

Report and Valuation



187-195 Picton Road

Wavertree
Liverpool
L15 4LG

Date of Valuation/Inspection: 25 October
Our Reference: 331028
Your Reference: C5233320654



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Instruction Summary

Client:	Aldermore Bank plc
Borrower(s):	1 Red Properties Limited
Owner(s):	Charles Wootton
Property Address:	187-195 Picton Road Wavertree Liverpool L15 4LG
Property Type:	Trade counter and warehouses (held as an investment)
Tenure:	Freehold
Date of Valuation/Inspection:	25 October 2013
Purpose of Valuation:	Secured lending purposes.
Conflict of Interest:	As far as we are aware no conflict of interest, either personal or in relation to the Company, exists.
Previous Visits:	None.
Confirmation:	The Property has been valued in accordance with the 2012 (eighth) edition of the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards (incorporating the International Valuation Standards).

Taylor's Business Surveyors & Valuers Limited has appropriate Professional Indemnity Insurance cover on a per claim basis in respect of this instruction.

The inspection was undertaken by Mr C Walker, MSc MCIOB MRICS and the Report contents discussed and agreed with Mr R W Bower, BSc, MRICS, both of whom are RICS Registered Valuers and have appropriate experience, qualifications and expertise in valuing similar properties.

All Limited Company aspects have been disregarded.

This Report must be read in conjunction with the Report Assumptions & Valuation Methodology section and will be prepared in accordance with the Bank's terms of business/appointment/engagement or service agreement which is current at the date of instruction in relation to Taylor's Business Surveyors and Valuers' panel appointment.

All valuation special assumptions have been previously agreed with the client.



1 Executive Summary

The following summary is provided for information purposes only and must be read in conjunction with the full report.

1.1 Location

- The property is prominently located facing a main route between Liverpool city centre and the suburban areas of south-east Liverpool.
- The property is central to Wavertree high street, which comprises mostly secondary and tertiary retail and leisure premises, and local council offices.
- The surrounding residential areas are mostly densely populated streets of Victorian terraced housing.

1.2 Description

- The property comprises a number of interlinked buildings: a modern showroom, a 1950s warehouse/ workshop with two storey offices and a 1980s warehouse. There is also a detached two storey building in dilapidated condition.
- The showroom is of conventional steel frame construction clad with concrete panels and plate glazing; we were unable to view the roof due to the surrounding parapet wall.
- Both of the warehouses are of conventional construction with brick walls supporting steel lattice frame pitched roofs which are clad with modern steel profiled sheeting in some areas and appear to be clad with corrugated asbestos sheeting in other areas.
- The two storey office building is of traditional construction with brick walls supporting pitched roofs which are clad in slate; the semi-derelict two storey building is of similar construction.

1.3 Accommodation

- Showroom and trade counter of 290.4 sq m.
- Central warehouse of 415.9 sq m.
- Rear workshop/warehouse of 438.2 sq m.
- Adjoining two storey building with ground floor storage area of 172.0 sq m and first floor disused offices of 171.2 sq m.
- There are paved yard areas to two sides of the building and also a detached two storey outbuilding.

1.4 Tenure

- Freehold.

1.5 Leases/Tenancies

- The entire property is let under the terms of a 25 year lease commencing 6 August 1992.
- We understand that the current passing rent is £52,500 per annum.

1.6 Capital/Rental Values

MV1 The Market Value of the freehold interest in 187-195 Picton Road, Liverpool, as an investment, is:

£416,000 (four hundred and sixteen thousand pounds).



MV2 The Market Value of the freehold interest in 187-195 Picton Road, Liverpool, as an investment, is:

£395,000 (three hundred and ninety-five thousand pounds) subject to the following special assumption:

- a) a 180 day period in which to exchange contracts.

MV3 The Market Value of the freehold interest in 187-195 Picton Road, Liverpool, valued with vacant possession, is:

£350,000 (three hundred and fifty thousand pounds)

The Market Rent of 187-195 Picton Road, Liverpool is considered to be **£52,500** per annum.

1.7 Conclusions

- We believe the property represents suitable security for loan purposes subject to the full contents and recommendations of this report and in accordance with normal commercial lending practice.

2 Location

2.1 Overview

Wavertree is an inner urban area of Liverpool, some three miles south-east of the city centre. It lies between two main routes into the city centre: the A5047 Edge Lane dual carriageway and the A562 Smithdown Road. For much of the 20th century employment in the area was mainly associated with the nearby railway sidings and goods yards; as these fell into decline during the latter part of the 20th century government funding was made available to redevelop these areas into what has become Wavertree Technology Park. The area continues to be developed at present.



In the early part of the 21st century the eastern parts of Wavertree benefited from the resurgence within the more affluent neighbouring areas of south-east Liverpool. However, the western areas of Wavertree, around the former railways sidings and depots, did not experience significant improvement and, despite local authority led housing renewal initiatives, remain relatively deprived areas.



2.2 Setting

The position of the subject property is identified on the location map provided.



The subject occupies a prominent position facing the northern side of Picton Road (B5178). As a trading location it is somewhat overshadowed by the broad range of local traders established along the Smithdown Road (A562), approximately one mile to the south, and national retailer at Edge Lane Retail Park by the A5047, approximately one mile to the north.

Access

Access is directly from Picton Road which appears to be made up and adopted by the Local Authority. The entrance is shared with a neighbouring property and an operational petrol filling station.



Entrance to the property



Picton Road

3 Property

3.1 Description

The front property, facing Picton Road, are purpose built showrooms of steel framed construction with precast concrete cladding and plate glazed display windows; we were unable to view the roof of this part of the property due to the surrounding parapet wall.

Adjoining the showrooms to the rear is a 1950's warehouse/ workshop building, which is of conventional construction with brick walls supporting steel lattice frames which form low-pitched roofs. We were unable to view these roofs externally, but from the small parts of the roof panels visible internally, they appear to be of cement-fibre or similar. The floor level of this unit is below ground level and the floor level of the adjoining units.



Front elevation



Dilapidated outbuilding



The two-storey buildings



Rear elevations

At the rear, adjoining the 1950's warehouse, is a 1980's steel framed warehouse/workshop; this has brick faced cavity and blockwork walls and pitched roofs clad with profile metal panels.

