

## **LOAN PROPOSAL HERITAGE HOTEL PORTHCAWL LIMITED**

Valuation	£425,000
Mortgage Amount	£225,000
Debenture Loan Amount	£100,000
Loan Split	£50,000 AJ3 Consult EP, £25,000 Smart Family EP & £25,000 R Leigh
Equity	£200,000
Loan To Value	76%
Use Of Funds	Property Development
Loan Term	12 Months
Loan rate	5% per annum
Loan Type	Interest only Roll Up AJ3 & Smart & R Leigh paid monthly
Loan Basis	Secured with Debenture Over Heritage Hotel Ltd holding Heritage Guest House 24 Mary Street Porthcawl CF36 3YA & Personal Guarantees
Property Valuation Fee	£780 (paid by borrower)
Lenders Solicitors Fees	£1,500 + Vat + disbursements(met by borrower)
Borrowers Legal Fees	met by borrower

**Client Borrowing the Money;** Mr Dale Christopher Smith of 6 Cwm Cadno, Margam, SA13 2TP and as Director of Heritage Hotel Porthcawl Limited whose registered office is at 16 Bridge Street, Kenfig Hill, Bridgend, United Kingdom, CF33 6DD.

**Correspondence Address;** 16 Bridge Street, Kenfig Hill, Bridgend, CF33 6DD

# VALUATION

## Valuation Report



**Property:**

The Heritage Hotel  
24 Mary Street  
Porthcawl  
CF36 3YA

Date of Inspection/Valuation:

Our Reference:

Your Reference:

14 August 2019

113257

254121

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## 1 Confirmation of Instructions

Client: Lloyds Bank plc

Borrower(s): The Heritage Hotel Porthcawl Limited

Owner(s): As above

Property Address: The Heritage Hotel  
24 Mary Street  
Porthcawl  
CF36 3YA

Property/Business Type: Unlicensed guesthouse

Purpose of Valuation: Secured lending

Previous Visits: None to our knowledge.

Tenure: Freehold

Date of Inspection/Valuation: 14 August 2019

Compliance: As far as we are aware no conflict of interest, either personal or in relation to the Company, exists.

This report and valuation may be subject to monitoring by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

### Confirmation:

The property has been valued in accordance with RICS Valuation – Global Standards July 2017 incorporating IVSC International Valuation Standards.

Eddisons has appropriate Professional Indemnity Insurance cover on a per claim basis in respect of this instruction.

The inspection was undertaken by Mr A J Lait, ACIB, 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 and 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 Eddisons' panel appointment.

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

## 2 Executive Summary

### Location

- Situated in the South Wales holiday resort of Porthcawl.
- The town was a very popular holiday destination for the south Wales coal mining communities and has suffered in more recent times with the decline of the UK holiday sector. Some regeneration of the town is now taking place to include improvement of the beach/coastal facilities.
- The property is located on Mary Street and lies within 200 yards of the esplanade and seafront.

### Property

- Mid-terraced property constructed over three storeys and attic.
- The property has rendered and stone clad elevations under a pitched, slate roof.
- To the rear is a three storey extension of similar construction and a small single storey flat roofed element.
- Internally the property has been completely refitted by your customer in order to provide a modern “limited service” guesthouse which is shortly to open.

### Accommodation

Accommodation - Commercial	m <sup>2</sup>
<b>Ground Floor</b>	
Family room with shower and WC	29.8
Double room with shower and WC	18.3
Cleaner's/laundry room	12.3
Store	0.8
Entrance hall, corridor and staircase	12.1
<b>First Floor</b>	
Family room with en-suite shower and WC	20.3
Double room with shower and WC	13.3
Double room with shower and WC	14.9
Two stores	2.3
Corridors and staircase	14.2
<b>Second Floor</b>	
Twin room with shower and WC	16.3
Double room with shower and WC	14.1
Double room with shower and WC	15.0
Boiler room	4.0
Corridor, landing and staircase	16.7
<b>Third Floor</b>	
Double room with shower and WC, approximately	15.0
Landing and staircase	4.1
<b>Total Gross Internal Floor Area</b>	<b>223.5</b>

## Tenure

- Freehold.

## Leases/Tenancies

- None known.

## Business Synopsis

- The conversion/refurbishment of the property was almost complete at the time of our visit and the business was due to open within the following two weeks.
- The business will operate on a limited service basis with guests having coded/key entry to their rooms.
- It is proposed to charge rates of between £60 and £120 per night on a room only basis.
- Commercial trade will be actively sought during the midweek period (Monday to Thursday nights) and some block booking appears likely.
- Our projection covers the first full trading year and assumes that your customer's proposals will be fully implemented.

## Financial Summary

Period	Projection £
Turnover	85,000
Gross Profit	82,000
Gross Profit %	96.5
Staff Costs	2,000
Staff Costs %	2.4
Other Costs	31,000
Other Costs %	36.5
<b>EBITDA</b>	<b>49,000</b>
EBITDA %	57.6



## Valuations

**MV1** The Market Value of the freehold interest in the Heritage Hotel, Porthcawl is:

**£425,000 (four hundred and twenty five thousand pounds)** as a fully equipped operational entity having regard to the trading potential and subject to the following special assumption:

- a) the final fitting out of the hotel has been completed and it is operating in line with your customers proposals.

**MV2** The Market Value of the freehold interest in the Heritage Hotel, Porthcawl is:

**£350,000 (three hundred and fifty thousand pounds)** as a fully equipped operational entity having regard to the trading potential and subject to the following special assumptions:

- a) a six month marketing period;
- b) the final fitting out of the hotel has been completed and it is operating in line with your customers proposals.

**MV3** The Market Value of the freehold interest in the Heritage Hotel, Porthcawl is:

**£325,000 (three hundred and twenty five thousand pounds)** having regard to the trading potential and subject to the following special assumptions:

- a) accounts or records of trade will not be available to or relied upon by a prospective purchaser;
- b) the business is closed;
- c) the licences have been lost or have been breached;
- d) the inventory has been depleted or removed.

The Market Rent of the Heritage Hotel, Porthcawl is considered to be in the region of **£18,000** per annum

## 3 Location

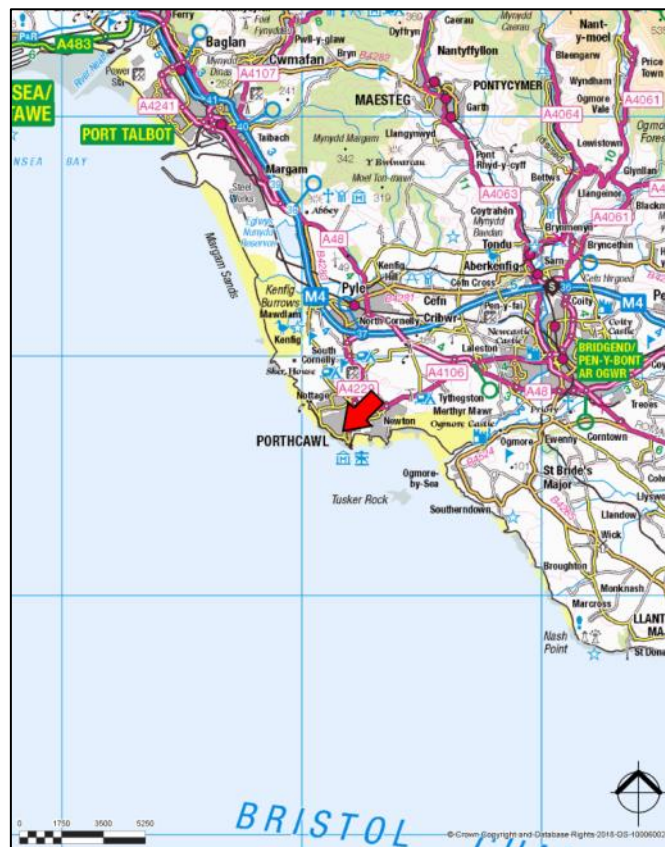
### 3.1 Overview

The South Wales coastal town of Porthcawl is situated west of Cardiff and southeast of Swansea/Port Talbot.

The town initially developed as a coal port during the 19<sup>th</sup> century and later grew to prominence as a holiday resort being extremely popular with the south Wales mining communities.

In common with the majority of UK resorts the town has suffered from a decline in the popularity of mainstream summer holidays, however it is subject to regeneration and is likely to benefit from the increased number of short break holidays undertaken within the UK.

The regeneration of the town is based largely upon the seven beaches situated around it and includes proposals for a new water sports centre.

