forms part of the larger development scheme of Heaton Moor Industrial Estate. Rugby Park was developed by Quorum Developments Limited and completed in 2009. The scheme has become established since then and now accommodates a range of companies including Servecorp (airline services company), a printing supplies company and costume supply company.
- 1.3 The Rugby Park scheme is located in Heaton Mersey approximately 11 km (7 miles) to the South of Manchester city centre and 3 km (2 mile) to the West of Stockport town centre. The Estate is located just to the South of the A5145 Didsbury Road leading from the A34 Kingsway dual-carriageway which connects the city centre with the M60 Manchester Orbital Motorway. The property is located within 2 km (1 mile) of Junctions 1 and 2 of the M60 allowing convenient access to regional markets and the national motorway network.
- 1.4 The location of the property is identified on the attached plan at Appendix A.

2.0 DESCRIPTION

- 2.1 The subject property forms a mid-terrace unit of four units comprising a self-contained part of the Rugby Park development which has the benefit of its own dedicated yard.
- 2.2 The unit is built to a modern specification and is of steel frame construction with single pitch roof and external elevations of modern profiled metal cladding incorporating glazed curtain wall sections. The yard is of concrete hardstanding and is drained for surface water run off. The boundaries are secured by metal security fencing and there is a sliding metal gate securing the vehicular access to the yard from Battersea Road. External lights fitted to the front elevation of each unit provide further security to the yard. Unit 2 has the benefit of five dedicated car spaces with some spaces reserved for tenants use as well as others for general use.
- 2.3 The accommodation at the unit provides an open ground floor workshop/warehouse area with blockwork partition secure store. The original front ground floor office has been altered to provide a first floor to include additional WC facility, staff kitchen area, additional offices/production suite and an open mezzanine storage area with additional stairs access from the warehouse section.
- 2.4 The warehouse section has a minimum floor to eaves height of 5.06m (16ft 8in) extending to 8.84m (29 ft) to the front elevation. The single pitched roof is of double skin cladding

incorporating clear PVC rooflight panels. High level sodium lights are fitted together with high level gas fired Ambi-Rad space heaters. The warehouse has an electrically operated roller shutter door opening to a height of 4.34m (14ft 3in) securing the vehicular access to the front elevation.

- 2.5 The ground floor office area is provided with suspended ceiling with integral Cat 2 fluorescent lighting diffusers. Air handling cassettes are also installed to provide local comfort heating and cooling. The walls are of painted plaster decoration with solid concrete floor of carpet tile finish. Female WC facilities are provided to the ground floor lobby area, with separate male facilities provided which are also specified for disabled use.
- 2.6 The upper floors are provided to a similar decorative specification. The kitchen area is installed with stainless steel sink and base and wall units together with an electric hob and oven.
- 2.7 Photographs of the unit are included at Appendix B.

3.0 AREAS

- 3.1 We have measured the property and have calculated the Gross Internal Area (GIA) in accordance with the Code of Measuring Practice of the Royal Institution of Chartered Surveyors.
- 3.2 The gross internal areas have been calculated as follows:

Floor	Accommodation	Net internal floor area	
		Sq m	Sq Ft
Ground	Office, WCs and lobby area	92.80	999
	Warehouse (incl. secure store)	281.60	3,031
First	Meeting room, office and kitchen	92.80	999
Mezzanine	Storage area	43.72	471
Total		510.92	5,500

4.0 SERVICES

- 4.1 It is understood that mains water, gas, and electricity services are supplied to the property and it is connected to the mains drainage system.
- 4.2 None of the services supplied to the building have been inspected or checked as part of the survey for this report.

5.0 CONDITION

- 5.1 The property is of modern construction and we understand it was built approximately four years ago. At the date of inspection, it was apparent the subject unit property and the building generally appear to have been maintained in a satisfactory condition.

6.0 ENVIRONMENTAL ISSUES

- 6.1 The property is located in an area with an established industrial heritage. We are not aware of the previous use of the subject property. As the development has been undertaken in recent years we consider it likely any construction will have been undertaken in accordance with contemporary environmental requirements. A purchaser in the market would, in practice, undertake further investigations than those undertaken in preparation of this valuation report. If it is subsequently established that contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, then this might reduce the value now reported.
- 6.2 We note the property is positioned close to an existing watercourse but note that as far as we are aware the site has not been affected by flooding from external sources. From our inquiry of the Environment Agency website it is noted the subject property is adjacent to but not included within an area identified as being subject to flooding. A purchaser should undertake their own detailed enquiries as to the likelihood of the property being affected by flooding.