Running along the eastern side of both warehouses is a two storey 1950's office building, which appears to be contemporary with the 1950s warehouse; the offices are currently unused. This is of traditional construction with brick walls, fully coated with painted cement render, beneath pitched roofs which are clad with slate. Opposite the offices is a further two storey detached outbuilding of similar construction; for safety reasons we were advised not to access this building.

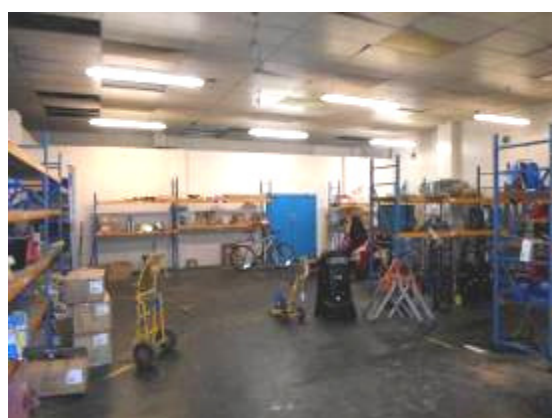
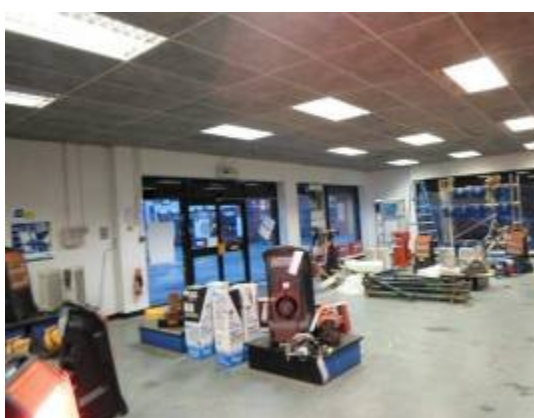
3.2 Accommodation

Showroom and Trade Counter

Gross internal area - 290.4 sq m.

Configured as:

- Customer reception area.
- Storage area.
- Office formed with demountable partitions.
- Staff amenities.



Middle Warehouse /Workshop

Gross internal area - 415.9 sq m.

This warehouse can be accessed from the front showroom and stores, and there is pedestrian access to the rear workshop.

Vehicular access is via steel roller shuttered doors to one side, with a ramp down to floor level.



This area is mostly open plan, with a small area to one corner sectioned off with demountable partitions.

Rear Workshop/Warehouse

Gross internal area - 438.2 sq m.

This is a predominantly open plan area with demountable partitions forming a reception, office and staff amenities area to one end and a tool repair workshop to the opposite end.



The area is readily accessible by vehicles via two entrance doors with steel roller shutters.



Two Storey Building

Ground floor stores with a total GIA of 171.2 sq m accessible at various points from the adjoining warehouses.

First floor offices with a GIA of 171.2 sq m including staff amenities. This area is only accessible from the outside, via an internal staircase.



Disused Outbuilding

We were advised that it would be unsafe to access the interior of this building due to its poor condition. Its external measurements are 7.25 metres x 14.0 metres.

External Amenities

The showroom has a forecourt area to the eastern side, whilst the warehouses and offices have secure yard areas to the eastern and northern sides. These are mostly surfaced with tarmacadam.



Forecourt



Eastern area of secure yard

3.3 Internal & External Appearance

The property is of a utilitarian specification, with the front showroom and rear workshop being relatively well presented both internally and externally, but the two storey offices and central warehouse are less well presented. The detached outbuilding is in a dilapidated condition and we were unable to carry out an internal inspection.

Our inspection of the premises followed a period of heavy rain and it was evident that there is a leak to the roof of the central warehouse, causing a pond to form on the floor. Some more minor leaks were also noted within the rear workshop and first floor offices, with the latter causing damage to the internal plasterwork. Under the terms of the lease the tenant is responsible for carrying out repairs.

For valuation purposes we have assumed that the tenant will comply with the lease covenants.

3.4 Services

We are advised that the following services are available:

Water	Mains
Gas	Mains
Electricity	Mains (three phase)
Drainage	Mains

There is no central heating or air conditioning within any part of the premises.



4 Title

4.1 Tenure

We are advised that the property is held freehold subject to an occupational lease as outlined below.

Date of Lease	6 August 1992
Landlord	Charles Raymond Wootten
Tenant	HSS Hire Services Group plc
Guarantor	John Mowlem & Company plc
Term	25 years from 25 December 1991
Initial Rent	£34,600 per annum, on FRI terms
Current Passing Rent	£52,500 per annum (reversionary) The rent review of 25 December 2011 is outstanding
Rent Reviews	Upward only reviews, five yearly to open market rent
Repairs	The tenant is required to “put and keep in good and substantial repair”
Permitted Use	The sale and hire of industrial and domestic plant and equipment, and the storage and maintenance thereof.
Security of Tenure	The standard terms apply in accordance with the Landlord and Tenant Act 1954

We have not been provided with a copy of any Report on Title.