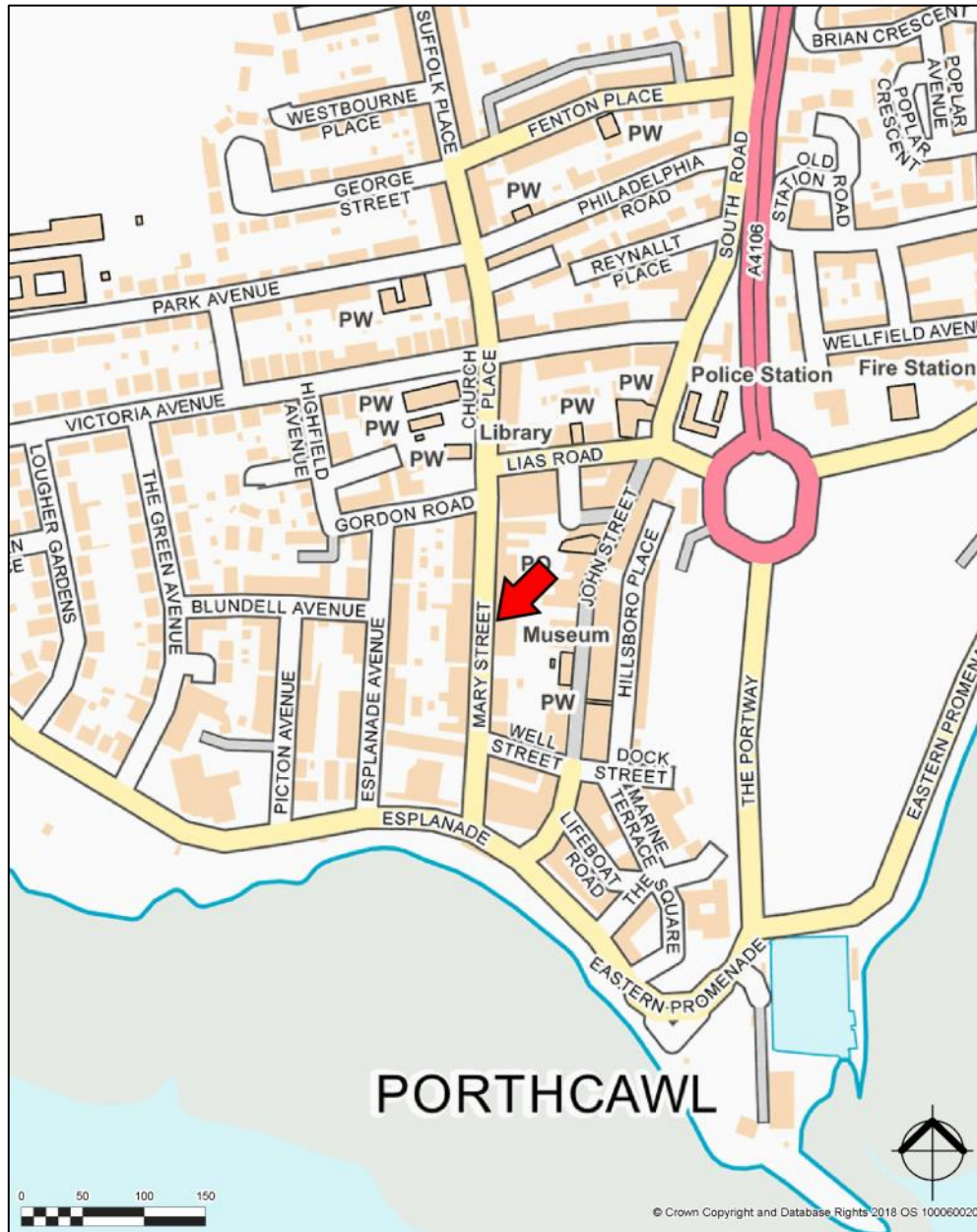


The town is served primarily by the A416 and A4229 roads. It lies to the south of the M4 motorway which is readily accessible.

Porthcawl is situated a short distance to the southeast of Port Talbot which is home to a Tata Steel plant. We understand that works are being undertaken at this plant which is likely to produce an inflow of commercial custom during the midweek period.

### 3.2 Setting

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



The property is situated on Mary Street, this being an unclassified road which connects with the esplanade a short distance to the south. Mary Street runs parallel with the main town centre shopping facility and contains a mix of residential properties, guesthouses and some commercial uses including clinics and professional offices.

Double yellow line parking restrictions apply immediately in front of the property. Parking is available to the other side of the road but is very much at a premium throughout much of the year. There is a large pay and display car park immediately to the rear, this having charges applying between 8.00am and 6.00pm. Some permit parking spaces are also available.

The property itself lies some 200 yards from the seafront and has a flat conversion property to one side with the town council offices and residential uses to the other. Immediately opposite is the large Brentwood Hotel which also has a bar and food offering and advertises live sport and music.

### 3.3 Access/Parking

Access to the property is from Mary Street which is an adopted highway. There is pedestrian access from the rear via the municipal car park.

Confirmation of full access rights and any associated repairing/maintenance obligations should be obtained.



Setting



Setting



## 4 Property

### 4.1 Description

This is a mid-terraced property dating back to the Victorian era. It is arranged over three storeys and attic and has rendered/stone clad elevations under a pitched, slate roof. There is a two storey bay window with flat roof covering to the front whilst to the rear there is a three storey addition of similar construction and a small single storey element with flat roofed covering.

New double glazed windows have been installed by your customer company.



Front



Rear

### 4.2 Accommodation

Accommodation - Commercial	m <sup>2</sup>
<b>Ground Floor</b>	
Family room with shower and WC	29.8
Double room with shower and WC	18.3
Cleaner's/laundry room	12.3
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<b>Third Floor</b>	
Double room with shower and WC, approximately	15.0
Landing and staircase	4.1
<b>Total Gross Internal Floor Area</b>	<b>223.5</b>

#### 4.2.1 Commentary

The property has been totally refurbished by your customer company. The letting rooms are carpeted with painted walls and modern electric heating. Room facilities include flat screen TV and tea/coffee making. The equipping of the rooms was in course and in most rooms beds were already in place. The room sizes vary considerably and some of the smaller rooms have rather cramped en-suite facilities.

The third floor attic room has sloping ceilings and the measurement of this area is approximate. At ground floor level to the rear there is an unfinished room which is to be utilised as a cleaner's store/laundry room. There is a doorway from this room to the rear.

A coded door entry system will apply to the front door and each room will have a key box. CCTV is in place to cover the communal/access areas.

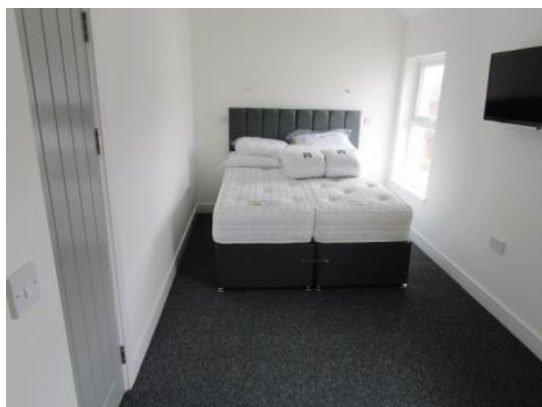
#### *Internal Photographs*



Attic room



En-suite



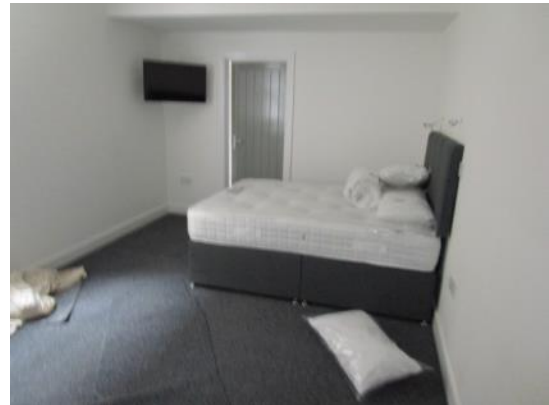
Smaller room



Smaller en-suite



Larger room



Larger room



Proposed cleaner's room



Boiler room

#### 4.3 External amenities

To the front of the property there is a small forecourt. At the rear there is a small courtyard and a door giving access to the public car park.



Rear courtyard



Rear courtyard

*For more information on our Inspection, Measurement and Site Conditions/Limitations please refer to paragraphs 12.1.3 and 12.1.4 within the Report Assumptions and Valuation Methodology section. Services*

We understand that the following services are available:

Water	Mains
Gas	Mains
Electricity	Mains
Drainage	Mains
Heating	Electric

A new boiler and hot water system has been installed and the bedrooms have electrical wall heating with built-in timers to prevent wasteful misuse.

#### **4.4 Condition**

The overall standard of external appearance is reasonably good. A section of gutter was noted to be damaged at the rear and the property contains small flat roofed areas that were not visible from ground level.

Flat mineral felt covered roofs seldom have a life expectancy in excess of 10 to 15 years, can be prone to sudden failure and often require ongoing maintenance during that period to extend their lifespan.

Internally the property has been completely refurbished by your customer company and is well presented.

#### **4.5 Fixtures, fittings and equipment**

We understand that the beds and furniture are to be leased at a cost of around £200 per month.

We have assumed for the purposes of our valuation opinion that the property would be sold with the benefit of an unencumbered and full trade inventory. Any current or proposed hire purchase, leasing or rental costs have, however, been included in our financial assessment.



## 5 Tenure

Freehold.

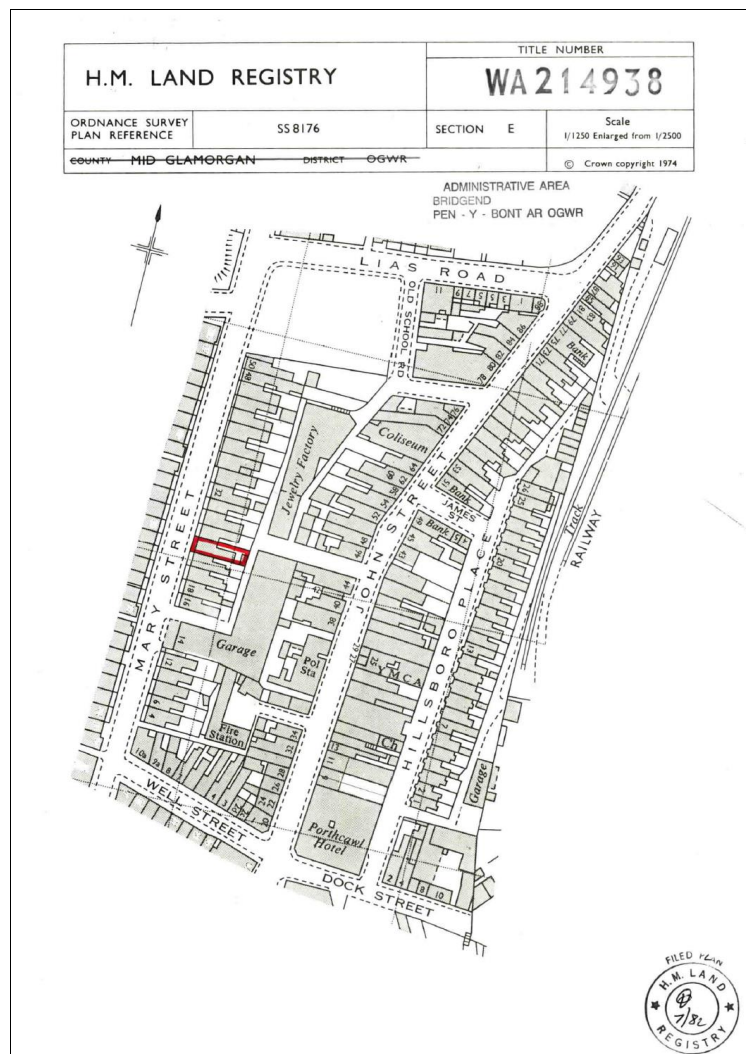
A full Report on Title should be obtained by way of confirmation.