7.0 TENURE

- 7.1 We have not been provided with a copy of the Report on Title and have assumed it is subject to freehold title. We have also assumed it is free from any additional rent charge, restriction as to use, title or occupation and free from any other restriction which may affect value. We have not had sight of the title deeds.
- 7.2 The nature of the title to the site should be confirmed by your legal advisers.

8.0 TENANCIES

- 8.1 We have been provided with a copy of a lease dated 19th May 2009 granted by the Scheme to the tenant company, Hammerhead TV Facilities Limited. The principal terms of the lease are summarised below:
- 5 year lease term with effect from 1st January 2009
 - The initial rent from 1st January 2009 to 31st December 2011 was £38,400 per annum

- The date of the rent review is 1st January 2012 and provides for the rent to be reviewed in an upwards only direction
- Rent is payable quarterly in advance
- The tenant is directly responsible for internal repairing liabilities for the property and contributes to the landlord's insurance costs as well as 50.0% of the service charge cost for external maintenance
- The tenant is permitted to use the property for such use within Classes B1 (office), B2 (general industrial) and B8 (warehouse/distribution) of the Town and Country Planning (Use Classes) Order 1987.
- The tenant is permitted to assign the whole property only with landlord's consent, not to be unreasonably withheld or delayed

The lease provides for the rent to be reviewed in an upwards only direction. The review rent is to be the Market Rent having regard to the best rental values as between a willing landlord and tenant, without a premium, for a term equal to the unexpired term and subject to the terms of the subject lease and subject to the following assumptions:

- a) The property is available to let with vacant possession
- b) The property is provided to a condition suitable for a tenant's fit out work
- c) No work has been done to the property to reduce the rent
- d) If damaged by fire, the premises have been reinstated
- e) The property has been maintained in full repair
- f) The terms of the lease have been observed by the tenant

In determining the review rent the following matters are to be disregarded, namely,

- a) The occupation by the existing tenant
- b) Any goodwill
- c) Authorised improvements carried out by the tenant

8.2 We have considered the value of the property in its existing condition, and with the existing arrangement of accommodation. You have advised that the first floor office and mezzanine areas were installed by you, and at your expense as landlords. As they do not represent a tenant's alteration (which would be ignored for the purpose of valuation) the value attributed to them has been included in consideration of the reported Market Value of the property.

9.0 RIGHTS OF WAY

9.1 We are not aware of any rights of way which adversely affect the property.

10.0 RESTRICTIVE COVENANTS

10.1 We are not aware of any restrictive covenants which adversely affect the property. This should be confirmed by your legal advisers.

11.0 RATING

- 11.1 We have undertaken an enquiry of the Valuation Office website and specify the rateable value for the property below:-

ADDRESS	DESCRIPTION	RATEABLE VALUE
Unit 2, Rugby Park, Battersea Road, Heaton Mersey, Stockport SK4 3EB	Workshop, offices and premises	£30,500

- 11.2 The uniform business rate for 2012/13 is 45.0p in the Pound where a business qualifies for Small Business Rates Relief (SBRR) ie. where the rateable value of business premises is less than £18,000. For businesses not qualifying for SBRR, the uniform business rate is 45.8p in the Pound.

12.0 PLANNING AND OTHER STATUTORY ISSUES

- 12.1 For the purpose of this report we have not made detailed enquiries of the planning status of the property. We have assumed its current use is established in accordance with the commercial nature of the area.
- 12.2 In the event that subsequent detailed enquiries of the local authority reveal the property does not have consent for its current use, then this may affect the values reported.