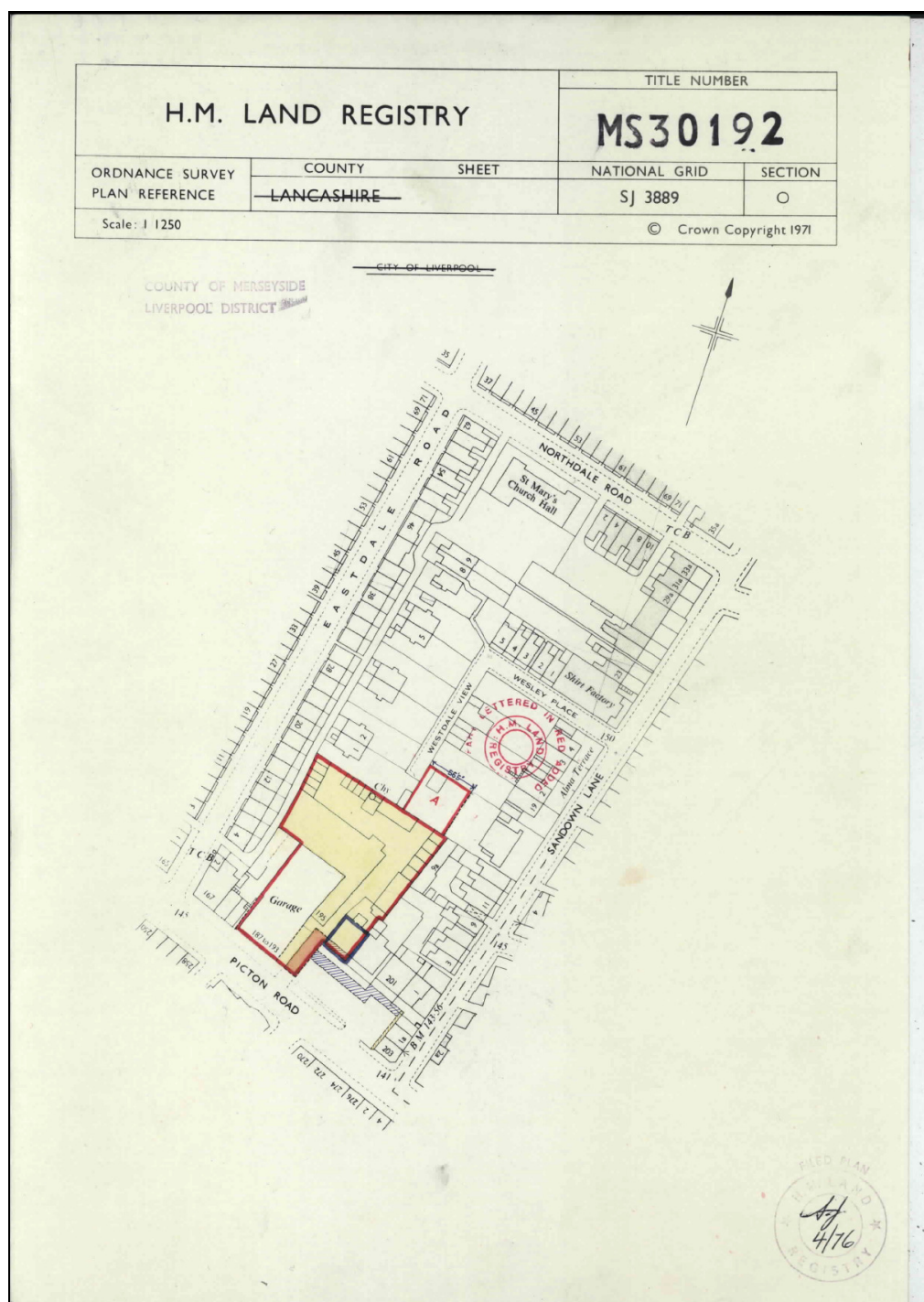
4.2 Covenant Strength

In respect of the covenant strength of the lessee, HSS Hire Services Group plc has a turnover in excess of £170 million per annum. The current Experian credit check report states that the company has an “above average risk” score.



4.3 Site Plan

We provide below a copy of the title plan number MS30192 and confirm that the boundaries shown accord with those evident at the time of our inspection.



The area marked 'A' was added to the title in 1968. The mineral rights of the areas shaded in yellow have been transferred to a third party. The area shaded in blue is a pedestrian right of access across the neighbouring property. The areas shaded in brown and edged in blue relate to covenants and rights agreed with the neighbouring property, which currently operates as a fuel filling station.

A full solicitor's report of title should be commissioned.



5 Statutory Authorities

Please refer to the Report Assumptions section of this Report for further information and explanation in respect of all Statutory Authority matters.

5.1 Environmental Health

We are advised that annual visits are made by an Environmental Health Officer and that there are no current outstanding requirements.

We have assumed full compliance with Environmental Health Regulations.

5.2 Fire

We understand that fire risk assessments are in place, but are unaware of any recent visits by the Fire Officer.

We have assumed full legislative compliance and that the appropriate risk assessment is in place.

5.3 Planning

There have been no recent planning applications for the site.

Source of information: Liverpool City Council planning department website

5.4 Rating

	£ per annum
Rateable Value	51,000

Source of Information: Valuation Office Agency website

Water and environmental charges are payable in addition.



5.5 Environmental Issues

We list below our initial observations on matters of an environmental nature:

Issues	Comments
Contaminated Land	We are aware that there have been historic industrial uses within the area, however, our inspection did not reveal any obvious contamination issues within the vicinity or to the property and we have valued accordingly.
Equality Provisions	We do not anticipate any problems regarding compliance with equality legislation.
Asbestos	We are not aware of any asbestos survey been completed for the property. Such is required.
Flooding	The Environment Agency flood map suggests that the property is not at risk of flooding.
Mining	The property is not within a coal mining area.
Radon	The property is not within a radon affected area.
Subsidence/Landslip	The property is not in an area identified as having a significant risk of subsidence or landslip.
EPC/Energy Act 2011	We have seen an EPC in respect of HSS Hire Group Plc, 187 Picton Road, dated 12 September 2012. This indicated an energy efficiency rating of F (144). This is a very low rating and we draw the Bank's attention to the further commentary held within the Report Assumptions section of this report.
Invasive Species	Our inspection did not reveal the presence of invasive vegetation.



6 Valuation Advice

6.1 Capital/Rental Values

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MV3 The Market Value of the freehold interest in 187-195 Picton Road, Liverpool, valued with vacant possession, is:

£350,000 (three hundred and fifty thousand pounds)

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion'. Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

The Market Rent of 187-195 Picton Road, Liverpool is considered to be **£52,500** per annum.

Market Rent is the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

6.2 Market Commentary

There has been widespread uncertainty in the markets following the "credit crunch" and the associated financial turmoil which necessitated unprecedented Government intervention and support. This situation was exacerbated by the financial constraints outlined in the Comprehensive Spending Review in 2010 and the Eurozone Crisis. In the wake of this, the UK narrowly avoided a 'double dip' recession in 2012 and the Bank of England subsequently cut its growth forecast to 1%, and said recovery will be "slow and protracted" with inflation staying higher than expected.

However, recent information shows that economic growth is picking up, with an increase in GDP of 0.8% in the quarter to September 2013, following an increase of 0.7% in the previous quarter. The latest figures show that growth has been seen in all of the main business sectors. There are also some indications that the Eurozone economies may be stabilising with some countries seeing a return to growth.