### 5.1 Tenancies/Licences

None known.

### 5.2 Site plan

We provide below a copy of the filed plan (Title number WA214938) and confirm that the boundaries as outlined in red thereon accord with those apparent at the time of inspection. We assess the site area to be approximately 162 sq m.



*For more information on our assumptions in respect of Title and Tenure please refer to paragraph 12.1.1 within the Report Assumptions and Valuation Methodology section.*

## 6 Contamination and Environmental Issues

	Yes	No	Comments
<b>Ground Contamination</b>  Any obvious signs of land contamination affecting the property at the time of inspection?		✓	
<b>Asbestos</b>  Has an asbestos survey been completed for the property?	✓		We understand that a full asbestos survey was undertaken prior to the recent development. No asbestos containing materials were identified. We have not had sight of this.
<b>Radon</b>  Does the property lie within a radon affected area?	✓		A radon test should be undertaken if not already held. If radon gas is identified then remedial works can normally be carried out at a cost that would not be material to our valuation advice.
<b>Mundic Block</b>  Is the property within an area known to be affected by usage of mundic block?		✓	
<b>Ground Conditions</b>  Were any adverse ground conditions noted at the time of inspection?		✓	We have assumed that full insurance cover is in place in respect of subsidence and all associated risks and this should be confirmed.
<b>Flood Risk</b>  Within a flood risk area as identified by Natural Resources Wales?	✓		We note that the property is considered to be at low risk of surface water flooding. We have assumed that full insurance cover is in place in respect of flooding and all associated risks and this should be confirmed.
<b>Mining</b>  Is the property within a mining area?		✓	
<b>Invasive Species</b>  Any invasive species noted at the time of inspection?		✓	Most species are very difficult to identify at certain times of the growing season or if cut back. We are not experts in this sector and we have not undertaken a site survey.
<b>Energy Performance Certificate</b>  Has an EPC been prepared for the property?	✓		Rating: C (51)-Satisfactory EPC Number: 9206-3007-0387-0300-1505 EPC Date: 19 March 2018

*For more information on our assumptions in respect of Contamination and Environmental Issues please refer to paragraphs 12.1.10 to 12.1.18 within Report Assumptions and Valuation Methodology.*

## 7 Statutory Enquiries

### *Planning*

We have researched the planning website of Bridgend County Borough Council and have noted the following recent or material planning applications:

Reference	Proposal	Decision	Date
P/19/190/FUL	Removal of existing rear external steel staircase, construct a rear ground floor extension and rear toilet shower extension to ground floor.	Approved	24 June 2019

The rear extension has not yet been completed. The property is not Listed or situated within a Conservation Area.

### *Fire Regulations*

We understand that a fire risk assessment was being prepared for the property at the time of our visit. The property has a fire alarm system, smoke detectors and emergency lighting, all being wired in.

### *Licensing*

The guesthouse is to operate on an unlicensed basis.

### *Equality Act*

There is a small step to the front door which could be ramped if required. The property does not have any specific adaptations for disabled customers but does have ground floor bedrooms. We are not aware of any significant issues arising and assume that a suitable access statement will be made available.

### *Rateable Value*

We have researched the Valuation Office Agency website which indicates the following:

Rateable Value	£4,200
Business Rates for 2019/2020 (prior to transitional arrangements)	£0

As the Rateable Value is under £6,000, no business rates are likely to be payable as long as this is the only commercial property in the same occupation.

The property may be reassessed for rating purposes following the recent redevelopment.

*For more information on our assumptions in respect of Statutory Enquiries please refer to paragraphs 12.1.5 to 12.1.9 within the Report Assumptions and Methodology section.*

## **8 Business**

### **8.1 Background & History**

We understand that your customer company purchased the property for £300,000 in January 2019. At this stage it was a 12 bed guesthouse but without en-suite facilities and in generally poor condition.

Works have subsequently been undertaken to completely refurbish the property. We understand that the property was stripped back to the bare walls and completely rewired and re-plumbed with new windows, heating and hot water systems introduced. The total cost of the works is understood to be around £130,000/£140,000.

At the time of our visit some final fixings were awaited together with the introduction of remaining furnishings. It is understood that Building Control sign-off is awaited and that once this is obtained the guesthouse is due to open. It is anticipated that this will be within two weeks of our inspection date. Information in respect of the proposed operating format is provided below.

### **8.2 Operating Format**

#### **8.2.1 Customer Profile**

It is thought that the business will attract leisure based trade at the weekends with both leisure and commercial custom during the midweek. We have been provided with a copy of a letter from Sam Drylining indicating that they have a substantial amount of construction work over the next few years within the surrounding area to include Neath/Port Talbot/Swansea and Bridgend. They confirmed that they would be willing to pay £70 per room per night for the four nights from Monday to Thursday and there is a suggestion that they would wish to take a block booking of the hotel. From speaking with the directors of your customer company we understand that arrangements are still to be finalised in this regard and that a commercial rate of £60 per night may be applied.

#### **8.2.2 Advertising and Promotion**

We assume that a website will be introduced for the business. It will also be advertised via booking.com.

#### **8.2.3 Opening Hours**

The business will open all year round.

### **8.3 Staffing Information**

#### **8.3.1 Owners/Managers Involvement**

The directors have other business interests and will oversee the subject business in conjunction with other members of their existing staff.

### 8.3.2 Staffing Arrangements & Costs

The business is to operate on a 'limited service' basis with a view to greatly reducing staff costs. Guests will have coded/key entry to their rooms and there will be no reception facility or provision of breakfast. It is likely that breakfast trays will be made available to guests, if they require.

Initially a cleaning company will be utilised in respect of the room changeovers. A changeover rate of £5.75 has been agreed for double rooms and £7.75 for family rooms. Further payments will be required in respect of the communal areas and there will be a further cost in respect of laundry which will be undertaken externally.

## 8.4 Income Streams

### 8.4.1 Accommodation

Room rates will be set having regard to the local competition with the rate for standard rooms likely to be between £60 and £80 whilst for family rooms the rate is likely to be between £90 and £120. Room rates will include VAT but exclude breakfast.

## 8.5 Competitive Environment

The main competitors considered relevant to the location, style and operation of the subject business are as follows:

Name and location	Description
The Brentwood Hotel, Mary Street	Situated opposite the subject. It has 22 letting rooms together with a pub and food offering. Rooms were available at £69 per night at the time of our enquiry. On Trip Advisor the hotel has mixed reviews and a rating of 3.0.
Butterfly Guesthouse, Mary Street	Five bedroom guesthouse which had rooms available at £60 on the day of our enquiry. It has a five star rating on Trip Advisor with very positive recent reviews, particularly in respect of the breakfast offering.
19 Mary Street	Refurbished guesthouse with modern appearance. Rooms available from £75 per night at the time of our enquiry. On Trip Advisor the guesthouse has a rating of 4.5.

The above is just a small selection of local competitors and there are a large number of other competing hotels and guesthouses within the town.

## 9 Projection

### 9.1 Borrowers' Projections

We have been provided with a projection prepared for your borrower. For the first year of operation this indicates total net turnover of £150,453 of which £121,332 is represented by contract income. Direct costs are £48,564 to include cleaning, letting fees and the cost of a manager. Additional wage costs of £18,000 are shown and overall the level of EBITDA is £66,669.

### 9.2 Eddisons' Projection

In undertaking our projection, we have made the following assumptions:

- We have had regard to the Wales Tourism Report. For 2018 this indicated an average room occupancy for Welsh guesthouses of 35%, down from 38% in 2018. Hotel occupancy during the same year was significantly higher at 67%. An updating report for the period January to March 2019 indicates an overall average room occupancy of 21%, similar to the performance in 2018.
- The subject business will face strong competition to include older more traditional units and others which have been modernised such as 19 Mary Street. The business has been newly refurbished to a good standard and offers good quality accommodation but without a breakfast offering.
- At present an unknown factor is the level of trade that will be derived from commercial customers during the normally quieter midweek periods.
- Overall, we have based our own projection on an overall room occupancy of some 40% and an average rate of £60 on standard rooms and £80 on the family rooms. This indicates a gross turnover of £85,000 which is at the level for VAT registration.
- We have allowed for associated marketing commissions and contract laundry costs. Only a limited allowance has been made for external staff given the proposed operating format.
- Our projection could be subject to wide variance (particularly if the accommodation was block booked during the midweek) and we strongly recommend that actual performance is closely monitored.

We provide below our projection on an annualised basis:

	Projection £
Turnover	85,000
Gross Profit	82,000
Gross Profit %	96.5
Staff Costs	2,000
Staff Costs %	2.4
Other Costs	31,000
Other Costs %	36.5
<b>EBITDA</b>	49,000
EBITDA %	57.6



## **10 Market Conditions**

### **10.1 Market Commentary**

#### **Economic Overview**

The first estimate of GDP for Q2 2019 indicates a reduction in output of 0.2%. This is weaker than market expectations and a significant change on the first quarter growth of 0.5%. The all important services sector was the only one to show growth and that was a very modest 0.1%, down from 0.3% in Q1.

The production sector fell to a negative figure of 1.4% in Q2, compared to a positive figure of 1.4% in Q1 2019 and, within this sector, manufacturing reduced by 2.3%. Many commentators have put this down to a reduction of the stockpiling seen in Q1. The construction sector also fell to a negative reading of 1.3% from the Q1 2019 figure of plus 1.0%.