13.0 MARKET CONDITIONS

- 13.1 The current conditions within the commercial property market have prevailed since August 2007 onwards with the onset of the so called "credit crunch". The most significant effect on the property market was the major contraction in demand from both the investor-led and occupier sectors of the market. With the available bank finance being more difficult to obtain, all major capital property decisions were put on hold. As a result of this, coupled with the downturn in the UK economy and fears of a continuing recession, values significantly reduced during 2008.
- 13.2 One of the most notable central government and financial institution reactions was the reduction of base rates to historically low levels which has continued for almost three years. Together with an unprecedented amount of financial support to the banks and financial markets, gradually, a degree of investor confidence returned during 2009. Coupled with government figures indicating the UK economy pulled out of recession for the last quarter of 2009, UK equity markets recovered to an extent together with some

signs of confidence and demand returning in the commercial property market. With the continued lack of growth, the UK economy fell into a second phase of recession and any hopes for increased availability of corporate and property finance diminished.

- 13.3 As a result of the prevailing market conditions the number of recent transactions relating to comparable properties is very limited. The demand requirements in the current market are much reduced than in recent years and prospective tenants are now able to secure a range of incentives when occupying formerly vacant property.
- 13.4 This was a feature of two of the latest lettings in the area of which we are aware. The letting of **Units 44-46, Station Road, Heaton Mersey** was completed in September 2012. The 8,880 sq ft commercial building was let for a term of five years with a three year tenant's break. The building was constructed in the 1980s but has recently been refurbished by the landlord. The tenant was granted an initial eight month rent free period for the first three years of the lease, with a further three month rent free period if the break was not exercised. The headline rent of £33,300 per annum equates to £3.75 per sq ft. However, if the rent free periods are considered then the effective rent actually equates to £2.92 per sq ft (a discount to 78%) for the first three years, and £3.06 per sq ft (a discount to 82%).
- 13.5 **Unit 3, Linkwood Industrial Estate, Hammond Avenue, Reddish** is a 2,395 sq ft 1980's unit that has been occupied according to a tenancy at will for the last 12 months. A lease has now been negotiated with the occupier effective from September 2012 at a rent of £5,500 per annum, equating to £2.30 per sq ft.
- 13.6 The newest units to be made available on the current market are at the **S:Park development** by developers, Chancerygate. The 15 acre "design and build" scheme overlooks the M60 Manchester Orbital Motorway at Junction 27 close to Stockport town centre. We are aware that there is a letting of a 10,000 sq ft unit to be provided to a basic, un-fitted shell condition which has been agreed for a new lease of 10 years. A 12 month rent free period has been granted. The headline rent of £6.00 per sq ft therefore equates to an effective rent of £5.40 per sq ft.

14.0 VALUATION APPROACH

- 14.1 In determining our opinion of the Market Value of the subject property we have made adjustments to the comparable information above to apply to subject premises. The subject premises comprise modern commercial accommodation built to a good quality standard which would meet the requirements of occupiers in the current market.
- 14.2 We are advised that the current rent of £38,400 per annum stated in the lease is not charged in full to the occupying tenant company, but that a rent equating to 80.0% of the lease rent is actually demanded. The discounted rent of £28,800 per annum breaks down to a rent of £5.24 per sq ft.

- 14.3 The transactions specified in paragraphs 13.4 and 13.5 relate to dated accommodation in comparison to the subject property. Whilst of basic new build specification, the S:Park unit represents the latest evidence on the market for recently constructed premises, and the unit has the benefit of a highly visible and accessible location. We are therefore of the opinion that the Estimated Rental Value for the subject property, subject to the terms of the existing lease, as at the valuation date equates to £5.00 per sq ft. We therefore consider the Market Rental Value of the subject property in its existing condition as at the valuation date to be **£27,500 (Twenty Seven Thousand Five Hundred Pounds) per annum**.
- 14.5 In considering the Market Value of the property subject to the existing lease, the hypothetical purchaser has the security of the rental income for only another 12 months approximately. We therefore consider the value of the unit is only therefore marginally more than the value of the unit if vacant possession is to be assumed. We therefore consider the Market Value of the subject property to be **£290,000 (Two Hundred and Ninety Thousand Pounds)** which reflects a yield of 9.05%.
- 14.6 If we are to assume the property is available with vacant possession, we have applied a capital value of £48.00 per sq ft. and consider the Market Value of the subject property with this Special Assumption is **£265,000 (Two Hundred and Sixty Five Thousand Pounds)**.

15.0 VALUER

- 15.1 The property was inspected by Chris Threlfall BSc (Hons) MRICS on 8th October 2012. It is confirmed that the valuer is an external valuer as defined in the Valuation Standards of the RICS (also referred to as the "Red Book").