Market confidence has previously been affected by perceived difficulties in obtaining finance on acceptable terms. However, the Bank of England have announced that the "Funding for Lending" scheme due to end in January 2014 will now be extended until 2015, and that the Banks will be given greater incentives to lend to small and medium-sized businesses. It appears that this is beginning to have a positive effect, particularly in the residential market.



Local market conditions

The local property market remains sluggish, with demand for warehouses and workshops being significantly lower than demand for trade counters. However, in comparison to similar premises currently on the market the subject is well located for its current use as it is readily accessible and is in a high profile position facing a relatively busy local route. We therefore believe that market demand would be fair demand from the rental market and its sale as an investment property.

Demand and Timescales in respect of a Sale or Letting

We anticipate a timescale in respect of a sale of the freehold as an investment to be 6 to 9 months. A letting could be achieved in a similar period. However, in the event of a sale with vacant possession we would anticipate a considerable longer marketing period, in excess of 12 months.

6.3 Valuation Methodology

Methods Utilised

The conventional valuation methods are however dependent upon comparable evidence and the current lack of open market transactional activity causes uncertainty to exist throughout this process. Consequently we have also relied upon our own market assessment/judgement based upon several considerations to include any marketing history, current equivalent sale processes, publicised indices, sector analysis, local factors and daily dialogue with the active agents. Until equilibrium returns to the property market, a wider than usual degree of tolerance might however apply to our opinions of value.

Comparable Evidence

In undertaking our valuation we have had regard to the following comparable evidence. In some instances confidentiality prevents us from disclosing full details. Where the property/business has been subject to a recent transaction or a provisionally agreed price, enquiries have been made to ascertain the price agreed/realised and the effect of other factors including any marketing undertaken has had in this respect. We have also indicated the extent to which this information has been accepted as evidence of Market Value. If our enquiries have not revealed such details or the agreed price has changed and such information comes to light prior to the proposed loan being finalised, then this information should be referred back to us for further consideration.

Local Transactions		
Property	Description	Transaction Details
21 Sandhills Lane Liverpool L5 9XN	2,455 sq m refurbished warehouse and trade counter in and established commercial / industrial area.	Let to Speedy Hire in October 2013 at £132,000 p.a. Equating to £54.77 / sq m
51 Broad Green Road Old Swan Liverpool L13 5SD	341 sq m roadside trade counter/ warehouse.	Let September 2013 for £16,000 p.a. Equating to £46.93 / sq m
806 Queens Drive Broad Green Liverpool L13 4BT	763 sq m roadside showroom and retail trade counter.	Let March 2013 for £27,500 p.a. Equating to £36.04 / sq m
Unit 1 Harbord Ind Est Harbord Street Liverpool L7 6GA	589 sq m car repair centre / garage	Let February 2013 for £20,000 p.a. Equating to £33.96 / sq m
10 Trafalgar Way Erkine Ind Est Liverpool L6 1NA	453 sq m trade counter, warehouse and workshop, in a location with a high proportion of trade counters.	Let September 2012 for £24,000 p.a. Equating to £52.98 / sq m



Investment Transactions		
17 Kerse Road Sterling FK7 7SX	484.3 sq m showroom and trade counter. Let to HSS on a 25 year lease from December 1995. Passing rent of £44,300 p.a.	Sold in April 2013 for £430,000. Equating to an initial yield of 10.3%
2 Elmbank Street Ayr KA8 8DH	762.1 sq m workshop and trade counter. Let to HSS on a 20 year lease from May 1999. Passing rent of £48,600 p.a.	Sold in April 2013 for £385,000. Equating to an initial yield of 12.6%
635 Kingsbury Road Erdington Birmingham B24 9PP	889.9 sq m modern warehouse and trade counter with 466.6 sq m mezzanine. Let to HSS on a 10 year lease from December 2010. Rent of £95,000 effective from 25 December 2012.	Sold in December 2012 for £800,000. Equating to an initial yield of 11.9%

Valuation Analysis and Calculations

We have taken into consideration a range of published market data sale price information and discussions with local agents to provide the evidence identified.

Rental evidence from lettings of retail warehouses and trade counters is variable, indeed within the subject property the age, specification and condition of the different parts will attract different rental rates. We consider that the evidence from the refurbished unit on a trading estate is directly comparable to the showroom and trade counter area of the subject and have therefore adopted £55 per square metre for this part. The modern warehouse at the rear would, despite its modern construction, in our opinion achieve a lower rate due to its more limited marketability and the relatively confined external areas; for this element we have adopted a rate of £40 per square metre. For all the remaining areas (except the detached and dilapidated building) we have adopted a rate of £25 per square metre to reflect the basic specification and poor condition. We consider the dilapidated building to have no value.

On this basis the market rent is assessed at £52,500 per annum, which equates to the rent passing.

Nationally there is a range of evidence from this year of sales of investment properties leased to HSS Hire Services, illustrating initial yields from 10.3% to 12.6%, with the latter being for an older property in an off-pitch location with a short unexpired term, such as the subject.

We understand that a purchase price of £416,000 has been agreed for the property, which equates to a yield of 12.6%. This is supported by the evidence provided having regard to the nature of the property and relatively short unexpired term.

Due to the properties current state of repair its market value with vacant possession is significantly lower than its value as a tenanted investment. It is our opinion that the repair costs could be in the region of £50,000. In addition we consider that the time required to re-let the property and/or the incentives required would result in a loss of rental income in the region of £25,000. Consequently, our opinion of market value with vacant possession is £340,000.



6.4 Building Reinstatement Cost Assessment

It is important to note that the assessment given hereafter is an *informal guide only*. Please refer to the Report Assumptions section for clarification.

The estimated cost for insurance purposes of reinstating the property with an equivalent structure as at the date of our inspection is estimated to be in the region of **£900,000**.

For leasehold properties, buildings insurance cover will often be arranged by the landlord and the premium recharged to the tenant.



7 Summary Of Recommendations And Suitability For The Loan

- In our opinion, none of the total gross floor area of the land and buildings to be given as security is/will be used as, or in connection with, a dwelling.
- A solicitors report on title should be obtained.
- In our opinion, the property will retain a useful economic life of at least 20 years.
- We believe the property represents suitable security for loan purposes subject to any recommendations within this report and in accordance with normal commercial lending practice.