The national annualised overall GDP growth rate is now 1.2%. The HM Treasury compiles a report which reviews the numerous market forecasts prepared by external organisations. The latest report dated July 2019 indicates an average forecast of 1.3% GDP growth for 2019.

The labour market remains strong and the unemployment rate was unchanged at 3.9% in the latest available figures to June 2019. This is the lowest rate seen since November 1974. The number of people in employment remains at an all-time high, being 32.8 million people or 76.1% of the potential workforce aged between 16 and 64. The Treasury report mentioned above indicates that the unemployment rate is now forecast to be 3.9% in 2019. Possibly reflecting the high employment rate, wage growth has risen further to an annualised rate of 3.9%.

Inflationary pressures have increased modestly and the CPI index showed an increase of 2.0% in the year to July 2019, up from 1.9% in June. The Treasury report indicates an average forecast for an increase in CPI of 1.8% in 2019. The increase in wage growth and reduction in CPI inflation (net wage growth after inflation 1.9%) should lead to an increase in consumer spending power.

In July 2018 the Bank of England responded to the rise in inflation by signalling only the second rise in Base Rate in 10 years. The rise of 0.25% took Base Rate up to 0.75% which still remains low by historic standards. Further modest and gradual increases in Base Rate are anticipated over the next two years subject, of course, to prevailing economic conditions.

#### **Commercial Property Market**

The Q2 2019 RICS UK Commercial Property Market Survey results show the well established trends of recent quarters remain firmly in place. Indeed, the retail sector continues to display firmly negative sentiment in the face of the structural shift towards increased online spending. Meanwhile, solid demand growth is still being reported across the industrial sector, with this pattern evident across all parts of the UK.



In terms of the occupier market, the tenant demand indicator remained in negative territory for a fifth quarter in succession at the headline level. Even so, the net balance reading of -59% in the retail sector was again responsible for pulling the all-sector average below zero. In the office sector, respondents cited little change in occupier demand over the quarter, while tenant enquiries for industrial space continue to rise smartly.

Given this, the availability of vacant industrial space fell back once more during Q2, although the pace of decline has slowed over the past year. At the same time, the availability of office space edged up for a third successive report. Unsurprisingly, the retail sector posted the most significant rise in availability, with a net balance of +52% of survey participants reporting an increase (the most elevated figure since Q2 2009). As a result, both retail and office landlords raised the value of incentive packages on offer to tenants, with the increase most pronounced for the former.

At the headline level, near term rental expectations were broadly unchanged compared with Q1 (net balance -7% compared with -9% previously). As such, this measure continues to suggest all-sector rents will dip marginally over the coming months. That said, all of the negativity is stemming from the retail sector, which posted a net balance of -53%, while the outlook appears relatively flat for office rents (net balance +2%). Meanwhile, contributors envisage the industrial sector delivering further solid near term rental growth.

Regarding the next twelve months, respondents continue to foresee prime industrial rents rising by roughly 3%, with expectations for secondary slightly more modest, standing around 1.5%. For prime offices, approximately 2% rental growth is expected, while the outlook remains flat to marginally negative for secondary office rents. On the same basis, prime and secondary retail rents are seen falling by around 3.5% and 7% respectively.

When disaggregated, the results show a similar contrast between the prime and secondary office sectors in London. Whereas prime office rents are seen increasing by 1.5% across the capital over the next twelve months, rents for secondary office space are seen falling by 1%. Elsewhere, the regional outlook remains very similar to that at the national level, with both prime and industrial sector rents expected to rise right across the UK. At the other end of the spectrum, rental expectations for the retail sector (both prime and secondary) remain comfortably negative within all areas.

In each quarter since the Brexit vote took place, survey participants have been asked if they have seen any evidence of firms looking to relocate at least some part of their business as a result. In Q2, 32% stated they had seen evidence of this, unchanged from Q1, but up from 23% six months ago. Going forward, a slim majority (52%) of respondents nationally do expect relocations to occur although this will very much depend on how the Brexit process unfolds from this point.

In terms of investor demand, the headline net balance came in at -9%, slightly less negative than in Q1 (-15%). Beneath this figure, growth in the industrial sector was offset by a fall in demand for retail units, while the trend was flat for offices.

For the third quarter in a row, demand from overseas investors fell, to a greater or lesser degree, across all areas of the market. Alongside this, the supply of property available on the sales market held steady at the headline level, although an increase was reported across the retail sector.

Over the next twelve months, respondents foresee further solid growth in capital values across the prime industrial and office sectors. Secondary industrial assets are also anticipated to chalk up further, albeit modest, gains although the outlook is broadly flat for secondary offices. In contrast, retail capital value projections remain entrenched in negative territory.

From a regional perspective, the East Midlands, along with Scotland and Northern Ireland returned the most elevated expectations for capital value growth in the prime office sector. At the same time, the East Midlands, Scotland and the West Midlands display the firmest assessment on the outlook for prime industrial values for the coming year. Conversely, retail capital values are anticipated to decline at the sharpest pace in the North East and Greater London in the next twelve months.

Meanwhile, 53% of respondents nationally feel the market is in some stage of a downturn (with this proportion virtually unchanged over the past three quarters). The share of contributors taking this view is slightly higher in London, at 63%. Nevertheless, over 50% of respondents also feel the market is turning down in the East Midlands, East Anglia, Scotland, the South East and the South West. Nevertheless, the overall outlook for the market is still consistent with a 'soft landing' at this stage.

### **Residential Property Market**

The July 2019 RICS Residential Market Survey results show some of the improvement seen in near term expectations series last month has been partly reversed this time out. In particular, the outlook for prices three months ahead has turned slightly negative once more, while respondents envisage sales remaining flat over the same time frame. That said, new buyer enquiries picked up slightly for the second consecutive month, although this has yet to feed into any meaningful increase in agreed sales.

Starting with new buyer demand, a headline net balance of +8% of contributors reported an increase in enquiries during July. This marks the second report running in which a small increase has been cited (net balance was +10% in June), with the disaggregated data showing a slightly positive trend in the majority of UK regions.

Despite the modest improvement in demand, newly agreed sales edged down a fraction across the UK over the month. Indeed, the national net balance slipped to -6%, from +3% in June. Notwithstanding this, some regions saw a stronger sales trend, with respondents across the North East and the West Midlands in particular reporting a reasonably solid pick-up during July.

Looking ahead, near terms sales expectations eased back into neutral territory, posting a net balance of -2% (down from +6% in June). What's more, sentiment is now only modestly positive regarding the twelve month outlook, with a national net balance of just +12% of respondents expecting sales to rise over the year ahead. When broken down, survey participants across the North East, North West, Wales and the West Midlands are more optimistic than the national average, as each area displays comfortably positive sales projections for the next twelve months.

Alongside this, new instructions to sell were seen as unchanged for the second successive report. This follows a string of eleven consecutive monthly declines in fresh listings beforehand. Even so, respondents continue to report that the volume of market appraisals undertaken over the month was down on the same period of last year. Accordingly, it seems there is little prospect of a sustained rise in supply coming onto the market in the immediate future.

Meanwhile, the survey's headline price indicator pulled back into negative territory in July, with the national net balance falling to -9% (having edged up to -1% in June). Nevertheless, contributors report that prices are rising at a solid pace in Northern Ireland, Scotland and Wales. By way of contrast, prices continue to fall in London, the South East and East Anglia.

Back at the national level, feedback from contributors is still suggesting that higher priced tiers of the market are facing a more challenging environment. 69% of respondents note that, for properties marketed at over £1m, sales prices are coming in below asking prices (up from 66% in April). However, for properties listed at up to £500k and below, 59% of survey participants report sales prices have been at least level with asking (albeit this is slightly down on 62% three months ago).

When it comes to the outlook for prices, near term expectations deteriorated over the month, as the headline net balance fell to -12% from zero in June. Further out, at the twelve month horizon, projections remain marginally positive in net balance terms, with the latest reading coming in at +9%. That said, this latest figure is noticeably softer than +25% returned previously. At the regional level, the current downward trend in prices is now expected to persist over the coming twelve months in London, the South East and East Anglia. At the other end of the scale, respondents envisage strong annual growth in prices across Scotland, Northern Ireland and Wales.

In the lettings market, the headline tenant demand indicator (quarterly seasonally adjusted data) picked-up to post the strongest reading since the closing stages of 2016. At the same time, landlord instructions fell once again, extending a run of continuous decline stretching back over the past thirteen quarters. Given the current imbalance between supply and demand, near term rental growth expectations were driven higher, with the headline net balance of +25% in July representing the most elevated reading in twelve quarters.

## Brexit

The nature of the future relationship between the UK and the EU remains very unclear with a number of possible outcomes still in play. Until the entire process has been completed, a significant element of uncertainty will continue to prevail. This situation should be carefully monitored by lenders and further advice should be sought from us if price volatility emerges.

## Hotel Sector

The provincial hotel market in many regions was particularly badly affected by the economic downturn and subsequent recession in the first part of the decade and values suffered on a threefold effect. Firstly, hotel businesses, in general, suffered from lower profitability as a result of customers making cutbacks on discretionary dining out, short breaks and corporate travel.

Secondary, the market for sales of hotels became inundated with poorly performing assets and receivership cases which had the effect of reducing values in the market as a whole to include non-distressed sales. Thirdly, as a result of financial constraints, a number of hotels reduced their expenditure on repairs and maintenance, leading to a deteriorating property fabric with a knock-on impact on turnover levels.

From a low-point in 2009, provincial UK hotels did not really begin to recover until the London Olympics and Golden Jubilee celebrations of 2012. Since then, however, the key hotel accommodation performance indicators of occupancy percentage, average room rate (ARR) and, in turn, revenue per available room (RevPAR), have increased year on year for most regions.