Chris Threlfall is registered on the Valuer Regulation Scheme of the RICS.

CDT Consulting Limited
Third Floor
Fountain House
83 Fountain Street
Manchester
M2 2EE

30th October 2012

3.0 Memorandum

1. This report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or part of its contents. This report has been prepared on the basis that full disclosure of all information and facts which may affect the valuation have been made to ourselves by the parties concerned and we cannot accept any liability or responsibility in any event, unless such disclosure has been made.
2. In accordance with the recommendations of the RICS neither the whole, nor any part of our valuation, memorandum and report related thereto, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without our written consent of the form, content and context in which it may appear.
3. We have not inspected the Title Deeds in respect of the property and have relied on the verbal information given to us in respect of tenure. We have further assumed a) that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings; b) that good title can be shown; c) that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by any statutory notice.
4. The following items (as applicable) have been regarded as falling in the definition of land and buildings and included in our valuation:
5. Landlord's fixtures and fittings, electrical and lighting installations, mains switchgear, permanent heating installations, sprinkler installation within buildings, water and gas mains and fittings, drainage pipes and fittings, overhead cranes, permanent partitions, fences, yards and hardstanding.
6. We have not carried out a structural survey nor have we inspected woodwork or other parts of the property which are covered, unexposed or inaccessible and such parts are assumed to be in good repair and condition. This report does not purport to express an opinion about, or to advise upon, the condition of the property or uninspected parts and should not be taken as making any implied representation or statement about such.
7. We have not arranged for any investigation to be carried out to determine whether or not high alumina cement, concrete or calcium chloride additive, asbestos, or any other potentially deleterious material has been used in the construction of this property or has since been incorporated and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.
8. We have not made any allowance or taken into account any potential taxation liability under Capital Gains Tax, Value Added Tax or other taxes in existence or proposed, except in so far as they might influence general levels of value.

9. We have not made written enquiries of the Planning Authority and Building Regulations Department, and therefore assume there are no known contraventions of planning law building regulations, and that all buildings and structures and the use thereof which require planning consent building regulations have a valid consent.
10. We have not made any enquiries of the Health & Safety Executive and are not able to state that the property and buildings conform to all the necessary and legal requirements of this authority or to the requirements of any other legal enactment and we have assumed there are no contraventions which might affect the valuation.
11. We have not made any enquiries to obtain a mining report, nor checked on the geological situation and have assumed that there is no potential subsidence which would adversely affect the property.
12. Our enquiries have not revealed any contamination affecting the property or neighbouring property which would affect our valuation. Should it, however, be established subsequently that contamination exists at the property, or on any neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the values now reported.
13. The property has been valued free from borrowings.
14. We have not undertaken an Access Audit of the property that may be required under the provisions of the Disability Discrimination Act 1995. We are not able to state whether the legislation is applicable, the extent to which it is applicable and the associated implications therefore we have assumed that there are no contraventions that might affect the valuation.
15. We have not undertaken a Fire Risk Assessment of the property that may be required under the provisions of the workplace (Fire Precautions) Act, amended 1999, and are not able to state whether the legislation is applicable, the extent to which it is applicable and the associated implications. We have therefore assumed that there are no contraventions that might affect the valuation.
16. We are not aware of any current, recent previous or anticipated involvement with the borrower on the property.
17. Unless otherwise stated in this report, no 'special assumptions' have been made in arriving at the Market Rent.
18. The RICS definition of Market Value is as follows:

"The estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arms length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

19. The RICS definition of Market Rent is as follows:

“The estimated amount for which a property, or space within a property should lease (let) on the date of valuation, between a willing lessor and a willing lessee on appropriate terms in an arms length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion”.

20. Where instructed we have considered, solely for guidance purposes, the reinstatement cost of the building for insurance purposes. The assessment includes Architects and Quantity Surveyor’s fees, an allowance for debris clearance exclusive of VAT. It is based on current costs as at the date of this report and does not make any allowance for future inflation. We recommend that provision for inflation in building costs is made.

21. Any reinstatement cost figure reported does not relate to any form of valuation (for market or other purposes).

CDT Consulting Limited
Third Floor
Fountain House
83 Fountain Street
Manchester
M2 2EE

30th October 2012