8 Limitation And Publication

This Valuation Report is prepared solely for the use of the Client and no responsibility is accepted to any other party for the whole or any part of its contents. It may be disclosed to other professional advisers assisting in this respect of the purpose for which the valuation is prepared.

Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any published document, circular or statement nor published without the Valuer's written approval of the form and context in which it may appear.

We trust that this report is satisfactory for your present purposes but should you require any further information or clarification please do not hesitate to contact us.

Mr C Walker, MSc, MCIOB, MRICS
RICS Registered Valuer

Mr R Bower, BSc, MRICS
RICS Registered Valuer

For and on behalf of
TAYLORS
Business Surveyors & Valuers



9 Report Assumptions And Valuation Methodology

These should be read in conjunction with our Standard Conditions of Engagement. Unless we have commented to the contrary previously, we have made the following assumptions:

9.1 Title

It is assumed that the title to the property is as described by the Client/Vendor/Proposed Borrower and is as referred to in this Report and that the Client/Vendor/Proposed Borrower has a good and marketable title to the estate or interest which the Supplier has valued. Unless indicated to the contrary, title deeds and/or lease documents have not been inspected or seen. Any interpretation of the leases and other legal documents and any legal assumptions are given in the capacity as business valuers and appraisers and must be verified by a suitably qualified lawyer if they are to be relied upon.

It is assumed that the Property is not subject to any unusual or especially onerous covenants, easements, rights of way, restrictions, encumbrances or outgoings which might affect the valuation or which might prevent all or part of the property from being properly used (whether in its own right or, if relevant, in connection with the business).

We have assumed that the property has lawful and proper direct access from a publicly maintained highway without payment of any fee or contribution.

The Freehold or Leasehold Title is assumed to be held with the benefit of full Vacant Possession unless stated otherwise.

All Leases are assumed, unless otherwise stated, to have been drawn up in a fully assignable standard commercial format protected under the Security of Tenure provisions of the Landlord & Tenant Act 1954. We also assume that there are no outstanding dilapidation or other obligations and that the normal forfeiture clauses apply in the event of non-payment of rent, breach of covenant, bankruptcy etc.

We assume that your solicitors will prepare a Report on Title. If this does not confirm the title assumptions made or highlights the existence of easements, restrictive covenants etc., then this may alter the Valuations reported.

9.2 Trade Fixtures and Fittings

If relevant, it is assumed that the plant, machinery, equipment, fixtures and fittings are in serviceable order, (and where relevant, are adequate for the effective trading of the business) and shall remain so for the foreseeable future.

It is assumed that all decorative items, furniture, works of art and soft furnishings have no additional inherent value over and above that attributed to them as part of the existing and/or proposed business. In the event that there are any items of specific high value we would recommend that these be assessed by an appropriately qualified person separately.

9.3 The Inspection and Site Conditions

In preparing the Report regard has been had to the apparent state of repair, construction and condition of the property, taking into consideration major defects which are obvious in the course of a visual inspection of so much of the exterior and interior of the property as is accessible at the time of inspection with safety, and without undue difficulty. During the course of the inspection, we viewed those parts of the property as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which the Supplier considers reasonably necessary to provide the Report, having regard to its purpose.



We have not examined those parts of the property which are covered, unexposed or inaccessible, or to raise boards, inspect woodwork, move anything, or use a moisture detecting meter. Neither shall the Supplier have a duty to verify the existence of and/or arrange for the testing of plant and equipment, including but not limited to electrical, heating, drainage or other services, service installations and appliances which, unless indicated to the contrary, have been assumed to be in a working and serviceable condition.

Unless otherwise stated, the digital images published within the Report were taken during the inspection of the premises.

Where further investigations are recommended in relation to the repair or maintenance of the property, unless indicated otherwise, these should be undertaken by a Chartered Building Surveyor. Whilst our Valuations take into account the general appearance of the property, we have made the clear assumption that no significant property defects of a capital nature will be identified. If this is not the case, then we would wish to review the Valuation advice provided, upon receipt of a fully costed schedule of the required work.

Unless otherwise stated, any signs of structural movement within the property are assumed to be of an historic and non-progressive nature. We have not, however, undertaken any investigations and therefore we can make no assurances in this respect.

The Client has not commissioned a survey of the property, structural or otherwise. To the extent that the Client has disclosed the Report in accordance with these Conditions, the Client shall, in addition to the obligations imposed at clause 3.2 in the Standard Conditions of Engagement, notify the Proposed Borrower in writing that:

- the Proposed Borrower must not assume that, if defects are not mentioned in the Report, all parts of the structure are free from defect;
- where attention is drawn in the Report to some defects, it does not mean that other defects may not exist;
- if a Proposed Borrower wishes to be satisfied as to the condition of the property, the Proposed Borrower should have a Surveyors' detailed inspection and report of its/their own before deciding whether to enter into a contract.

If the property is of architectural or historic interest, or listed as such, or is in a Conservation Area or of an unusual construction, appropriate specialist advice should be sought before carrying out works.

We have not carried out, nor have we commissioned a site investigation, geographical or geophysical survey and therefore can give no opinion, assurance or guarantee that the ground has sufficient load bearing strength to support the existing constructions or any other construction that may be erected upon it in the future. We cannot give any opinion, assurance or guarantee that there are no underground minerals or other workings beneath the site or in the vicinity nor that there is any fault or disability underground. It is not possible, therefore, to certify that any land is capable of further development or redevelopment.

9.4 Measurements

Where given, any floor areas and dimensions are taken from inspection unless otherwise specified and are approximate measurements only. Areas quoted are calculated in accordance with the Code of Measuring Practice published by the Royal Institution of Chartered Surveyors where applicable.

Our understanding of the boundaries of the Property is as noted in the Report but should not be relied upon and should be verified by the Client and we have no knowledge of any responsibilities for fencing or of any boundary disputes or claims and legal advice should be sought in this respect.



Site areas are quoted as advised by the Client/Vendor/Proposed Borrower, unless specifically stated to the contrary. They are not derived from a physical site survey and are approximate unless otherwise indicated.

9.5 Environmental Health

The Food Safety Act 1990 and its subordinate regulations introduced a system of compulsory registration applying to most types of businesses with few exceptions. Full details of this legislation can be found at http://www.opsi.gov.uk/ACTS/acts1990/Ukpga_19900016_en_1.htm and also at http://www.opsi.gov.uk/si/si1991/Uksi_19912825_en_1.htm.