The hotel sector is, however, dependent on both consumer confidence and business sentiment and is facing increasing pressure to deliver innovation, quality and value. Brand strength and effective distribution channels are becoming more important than ever in an era of relentless technology and perpetually online consumers, together with OTAs (online travel agency) such as booking.com and Expedia, leading to increased customer choice. It is also apparent that potential guests give greater creditability to online reviews such as that provided by Trip Advisor rather than the old style rosette/star ratings.

The stock of "budget" and franchised purpose-built hotels, often brand consistent, technology and effective yield management, has also continued to burgeon, thereby creating a large degree of polarisation. Premier Inn and Travelodge continue to lead the way in such market expansion with Accor, IHG and other similar groups also continuing to invest by way of ongoing developments, and often via different branding vehicles. In the major cities in particular, online providers such as Air BnB also provide competition for the traditional hotels. The accommodation market place is therefore highly competitive in many parts of the UK. Both boutique hotels and upmarket townhouse hotels now provide an alternative for the discerning guest comprising both tourists/visitors and the more affluent corporate customer.

The guest house sector is often seen as a lifestyle opportunity offering residential accommodation with an additional income. The sector is, accordingly, very closely linked with the residential property market.

## **11 Market Valuation and Loan Security**

### **11.1 Valuation Approach**

#### **11.1.1 Methods Utilised**

In preparing our advice we have primarily utilised the direct comparison approach/methodology.

Our valuations have been undertaken in accordance with the RICS Valuation – Global Standards July 2017 incorporating IVSC International Valuation Standards. The conventional valuation methods are however dependent upon comparable evidence and where a lack of open market transactional activity causes uncertainty to exist throughout this process 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.

#### **11.1.2 Comparable Evidence**


In undertaking our valuation we have had regard to comparable evidence. In some instances confidentiality prevents us from disclosing full details. Where there is a lack of available evidence regard has been given to valuer judgement. We have made this clear in our assessment where relevant.

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 been paid 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 purchase 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.

We have considered the following market evidence:

*Trading Businesses*

Property	Description	Transaction Details
Villa Guesthouse, 27 Mary Street 	Similar end of terrace guesthouse with 12 bedrooms (three en-suite). Parking for two/three cars. 306 sq m.	Currently being marketed as a fully operational business at an asking price of £465,000 (£1,520 /sq m). Agents report that it has been on the market for two years, whilst some interest has been expressed, no offers have been received. The property has had some refurbishment and is considered to be in reasonable order. No trading details available.
29 Mary Street, Porthcawl, CF36 3YN	Mid-terraced property over three storeys. Former restaurant at ground floor with four bedrooms and rear parking. 281 sq m.	Currently being marketed at £380,000 (£1,352/sq m). Has been on market for over 18 months, agents report some interest but no offers.
Brentwood Hotel, Mary Street	Hotel situated opposite the subject with 23 letting rooms, bar and restaurant. Turnover understood to be around £300,000. Large building of 879sqm.	Currently being marketed at an asking price of £650,000 (£739/sq m). This is through an online agency with no further details/information available.
Tudor Court Hotel, Oystermouth Road, Swansea	Mid-terraced hotel, separated from the beach by a busy dual carriageway. 26 bedroom and 5 roomed owner's accommodation. Turnover £218,000 and FMT £68,000.	Sold late 2018 at £565,000 representing 8.3YP or 1YP on top of assessed freehold value.
Fourcroft hotel, North Beach, Tenby	Large seafront hotel, 40 rooms and outdoor pool. Said to be in tired condition and making a net profit of just over £100,000.	Sold for £1,100,000 in Apr 2017.
Somerville House Hotel, Hereford	12 bedroom hotel, turnover £200,000 and net profit £50,000.	Sold Mar 2018 for £700,000.
Pilgrim Hotel, Nr Hereford	Sizeable rural hotel with bar/dining areas, 20 letting rooms and 2 flats. Turnover £610,000 and FMOP £132,000.	Under offer Summer 2018 at £865,000, representing 6.5YP.



### Residential Property

Property	Description	Transaction Details
31 Park Avenue, Porthcawl	Three bed semi-detached house of 120.5 sq m.	Sold May 2019 for £260,000 (£2,158/sq m).
12 Park Avenue	Four bed EOT property of 155sq m.	Sold Oct 2018 for £245,000 (£1,580/sq m).
10 Lougher Gardens, Porthcawl, CF36 3BJ	Semi-detached house of 183sq m.	Sold June 2019 for £410,000 (£2,240/sq m).
3 Gordon Road, Porthcawl	Three bed, mid terraced house of 129 sq m.	Sold Oct 2018 for £263,000 (£2,039/sq m).
2 Fairfax Crescent, Porthcawl	Three bed semi-detached house of 92.4 sq m.	Sold May 2019 for £242,000 (£2,619/sq m).
29 Picton Avenue, Porthcawl	Four bed terraced house of 134 sq m.	Sold April 2019 for £238,000 (£1,828/sq m).
26-28 Mary Street	Various flats in adjoining property.	Flat 3 - £100,000 – October 2018 (£1,887/sq m).  Flat 5 - £100,000 – October 2018 (£1,887/sq m).  Flat 7 - £100,000 – October 2018 (£1,754/sq m).
6 Mary Street, Porthcawl	Four bed terraced house of 111 sq m.	Sold October 2018 for £240,000 (£2,162/sq m).
Victoria Avenue, Porthcawl	Five bed, three reception room terraced property of 159.6 sq m.	Currently under offer at £298,700 (£1,871/sq).

#### 11.1.3 Market Value Analysis

Directly comparable information in respect of operational hospitality sector businesses in this area is extremely scarce. In this respect, we have contacted the main local agents, none of whom have any recent sales to report. Included within the table above are a further guest house and a restaurant also situated on Mary Street. Both have been on the market for a considerable time but have received no offers to date. The Villa Guesthouse and the Brentwood Hotel are dated in comparison to the subject which has been fully renovated and is presented to a modern style and in a format which will be cost effective to run with limited utility costs.

We have also included a number of local residential sales. These show a range of £1,580 to £2,619/sq m with the majority being in the £1,800 to £2,000/sq m bracket.

Taking account of these factors and having regard to the general tone of the comparable information we have utilised a rate of some £1,800/sq m giving a capital value for the freehold property of a rounded £400,000. We note that your customer Company purchased the property for £300,000 in January 2019, since when it has been remodelled and completely refurbished.

At the time of our visit the business was not yet operational and whilst most of the fixtures were in place the property was only partly furnished.

In the initial stages of trading we consider that only a modest premium is likely to be achievable in respect of the fixtures and fittings. In the longer term once a sustainable record of profitable trading was in place it may well be possible to achieve a further premium for business goodwill. In respect of our own valuation advice we have allowed for a modest additional element to reflect the business as a fully operational entity. This assumes that the final fitting out works will be completed to a good standard.

There is a scarcity of directly comparable evidence availability and, in these circumstances, we consider that significantly wider than normal valuation tolerances should be anticipated.

#### 11.1.4 Special Assumption Valuations

Demand for commercial properties in the town is relatively weak and with only a limited timescale available we consider that a reasonable discount would be required. This has been reflected in the MV2 valuation provided. A further discount has been allowed in respect of the MV3 valuation which assumes a closed business.

There is no market evidence available in this regard and our advice should be viewed as a 'best opinion'.

#### 11.1.5 Rental Value

There is no defined market for the letting of businesses such as these and they are normally sold as freehold entities. On a divisible profits basis we would estimate that the rental value of the property could be in the region of some £18,000 per annum representing some 36.7% of the projected level of EBITDA.

*For more information on our assumptions in respect of our Valuation Approach and Analysis please refer to paragraphs 12.1.19 to 12.1.21 within the Report Assumptions and Valuation Methodology section.*



## 11.2 Summary of Valuations

**MV1** The Market Value of the freehold interest in the Heritage Hotel, Porthcawl is:

**£425,000 (four hundred and twenty five thousand pounds)** as a fully equipped operational entity having regard to the trading potential and subject to the following special assumption:

- a) the final fitting out of the hotel has been completed and it is operating in line with your customers proposals.

**MV2** The Market Value of the freehold interest in the Heritage Hotel, Porthcawl is:

**£350,000 (three hundred and fifty thousand pounds)** as a fully equipped operational entity having regard to the trading potential and subject to the following special assumptions:

- a) a six month marketing period;
- b) the final fitting out of the hotel has been completed and it is operating in line with your customers proposals.

**MV3** The Market Value of the freehold interest in the Heritage Hotel, Porthcawl is:

**£325,000 (three hundred and twenty five thousand pounds)** having regard to the trading potential and subject to the following special assumptions:

- a) accounts or records of trade will not be available to or relied upon by a prospective purchaser;
- b) the business is closed;
- c) the licences have been lost or have been breached;
- d) the inventory has been depleted or removed.

The **Market Rent** of the Heritage Hotel, Porthcawl is considered to be in the region of **£18,000** per annum.

## 11.3 Action Points and Recommendations

- A full Report on Title should be obtained to include confirmation of rear access rights.
- Confirmation of insurance cover for flooding and subsidence risks is required.
- Confirmation that a Building Control Certificate has been provided.

## 11.4 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 £500,000.

*For more information on our Estimate of Reinstatement Cost Assessment Limitations please refer to paragraphs 12.1.22 within the Report Assumptions and Methodology section.*

### **11.5 Security and Loan Suitability**

In our opinion, the property will retain a useful economic life of at least 25 years, subject to an appropriate repair and maintenance programme.

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.

### **11.6 Mortgage Regulation**

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.

### 11.7 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 the respect of the purpose for which this valuation report 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.

**RICS Registered Valuer**  
For and on behalf of Eddisons



Mr A Lait, ACIB MRICS  
Director

**RICS Registered Valuer**  
For and on behalf of Eddisons



Mr R Bower, BSc MRICS  
Director

## 12 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:

### 12.1.1 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 we have 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/commercial 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 outgoing 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.

### 12.1.2 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.

### 12.1.3 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 have 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 we consider 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 we 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. We are unable test the adequacy or otherwise of any private drainage system or water supply.