For valuation purposes we have assumed full compliance with this and any more recent applicable legislation. Should this not be the case then we may wish to review the valuation opinion provided, upon receipt of a costed schedule of the required works.

9.6 Equality Act

The Equality Act 2010 replaces the existing anti-discrimination laws and came into effect on 1 October 2010. It protects people who access goods facilities or services from discrimination by virtue of their (actual, perceived or association with), disability, gender reassignment, pregnancy/maternity, race (ethnic, colour and nationality), religion/belief, sex and sexual orientation. Businesses are under an obligation to ensure that there is no such discrimination by making 'reasonable adjustments' to their policy/procedures, the provision of auxiliary aids/services and the physical features of their business premises. Further guidelines are available from the Government Equalities Office <http://www.equalities.gov.uk>.

For valuation purposes we have assumed that no significant costs of a capital nature are required to comply with this legislation. Should this not be the case then we may wish to review the valuation opinion provided, upon receipt of a costed schedule of the required actions, provisions or works.

9.7 Fire

New UK Fire Regulations came into force on 1 October 2006. Full details can be found at <http://www.opsi.gov.uk/si/si2005/20051541.htm>. The business "occupier" of any commercial premises, as the "responsible person", now has a primary duty to carry out a Fire Risk Assessment, to act on its findings, to implement a fire safety policy and to train staff appropriately. This means that any person who has some level of control of commercial premises must take reasonable steps to reduce the risk of fire and to make sure that people can safely escape in such an event.

Fire Certificates, which were formerly required in respect of certain types of property, are no longer valid, although local Fire Authorities will still remain the main agency responsible for enforcing all fire safety legislation in respect of non-domestic properties.

We have not inspected the relevant fire safety policy documentation and we assume that solicitors will verify that the property/business is fully compliant with the findings of a competent Risk Assessment.



9.8 Planning

We have made telephone and/or website enquiries of the local planning authority and have relied upon the information given to us. In the event that more or differing information comes to light following a more detailed planning search then we reserve the right to amend our valuation accordingly.

A formal planning search should be obtained, to include confirmation that there are no proposed developments within the vicinity which would adversely impact upon the subject business. For Valuation purposes we have assumed that there are no outstanding planning issues, and no undue restrictions on the current/proposed business format.

9.9 Licensing

The provisions of the Licensing Act 2003 are now in force and appropriate new-style 'Premises' and 'Personal' Licences as issued by the Local Authority should be in place. Full details can be found at <http://www.opsi.gov.uk/ACTS/acts2003/20030017.htm>. Such Licences have been assumed to be in place for Valuation purposes, although Solicitors should verify that the 'Premises' Licence contains no onerous conditions.

Unless otherwise stated, we have also assumed that there are no onerous conditions or undertakings that affect the licence(s). In the event that new information comes to light subsequent to our valuation that contradicts the information supplied then we reserve the right to amend our valuation accordingly. We should also stress that in the event that the property loses its licence there is likely to be a material effect on valuation.

9.10 Environmental Matters

Details of the legislative framework relating to contaminated land can be found at http://www.netregs.gov.uk/netregs/275207/276318/277712/?lang=_e.

We have assumed that no contaminative or potentially contaminative uses have ever been carried out in or adjoining the Property. Unless otherwise stated, the Supplier is not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the Property and which may draw attention to any contamination or the possibility of any such contamination.

The Supplier does not carry out an investigation into past or present uses, either of the Property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the Property from these uses or sites, and the Supplier therefore assumes that none exists. Any such investigations are the responsibility of the Client.

However, should it be established subsequently that any contamination seepage or pollution exists at the Property or on any neighbouring land, or that the Property has been or is being put to a contaminative use, this might reduce the values reported.

In the normal course of events an Environmental Risk Assessment would be commissioned prior to lending. We have assumed for the purposes of our valuation that no issues of an environmental nature exist which will impact on the value of the property or business. Should any investigations indicate otherwise then we reserve the right to alter our valuation opinion.



9.11 Energy Performance Certificates/Energy Act 2011

In England & Wales, from October 2008, the sale, letting and construction of all residential and commercial property requires the provision of an Energy Performance Certificate (EPC). The aim of EPC's is to provide purchasers and tenants with information regarding the energy efficiency of their building. Generally, an EPC for commercial buildings is valid for 10 years, or until a new EPC is prepared.

In respect of care homes, these will only require an EPC upon construction, sale or rental (of the whole building). In this case the assessment will be undertaken under the procedures for non-residential dwellings.

On 18 October 2011 the Energy Bill became the Energy Act 2011. The Act includes a provision to ensure that from April 2018 it will be unlawful to rent out business premises that do not reach a minimum energy efficiency standard. This will be based on the EPC rating with the suggested minimum rating expected to be E. With effect from 6 April 2012 an EPC has to be made available prior to marketing. The EPC rating will therefore become increasingly significant over the next six years and will have an effect on values where those properties with F and G ratings become less marketable if they require material levels of expenditure in order to upgrade to an acceptable rating.

The Energy Act also provides that from April 2016, private residential landlords will be unable to refuse a tenant's reasonable request for consent to energy efficiency improvements where a finance package, such as the Green Deal and/or the Energy Company Obligation (ECO), is available. The Act further provides powers to ensure that from April 2018, it will be unlawful to rent out a residential property that does not reach a minimum energy efficiency standard.

Further details can be obtained from:

www.decc.gov.uk/en/content/cms/legislation/energy_act2011/

9.12 Asbestos

Under the Control of Asbestos Regulations 2002 (as amended in 2006 and 2012) it is necessary for property owners/occupiers to undertake an inspection for asbestos in all non-domestic properties (to include common parts of shared residential dwellings). Following this exercise there are a number of requirements, including the need for an asbestos management plan to be drawn up and implemented. The timescale for completion of this process was 21 May 2004. Full details are available at <http://www.hse.gov.uk/asbestos/regulations.htm> or <http://www.legislation.gov.uk/ukxi/2012/632/contents/made>

For valuation purposes we have assumed that no significant costs of a capital nature have/will be identified as part of this investigation process. Should this not be the case then we may wish to review the valuation opinion provided, upon receipt of a costed schedule of the required works.