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.

It must not be assumed that, if defects are not mentioned in the Report, all parts of the structure are free from defect and where attention is drawn in the Report to some defects, it does not mean that other defects may not exist.

If the Client, or their customer/proposed borrower, wishes to be satisfied as to the condition of the property, they should have a Building Surveyors' detailed inspection and report of their own before deciding whether to provide finance or 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.

#### 12.1.4 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 RICS professional statement, RICS property measurement 2nd edition, January 2018 (effective from 1 May 2018), unless the Client has instructed otherwise. We have assumed, unless stated otherwise, that any difference between the IPMS 1, 2 & 3 – Office and IPMS 1, 2 & 3 Residential and the respective previously utilised definitions under gross external area (GEA), gross internal area (GIA) and net internal area (NIA), are within acceptable tolerance and therefore not material.

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.

#### 12.1.5 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:

- [www.opsi.gov.uk/ACTS/acts1990/Ukpga\\_19900016\\_en\\_1.htm](http://www.opsi.gov.uk/ACTS/acts1990/Ukpga_19900016_en_1.htm)
- [www.opsi.gov.uk/si/si1991/Uksi\\_19912825\\_en\\_1.htm](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.

#### 12.1.6 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 [www.equalities.gov.uk](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.

#### 12.1.7 Fire

New UK Fire Regulations came into force on 1 October 2006. Full details can be found at [www.opsi.gov.uk/si/si2005/20051541.htm](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.

#### 12.1.8 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.

#### 12.1.9 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:

- [www.opsi.gov.uk/ACTS/acts2003/20030017.htm](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. In the event that the property loses its licence there is likely to be a material effect on valuation.

#### 12.1.10 Environmental Matters

Details of Dealing with Contaminated Land in England can be found at:

- [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/513158/State\\_of\\_contaminated\\_land\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/513158/State_of_contaminated_land_report.pdf).

We have assumed that no contaminative or potentially contaminative uses have ever been carried out in or adjoining the Property. Unless otherwise stated, we are 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.

We do 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 we therefore assume 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.



#### 12.1.11 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 1 April 2018 it will be unlawful to rent out business premises to new or renewing tenants that do not reach a minimum energy efficiency standard. In February 2015 the Government confirmed that this minimum rating will be E and the new rules will be extended to cover all leases by 1 April 2023.

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 1 April 2018, it will be unlawful to rent out a residential property that does not reach a minimum energy efficiency standard of E and this will be extended to all leases in 2020.

#### 12.1.12 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:

- [www.hse.gov.uk/asbestos/regulations.htm](http://www.hse.gov.uk/asbestos/regulations.htm)
- [www.legislation.gov.uk/ukxi/2012/632/contents/made](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.

#### 12.1.13 Flooding

Further information can be found at <http://www.environment-agency.gov.uk/flood>. 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.

#### 12.1.14 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.

#### 12.1.15 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.gov.uk/check-if-property-is-affected-by-coal-mining>. 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.

#### 12.1.16 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 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.

#### 12.1.17 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.

#### 12.1.18 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 ([www.legislation.gov.uk/ukpga/1981/69/contents](http://www.legislation.gov.uk/ukpga/1981/69/contents))
- The Environment Agency ([www.environment-agency.gov.uk](http://www.environment-agency.gov.uk))
- The Cornwall Knotweed Forum ([www.cornwall.gov.uk](http://www.cornwall.gov.uk))
- Devon County Council ([www.devon.gov.uk](http://www.devon.gov.uk))
- GB non-native species secretariat (<https://secure.fera.defra.gov.uk/nonnativespecies>)
- Scottish Environmental Protection Agency ([www.sepa.org.uk](http://www.sepa.org.uk))

#### 12.1.19 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 Eddisons Taylors 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.

#### 12.1.20 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.

#### 12.1.21 Valuation Methodologies – 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.



#### 12.1.22 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

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

## 13 Letter of Instruction/Terms of Engagement

### Request for a Property Valuation

Telephone 0845 345 1654  
 Fax 01727 844472  
 Contact Lisa Newman  
 Email cvn@cvnservices.co.uk



Reference **254121**

Quote this reference in  
ALL correspondence

Date generated 15/07/2019

Report Due Date 15/08/2019

Date issued 01/08/2019

To Mr Chris Mitchell  
 Eddisons Taylors  
 4 Basset Court  
 Grange Park  
 Northampton

Property to be valued  
 The Heritage  
 24 Mary Street  
 Porthcawl  
 Bridgend  
 CF36 3AL

Property Type Guest Houses/Bed & Breakfast

Instructing Office NN4 5EZ  
 Lloyds Bank plc, Phoenix Way, Black Horse  
 House, Phoenix Way, Swansea Ent Park,  
 Swansea, SA7 9EQ

Bank Contact Mr Damian Robbins  
 Tel / Fax  
 Mobile 07921548304  
 Email damian.robbins@lloydsbanking.com;  
 Adam.Withey@lloydsbanking.com

#### IN RESPECT OF COMMERCIAL VALUATIONS PLEASE NOTE THE FOLLOWING:

Two paper copies and one electronic copy of your report and invoice should be sent direct to the instructing manager, address noted on the instruction pro forma.

All work is to be undertaken in accordance with the agreed terms and conditions of appointment as set out in the LBG Commercial Valuation Panel TERMS OF BUSINESS, and in full compliance with the RICS Appraisal and Valuation Standards. Please refer to Bank Policy on Valuation Instructions for different property types for further details.

Please note, as outlined in the LBG Commercial Valuation Panel Terms of Business, the Bank require a special assumption of market value with a 6 month marketing period to be added to all reports. This is required in addition to the market value. The Bank will not be able to process the application without this information.

The fee quoted is in the 'additional information, box on the instruction, where applicable. Please be advised that the fee quoted is not negotiable. If you feel, for any reason, that there should be an amendment for the quoted fee please contact CVN immediately.

Valuers are reminded that under the terms and conditions of appointment the service levels for completion of valuation reports are as follows:

- 5 working days for residential property reports
- 10 working days for commercial property reports

CVN Contact Email Address: CVN@cvnservices.co.uk

You should acknowledge this instruction to CVN within 2 hrs of receipt, quoting ref. 254121

You must inform CVN of any delays in arranging appointments or in providing the report to the Instructing Branch  
 You must inform CVN when you send your report to the Instructing Branch

**Customer Details**

Heritage Hotel Porthcawl Limited  
Heritage Hotel Porthcawl Limited

Contact - mob

Contact - tel

Contact - fax

How may the  
valuer gain  
access?

Access contact: Dale Smith

07791 769128

**Property Details**

Occupancy Owner Occupied

Tenure Freehold

Property to be developed? No

Is all or any let? No

Ground rent

Unexpired term

*if Yes, then see details below*

*if Yes, then see details below*

**Details of property purchase**

Property already purchased,  
or estimated value Yes

Estimated value £475,000

Price to be paid

Date purchased

Amount of advance

Term of loan years

Have any incentives/discounts been offered by the seller? No

Drive by valuations (recoveries only) No

Previous report available No

Property type (residential)

Property type (commercial)

**Specialist Properties**

Is a business or trading valuation required? Yes

Are financials available? Yes

Name and contact details of person who can provide  
the information:

**Additional Information**

£1,600 plus VAT

Property type (specialist)

8 bedroom guest house

MV1 and MV3 valuation required. Valuer to comment on 'Fair Market Trade', demand and EPC. Client projections attached  
for review. No Financials

Refer to additional information sent with quote request

**Plans to develop the property**

No plans or feasibility study are available

What is being done to the property?

Number of units:

Estimated development cost

Estimated end value

**Land only valuation**

Type of land

Future planning permission No

**If the tenure is leasehold**

The property is freehold

Is the property a new acquisition or refinance?

**Details of any tenancy on the property**

The property is not subject to any occupational tenancies or no information is known

# LOAN AGREEMENT

## **LOAN AGREEMENT**

This agreement is made on the                      day of                      2019.

BETWEEN:-

1. **JONATHAN THIRKETTLE & ANDREA THIRKETTLE** as Trustees of the AJ3 Consult Executive Pension Scheme of 47 The Sanctuary, Culverhouse Cross, Cardiff, CF5 4RW (1) and **RHODRI THOMAS** as Trustee of the SMART Family Investment Company Executive Pension of St Crispin, 8 Eastgate, Cowbridge, Vale of Glamorgan, CF71 7DG (2) and **RICHARD LEIGH** of 67 West Street, Warminster BA12 8JZ (3) ("**the Lender**")
2. **Heritage Hotel Porthcawl Limited** (Company number 11656697) whose registered office is at Kemp House, 160 City Road, London, EC1V 2NX ("**the Borrower**");

and

3. **DALE CHRISTOPHER SMITH** of 6 Cae Cadno, Margam, SA13 2TP ("**the Guarantor**").

WHEREBY IT IS AGREED as follows:-

### **DEFINITIONS**

"**Effective Date**" means the                      2019, being the date monies (or equivalent consideration) provided under the Loan are first transferred to the Borrower.

"**Loan**" means the total sum of £100,000.00 (One Hundred Thousand Pounds)

"**Loan Contributions**" means the sum of £50,000 from Jonathan and Andrea Thirkettle as Trustees of the AJ3 Consult Executive Pension Scheme and £25,000 from Rhodri Thomas as Trustee of the SMART Family Investment Company Executive Pension and £25,000 from Richard Leigh.

"**Loan Purpose**" means the general business purposes of the Borrower and also for the continued development of the Property.

"**Interest**" means interest on the Loan at a rate of 5% per annum fixed, to be calculated on a Simple basis monthly until the Capital Repayment Date.

"**Term**" means a period of 12 months commencing on the Effective Date of this Agreement and expiring at 6:00 p.m. on                      2020

1.1 "**Richard**" means Richard Leigh

"**Capital Repayment**" means payment of the Loan principal upon expiry of the Term.

"**Capital Repayment Date**" means the day on which the Term expires.