9.13 Flooding

Further information can be found at http://www.environment-agency.gov.uk/subjects/flood/?lang=_e. If we have indicated that the Property is located within an area that could be affected by flooding then an enquiry should be made of The Environment Agency to ascertain whether or not there is any history of flooding affecting the Property. For valuation purposes we have assumed that there is no such history and that full insurance cover in respect of flooding risk is available, without payment of an excessive premium.

9.14 Landslip/Subsidence

Unless otherwise stated, we are not aware of any evidence of subsidence, heave or landslip at or in the vicinity of the property and have assumed that no such problems exist and that, in any event full insurance cover would be available in respect of all associated risks. We confirm that we have not made any detailed investigations in this regard.



9.15 Mining

Where the property is identified as lying within a mineral bearing area, a mining search should be obtained. Further information can be found at <https://www.coalminingreports.co.uk/Default.aspx>. We have assumed for valuation purposes that no material factors potentially affecting the property will be identified and that full buildings insurance cover will be available in respect of any associated risks.

9.16 Mundic Block

Mundic block or concrete is a local term for concrete manufactured with deleterious material, commonly metalliferous mine waste. The presence of deleterious material can cause later defects to develop, adversely affecting structural stability.

Guidance produced by the Royal Institution of Chartered Surveyors under GNA3 of the Appraisal and Valuation Manual suggests that it is less likely that unsuitable material was used after 1950. An exception may relate to the surrounding district of Liskeard when the period is extended to pre-1960. This relates to the area within the postcodes PL12, 13, 14, 15, 17, 18, 22 and 23.

If we have indicated that the property could be affected by the use of Mundic then we recommend that a specific investigation be made as to the precise nature of construction of the main building, and confirmation formally sought as to the age of any additions. Should either the main building or any additions be of concrete blockwork, constructed pre-1950, Mundic sample tests should be undertaken to determine whether or not such deleterious materials exist. Further information and assistance can be found on the Building Research Establishment website at <http://www.bre.co.uk/pdf/106.pdf>. We reserve the right to amend our opinion as to value should this be the case, and for the purposes of this report we have made the clear assumption that no deleterious material has been used in the construction of the building/buildings forming part of this property.

9.17 Radon

The National Radiological Protection Board, which merged with the Health Protection Agency on 1 April 2005, to form its new Radiation Protection Division, has identified the areas in which, in more than 1% of dwellings, the levels of radon gas entering the property are such that remedial action is recommended.

If we have indicated that the subject property is situated within such an area, we recommend the use of the relevant test and result service, which is available from the Health Protection Agency at <http://www.hpa.org.uk/radiation/>. We have provided our Report on the assumption that radon is not detectable at a level which would require remedial action.

9.18 Invasive species and Japanese Knotweed

There are 36 non-native invasive species defined by The Wildlife and Countryside Act 1981, (amended in April 2010); section 14 of the act details the law relating to the introduction of new species and Schedule 9 lists those plants classified as non-native invasive species. Many invasive plants are of limited importance in the context of value, while most are not commonly identifiable to those who are not experienced botanists.

The most deleterious non-native invasive species is Japanese Knotweed due to its destructive influence on built structures and the difficulty and cost of eradication. Due to the cost of eradication, attempts can be made by owners/vendors to disguise the presence of this plant by removal of surface vegetation and the covering of surfaces with ornamental materials or landscaping features; we have not undertaken an intrusive inspection in this regard. We recommend that enquiries are made of vendors/owners at the legal due diligence stage, when an undertaking should be sought that no infestation of Japanese Knotweed has been experienced at the property.



At the time of inspection, where non-native invasive species have been identified at the property or within the local area, we have detailed the nature of such infestation, its location and a recommended course of action. In the absence of any features which would clearly identify any invasive species our Report is provided on the assumption that no invasive species are present to a level which would require remedial action.

Further information relating to Japanese Knotweed, other invasive species, together with associated issues can be found on the following websites:

The Wildlife and Countryside Act 1981 (<http://www.legislation.gov.uk/ukpga/1981/69/contents>)

The Environment Agency (www.environment-agency.gov.uk)

The Cornwall Knotweed Forum (www.cornwall.gov.uk)

Devon County Council (www.devon.gov.uk)

GB non-native species secretariat (<https://secure.fera.defra.gov.uk/nonnativespecies>)

Scottish Environmental Protection Agency (www.sepa.org.uk)

9.19 Valuations of Businesses

The valuations provided in respect of the Property and/or Business are made on the assumptions stated within the Report and these Conditions of Engagement and, unless otherwise agreed in writing, on whichever of the following or other bases that have been agreed between Taylors Business Surveyors and Valuers and the Client (such bases where applicable to be as defined or referred to in the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors).

The Report is based upon our own investigations and such other sources as detailed in the Report, and makes the following assumptions:

- that the Business shall at all times be managed and operated by a competent and diligent owner devoting all due time and care to the affairs of the Business;
- that the Business shall at all times be properly capitalised, stocked and staffed;
- that the trading position, financial and market situation prevailing at the date of the Report shall not vary during the period of assessment;
- that the nature, character, extent and pricing structure of the Business shall not materially alter, unless specifically stated to the contrary in the Report;
- that all proper and prudent insurance cover for the Business shall be taken out and maintained;
- that there has been no suppression, deception or falsification of material facts by the vendor, proprietor, and/or Proposed Borrower;



- that there are no known onerous features of the Business against which the Proposed Borrower should make specific provision.

The assumptions set out are not verified and the Client should therefore make its own written enquiries before relying upon them.

In the event of a future change in the trading potential or actual level of trade from that indicated by the information and assumptions utilised, the values reported could vary.

We do not accept responsibility for losses or damages of any nature whatsoever which may result directly or indirectly from mismanagement, under funding or understaffing of the Business, market trends or fluctuations or any other factors whatever which are outside our influence or control or changes in the nature, character, extent or pricing structure of the Business, or the absence of adequate insurance cover for the Business or for the suppression of material facts.

Whether or not stated in the Report if there is any qualification as to the source of any particular information, it remains the responsibility of the Client and the Proposed Borrower to ensure that all the usual prudent and appropriate enquiries are made prior to the offer of finance. Such enquiries shall include, without limitation, the taking of independent professional advice from solicitors and accountants, the entering into of a professionally drawn up acquisition agreement with the appropriate warranties being taken from the vendor or proprietor, the taking up of all necessary trade and bank references, the inspection of the accounts of the vendor or proprietor or Proposed Borrower, examinations of all necessary consents, regulations, permissions, licences and bylaws, and all the usual searches and other precautions taken by a solicitor, accountant or other professional adviser in connection with the purchase or mortgage of a property and/or a business.

The Report is not intended to replace any of the investigations or enquiries referred to above and the Supplier does not accept responsibility for losses or changes of any nature whatsoever whether directly or indirectly arising out of the failure of the Client (and the Proposed Borrower) to make such enquiries. The Report may, indeed, point to further enquiries being necessary.

It is the Client's responsibility to ensure that all trading information provided is substantiated by audited/certified accounts and, where appropriate, an accountant's certificate. Any discrepancy which results from such documentation should be reported to the Supplier as soon as practicable in order that any necessary adjustments may be made to the Report.

The Report does not offer advice as to whether money should be advanced or lent, whether or not appropriate security should be taken or, indeed, whether the Business itself should properly be acquired by the Proposed Borrower.

To the extent relevant (and in any event, only in respect of Businesses), consumable stocks and any glassware are excluded from the valuation.

9.20 Basis of Valuation

The Royal Institution of Chartered Surveyors considers that the appropriate basis of value to be used for all valuations or appraisals undertaken for secured lending is 'Market Value'. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion". Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

Any special assumptions made in calculating the Market Value will be agreed with the Client in advance and referred to within the Report. Any other bases of valuation considered appropriate in individual instances will be detailed separately.

The Royal Institution of Chartered Surveyors defines Market Rent as "the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing



lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market Rent within our Report, unless otherwise stated, will be assessed upon the assumption that the property is fit for occupation, no premium is required and there are no tenant incentives. It will also assume a new, standard full repairing/insuring commercial lease, without onerous obligations or conditions, of at least a fifteen year term and a rent review period of no longer than five years.

9.21 Valuation Methodology - Trading Entities

In respect of Businesses, where the valuation(s) provided are to be on the basis of the property as a fully equipped operational entity valued having regard to trading potential, the valuation of the operational entity includes:

- the land and buildings;
- trade fixtures, fittings, furniture, furnishings and equipment (certain items may not be owned and the Report will make clear which are excluded from the valuation);
- the market's perception of the trading potential, excluding personal goodwill, together with the assumption that all existing licences, permits and consents will be retained.

In all cases, any additional value attributable to personal goodwill which is not transferable or to fixtures and fittings which are only of value in situ to the present occupier is excluded.



The principal method for valuing trading entities is a capitalisation of profits approach having regard to the assessed level of *fair maintainable operating profit*. In arriving at this figure, any items of a personal/non-recurring nature, which the market would perceive as not necessarily applying to a hypothetical purchaser, are normally disregarded. Typically, such items would include owners' drawings/directors' remuneration, depreciation, finance costs and taxation. Allowance would also normally be made for any exceptional costs relating to the current operation, such examples being excessive transport costs and/or insurance costs not directly related to the business. Consequently, the profit utilised for valuation purposes (i.e. the FMOP) may differ from that shown in the actual trading accounts.

If available, historic accounts for the business will normally be analysed and subsequent trading information will also be sought in order to examine trends within the business and allow an assessment of current/future performance.

The multiplier utilised, which is an inverse of the yield, will have direct regard to the available market evidence, taking into account factors such as location, the extent of owners' accommodation (if any), development potential and the envisaged medium term sustainability of the business. Variances in yields occur within the operation of the market to reflect the perceived security/risk to the income stream. Income streams perceived to be secure will produce lower yields and hence higher multiples of earnings than less secure income streams.

The Valuer will also have regard to direct comparable evidence and use cross checks such as price: turnover ratio or 'per bedroom' analysis (for hotels and/or care homes) particularly where trading information for comparables may not be available.

In certain locations, notably rural areas, the market adopts a "build-up" approach, normally having regard to possible alternative use values. Similarly, in High Street retail locations, where appropriate, the Open Market Rental Value will be assessed and capitalised at the prevailing yield, with an addition made from an assessment of the goodwill and fixtures and fittings, based upon the capitalisation of profits methodology.

Any rental income resulting from a formal or potential letting of any part(s) of the property has been considered upon the investment method, based upon the principle that an investor will pay capital to obtain an annual return in the form of rental income. The yield that the investor will accept, will depend upon numerous factors, to include the security and regularity of the rental income, the quality, suitability and strength of the tenants' covenant and the quality and terms of the tenancy/Lease.

If consideration has been given to an alternative use value, this has been assessed having regard to the likelihood of planning permission for such use being granted and also having regard to the estimated cost of conversion to such alternative use. Such conversion costs are often significant.

In the event of future changes in the trading potential or actual level of trade from that indicated by the information and assumptions utilised or in market conditions, the values reported could vary. New or re-launched competition could also have a dramatic effect on profitability and hence value.

Market Value could be significantly affected if the business has been closed, the inventory has been depleted or removed, licences have been lost or breached and/or accounts or records of trade would not be available to a prospective purchaser. Where requested, we have provided Valuations on the basis of such or other Special Assumptions.

The Market Value could be further detrimentally affected if the property or business is being sold in forced sale circumstances, as a result of foreclosure or is in receivership or liquidation.



9.22 Estimate of Reinstatement Cost Assessment

If the Report includes an estimate of reinstatement cost assessment, this is an informal guide of the cost for insurance purposes of reinstating the property and is given without liability. A formal assessment for insurance purposes can only be given by a Quantity/Building Surveyor or other professional with sufficient current experience of such costs, following the preparation of a full bill of quantities. This is particularly relevant in the case of Architecturally Listed buildings and those properties situated within Conservation Areas, National Parks and the like or in cramped city centre or other unusual locations. The guide provided within our Report assumes:

- reinstating the property with an equivalent structure;
- the use of modern materials and construction techniques;
- the adherence to all current statutory requirements;
- no allowance is made for inflation;
- demolition and site clearance;
- professional and statutory fees

but excludes VAT (including that payable on fees) and loss of rent and/or cost of alternative accommodation for the reinstatement period.