**"Business Day"** means a day on which clearing banks are open for business in London (other than a Saturday or Sunday and other than Bank Holidays).

**"Property"** means Heritage Guest House, 24 St Mary Street, Porthcawl, CF36 3YA..

**"Security"** means a debenture held over Heritage Hotel Porthcawl Limited (Company number 11656697) whose sole asset is the **Property**

## INTRODUCTION

- 1.1 The Lender has at the request of the Borrower agreed to make the Loan to the Borrower for the Term in accordance with the Loan Conditions.
- 1.2 The Borrower has agreed to accept the Loan and to repay the Capital of the Loan and the Interest in accordance with the provisions of this Agreement.
- 1.3 The Borrower has agreed to provide security for the Loan by way of a debenture.
- 1.4 The Guarantor has agreed to indemnify the Borrower in accordance with the provision of this Agreement.
- 1.5 The Borrower understands that they will not have the benefit of the protection and remedies that would be available to them under the, Mortgage Credit Directive Order, The Financial Ombudsman, The Financial Services Compensation Scheme, or the Consumer Credit Act. This Agreement is a commercial arrangement between the Lender and the Borrower. The Borrower has had the opportunity of taking independent legal advice regarding the consequences of the agreement not being regulated by any of the above.

## OPERATIVE PROVISIONS

2. In consideration of the Lender agreeing to make the Loan to the Borrower, the Borrower agrees as follows:
  - 2.1.1. The Loan will at all times be used for the Loan Purpose as agreed with the Client.
  - 2.1.2. To pay the Capital Repayment on the Capital Repayment Date.
  - 2.1.3. To pay Interest to Richard from the same day of the month following completion and onwards, for the remaining Term, in the total sum of £104.17 per month. The interest due to AJ3 Consult Executive Pension and The SMART Family Investment Company Executive Pension will be rolled up and paid on or before the Capital Repayment at £208.33 per month and £104.17 per month respectively.

- 2.1.4. To pay the Client's solicitors fees on commencement of the Loan.
- 2.1.5. To pay a Redemption Administration Fee of £195 on settlement of the Loan.
- 2.1.6. As a condition precedent to drawdown of any monies under the Loan.
- 2.1.7. Notwithstanding the other provisions hereof and in any event to repay the Loan and any accrued Interest by not later than the last day of the Term provided that notwithstanding the foregoing the Lender shall always have the right to demand repayment in full by the Borrower of the balance of the Loan for the time being and any accrued Interest upon the Lender giving the Borrower twenty eight days' notice in writing of such demand.
- 2.1.8. Should the Borrower wish to extend the Term, to send a written request to the Lender at least one month before the end of the Term. The Lender may at their absolute discretion agree to extend the Term for a period of up to 12 months subject to payment of a fee of 3% of the Loan and a £700 administration charge.
- 2.1.9. That so long as the Loan (or any part thereof) or any Interest remains outstanding, the Borrower will not, without prior written consent of the Lender and upon fully satisfying the Lender as to the precise nature of the transaction and supplying copies of the documentation in connection with the transaction whether in draft or not, invest, transfer, lease, exchange or otherwise dispose of his assets of a value over £10,000.00, and the Borrower agrees that if any such transaction is entered into in the ordinary course that it will supply details and copies of all documentation relating to the transaction within seven days of the Borrower concluding the same.
- 2.1.10. To pay all fees in relation to and incidental to this agreement including all legal, arrangement and completion fees as well as any fees incurred by the Lender on a full indemnity basis.
- 2.1.11. To ensure that adequate provision will be made to repay the Capital Repayment and accrued Interest on the Capital Repayment Date.
- 2.1.12. To keep the Property insured with reputable and responsible insurers and to ensure that such insurance is for the full reinstatement cost of the Property.
- 2.1.13. Not save with the written consent of the Lender, which shall not be unreasonably withheld, sell or otherwise dispose of the whole or part of the Property. Provided that such consent shall be given to the Borrower on



the basis that the Loan and any accrued Interest is transferred to another property owned by the Borrower or purchased by them during the Term.

- 2.1.14. To provide the Lender with a debenture in such form as the Lender may stipulate.

## **REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Lender the following:-

- 3.1 The Borrower has not defaulted on any mortgage, loan, trust deed, agreement or arrangement and has not breached any law or regulation.
- 3.2 The Borrower is not involved in any legal dispute, litigation, arbitration or any other legal matter, either currently taking place or threatened in the future, which may have an adverse effect on his ability to repay the Loan and the Interest and comply with the terms of this Agreement.

## **TERMINATION**

- 4.1 If the Borrower shall be in breach of any of the provisions of this Agreement the Lender may require repayment of the Loan and accrued Interest forthwith and enforce its security over the Property forthwith. No failure to exercise, nor any delay on the part of the Lender in exercising any rights or powers or privileges hereunder shall operate as a waiver thereof nor shall any single nor partial exercise of any such rights or powers or privileges preclude any other or further exercise thereof or the exercise of any other rights or powers or privileges.
- 4.2 Notwithstanding anything hereinbefore contained the Loan, or the balance of the Loan for the time being outstanding, and accrued Interest and the monies due thereon shall become immediately repayable if:
- 4.2.1 the Borrower makes default in the payment of any Capital Repayment or Interest or any other monies due hereunder,
  - 4.2.2 an order is made or an effective resolution is passed for winding up the Borrower,
  - 4.2.3 the Borrower ceases or threatens to cease to carry on its business or substantially the whole of its business,
  - 4.2.4 an encumbrancer takes possession of, or a Receiver is appointed over, any part of the assets of the Borrower including the Property,
  - 4.2.5 any distress, execution, sequestration or other process is levied or enforced upon or issued against the property of the Borrower and not discharged within 28 days,

- 4.2.6 the Borrower is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (as re-enacted or amended),
- 4.2.7 the Borrower commits any breach of this Agreement.

#### **GUARANTOR PROVISIONS**

The Guarantor unconditionally and irrevocable agrees to indemnify the Borrower in respect of any losses, costs, expenses, damages or liabilities suffered or incurred by the Lender as a result of the Borrower failing to meet its obligations under this agreement and/or if the Borrower is unable to repay the Loan and accrued interest then the Guarantor unconditionally and irrevocable agrees to repay the Loan and accrued interest in place of the Borrower.

#### **NOTICES**

- 5.1 Any notice given by either party shall be served on the other party by personal delivery, pre-paid recorded delivery, first class post, facsimile transmission to the receiving parties address as set out in this Agreement or such subsequent addresses as may be notified by the parties to each other
- 5.2 Any such notice will be deemed to be effectively served as follows:-
  - 5.2.1 In the case of service by pre-paid recorded delivery or first class post two weekdays after posting. (For a first class posted item evidence that the item was correctly addressed, stamped and placed in the post will be sufficient evidence that it was indeed posted.
  - 5.2.2 In the case of service by facsimile transmission the next working day.
  - 5.2.3 In the case of personal delivery on the next working day.

#### **GENERAL PROVISIONS**

- 6.1 During the continuance of this Agreement the Borrower may, with the consent of the Lender (such consent not being unreasonably withheld or delayed), create or suffer to exist a further mortgage or charge on the whole or any part of the Property, ranking behind the security granted to the Lender in respect of the Loan, as security for the repayment of monies borrowed and the payment of interest, commission, costs, charges and expenses due in respect thereof.
- 6.2 All payments by the Borrower to the Lender shall be made free and clear of and without deduction of any alleged or actual set-off or counterclaim and without any deduction of any taxes, levies, imposts, duties, charges, fees, deductions or withholding of any nature now or hereafter imposed by any governmental authority in any jurisdiction or political subdivision or taxing authority thereof or therein unless the Borrower is compelled by law to deduct or withhold any such taxes levies imposts duties charges or fees.

- 6.3 The Borrower shall have the right at any time on giving 14 days' notice in writing to the Lender to repay the Loan in full together with all accrued Interest.
- 6.4 The Borrower undertakes with the Lender to notify the Lender forthwith in writing of any matter which constitutes (or which, with the passage of time, would constitute) a default under this Agreement (or otherwise entitle the Lender to demand repayment of the Loan).
- 6.5 Payments received by the Lender from the Borrower under the terms of this Agreement will be paid to the Lender on a pro rata basis in accordance with the Loan Contributions made.
- 6.6 Save for the purposes of compliance with statutory and legal obligations, the parties agree to keep the contents of this Agreement confidential and shall not disclose the contents thereof, without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed.
- 6.7 A person who is not a party to this letter shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
- 6.8 This Agreement shall be construed in accordance with the Laws of England and Wales and shall be subject to the exclusive jurisdiction of the English and Welsh Courts.
- 6.9 This Agreement contains the entire Agreement between the Parties hereto concerning the Confidential Information and supersedes any previous understandings commitments or agreements oral or written, provided that nothing in this clause shall be construed as limiting or excluding the parties' liability for fraud or fraudulent concealment.
- 6.10 In this Agreement wherever the context permits words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and in both cases vice versa and any agreement on the part of two or more persons shall be deemed to be made by such persons jointly and severally and the terms used herein for the parties hereto shall mean and include their respective successors in title.

## 7. LIMITATION OF LIABILITY

7.1. The liability of AJ3 Consult Executive Pension Scheme and the SMART Family Investment Company Executive Pension pursuant to this Agreement shall at all times be limited to the assets for the time being of the Scheme

EXECUTED AS A DEED BY  
Rhodri Thomas  
As Trustee of the  
The SMART Family Investment  
Company Executive Pension

)   
) \_\_\_\_\_

In the presence of:-

Witness signature :



Witness name :

BRIAN JOHN DONOVAN

Address :

44 LON ISA, RHIWBINA, CF14 6EE

Occupation:

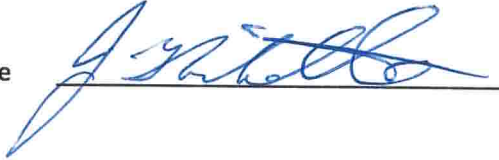
LANDS CONSULTANT

EXECUTED AS A DEED BY

Jonathan Thirkettle

As Trustee of the

AJ3 Consult Executive Pension Scheme



In the presence of:

Witness signature :



Witness name :

Philip Gasston

Address :

61 Ceed y Werallt, Cardiff

Occupation:

Civil Engineer

EXECUTED AS A DEED BY

Andrea Thirkettle

As Trustee of the

AJ3 Consult Executive Pension Scheme



In the presence of:

Witness signature :



Witness name :

RICHARD GRAHAM BROWN

Address :

1 RHOS TDU, PENARTH CF64 3HS

Occupation:

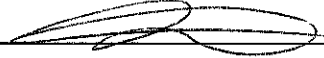
CHARTERED GEOLOGIST

EXECUTED AS A DEED BY )  
Dale Christopher Smith Of )  
Heritage Hotel Porthcawl Limited )  
Acting by a Director



In the presence of:-

Witness signature :



Witness name :

ALUN HUW MARTINSON.

Address :

24, LLYS CEIRIOS, COITY, CF35 6QB.


Occupation:

ADVISEE

SIGNED AS A DEED BY  
Dale Christopher Smith  
In the presence of:-



Witness signature



Witness name

ALUN HUW MARTINSON.

Address

4, Llys Ceirios

COITY

CF35 6QB.

Occupation

ADVISEE.

**SIGNED AS A DEED BY**  
**Richard Leigh**

\_\_\_\_\_

In the presence of:

Witness signature :

\_\_\_\_\_

Witness name :

\_\_\_\_\_

Address :

\_\_\_\_\_

Occupation:

\_\_\_\_\_



# DEBENTURE

THIS DEBENTURE is made on

## PARTIES

- (1) **Heritage Hotel Porthcawl Limited** (Company number 11656697) whose registered office is at Kemp House, 160 City Road, London, EC1V 2NX (the **Company**) and
- (2) **JONATHAN THIRKETTLE & ANDREA THIRKETTLE** as Trustees of the AJ3 Consult Executive Pension Scheme of 47 The Sanctuary, Culverhouse Cross, Cardiff, CF5 4RW (1) and **RHODRI THOMAS** as Trustee of the SMART Family Investment Company Executive Pension of St Crispin, 8 Eastgate, Cowbridge, Vale of Glamorgan, CF71 7DG (2) and **RICHARD LEIGH** of 67 West Street, Warminster BA12 8JZ (3) (the **Debenture Holder**)

THIS DEED WITNESSES:

## 1 Definitions and interpretation

- 1.1 In this Deed, unless the context requires otherwise:

**Administrator** means an administrator appointed under the Insolvency Act 1986;

**Charged Assets** means the undertaking, property, rights and assets charge under clause 4.1 below;

**Default Rate** means 8% per year over the base rate of the Bank from time to time;

**Events of Default** means the events of default set out in clause 8 below;

**Principal Sum** has the meaning given in clause 2.1 below;

**Receiver** has the meaning given to it in clause 12 below and shall include any substituted receiver(s) and manager(s);

- 1.2 In this Deed, unless the context requires otherwise:

- 1.2.1 the expressions 'the Company' and 'the Debenture Holder' where the context admits include their respective successors and assigns whether immediate or derivative;

- 1.2.2 terms defined in the Companies Act 2006 have the same meanings, save that for the purposes of the definition of **subsidiary** in Section 1159 one company (A) shall be treated as being a

member of another (B) if any shares in B are held by a subsidiary of A, by any person acting on behalf of A or a subsidiary of A, or by a person holding by way of security provided by A or a subsidiary of A;

1.2.3 reference to any statute or statutory provision includes a reference to:

- (a) that statute or statutory provision as from time amended extended or re-enacted or consolidated, and
- (b) all statutory instruments or orders made pursuant to it;

1.2.4 words denoting the singular shall include the plural and vice versa; and

1.2.5 words denoting any gender include all the genders and words denoting persons shall include firms and corporations and vice versa.

1.3 References to **clauses** are to the clauses or sub-clauses of this Deed and references to **Schedules** are to the schedules to this Deed.

1.4 Clause headings do not form part of this Deed are for convenience only and shall not be taken into account in its construction or interpretation.

## **2 Covenant to pay Principal Sum**

2.1 The Company covenants with the Debenture Holder that it will pay to the Debenture Holder the principal sum of £100,000 plus Interest as set out in the Loan Agreement of even date. A copy of the loan agreement is attached to this Deed at Schedule 1 (the **Principal Sum**).

## **3 Floating charge**

3.1 As a continuing security for the payment of all money and the discharge of all obligations and liabilities covenanted under this Deed to be paid or discharged or otherwise secured by this Deed the Company with full title guarantee charges by way of first floating charge to the Debenture Holder all the undertaking, property, rights and assets of the Company both present and future of any kind whatsoever and wherever situated.

## **4 Restrictions**

- 4.1 The Company covenants that it will not (without the prior consent in writing of the Debenture Holder):
- 4.1.1 create or attempt to create or permit to subsist any mortgage debenture charge or pledge or permit any lien or other encumbrance (save a lien arising by operation of law in the ordinary course of trading) to arise on or affect all or any part of the Charged Assets; or
  - 4.1.2 part with possession or transfer, sell, lease or otherwise dispose of all or any of the Charged Assets or attempt or agree so to do (save for sale at market value for the purpose of carrying on its business).
- 4.2 Notwithstanding anything contained in this Deed, if the Company charges, pledges or otherwise encumbers any of the Charged Assets contrary to clause 6.1 above, or attempts to do so without the prior consent in writing of the Debenture Holder, or if any creditor or other person takes or attempts to take control of, or initiates or attempts to initiate any other process of enforcement against any of the Charged Assets, the charge created by this Deed over the Charged Assets shall automatically without notice operate as a fixed charge instantly on such event occurring.

## **5 Events of Default**

- 5.1 The Debenture Holder shall cease to be under any further commitment to the Company and all money secured by this Deed shall immediately become due and payable on demand on the occurrence of any of the following Events of Default:
- 5.1.1 if the Company fails to pay within 3 business days of the due date any interest or money due to the Debenture Holder;
  - 5.1.2 if the Company is in breach of any of the terms of this Deed (other than as to payment);
  - 5.1.3 if the Company defaults under any trust deed, loan agreement facility, debenture or any other agreement, deed or document, or any other obligation relating to borrowing or under any guarantee or indemnity or if any borrowing or other money payable under any borrowing or guarantee or indemnity becomes or is capable of being declared payable before its stated

maturity or is not paid when due or any encumbrance from time to time created by the Company becomes enforceable;

- 5.1.4 if any creditor takes control of any goods, or any other process of enforcement is initiated against any of the assets of the Company and not released or discharged within [7] days;
- 5.1.5 if any judgment or order made against the Company is not complied with within the terms of the judgment or order unless the Company's obligations under that judgment or order are stayed because a valid appeal has been lodged by the Company against such judgment or order;
- 5.1.6 if a receiver is appointed of the Company or any of its assets or any resolution is passed or any application or request is made by any person for such an appointment or a notice is issued to convene a meeting for the passing of a resolution for any such application or appointment;
- 5.1.7 if any petition is presented or any order is made or any resolution is passed for the winding up of the Company or any notice is issued convening a meeting for the purpose of passing such resolution;
- 5.1.8 if the Company goes into administration, or any person gives notice (to the company or any other person) of an intention to appoint an administrator, or if application is made or any meeting of the directors or members of the Company is called with a view to its going into administration;
- 5.1.9 if the Company stops payment or is unable or admits inability to pay its debts within the meaning of the Insolvency Act 1986 Section 123;
- 5.1.10 if the Company obtains or makes or proposes to obtain or make any moratorium, arrangement or composition with its creditors or any class of creditors or takes any other step with a view to doing any of those things;
- 5.1.11 if the Company ceases or threatens to cease to carry on all or a material part of the business conducted by it at the date of this Deed or sells or threatens to sell or otherwise dispose of all or a material part of its assets (other than in the normal course of business) whether by one or a series of transactions related or not or changes the nature or mode of conduct of its business in any material respect;

- 5.1.12 if any guarantee, indemnity or other security created in favour of the Debenture Holder is in jeopardy or is not or ceases to be in full force and effect or is voidable or unenforceable or is disputed, revoked or terminated or it becomes unlawful or impossible for the Debenture Holder to exercise any right or power vested in it under any such security and (in any such case) the same is considered by the Debenture Holder to be material;
- 5.1.13 if an order is made for the compulsory acquisition of any part of the Company's assets which in the opinion of the Debenture Holder is a material part of the assets of the Company;
- 5.1.14 if any licence, authorisation, consent or registration at any time necessary or desirable to enable the Company to carry on its business in the normal course shall be revoked, withheld or materially modified or shall fail to be granted or perfected or shall cease to remain in full force and effect;
- 5.1.15 if control (as defined in the Corporation Tax Act 2010 Section 450) of the Company is acquired by any person or company or group of connected persons (as defined in the Corporation Tax Act 2010 Section 1122) not having control of the Company at the date of this Deed (unless with the prior consent in writing of the Debenture Holder); or
- 5.1.16 if any circumstances arise which may (in the opinion of the Debenture Holder) affect materially and adversely the ability of the Company to perform its obligations under this Deed.

## **6 Covenants by the Company**

The Company covenants with the Debenture Holder that during the continuance of this security the Company will at all times and as applicable immediately:

- 6.1 notify the Debenture Holder by fax and confirmed in writing of the occurrence of any event which will or may in due course constitutes an Event of Default;
- 6.2 conduct and carry on its business in a proper efficient and business-like manner and not make any substantial alteration in the nature of or mode of conduct of that business and keep or cause to be kept proper books of account relating to such business;
- 6.3 deliver to the Debenture Holder within 4 months of the end of the Company's financial year to the Debenture Holder an annual balance sheet and profit and loss account and trading account showing the true position of the Company's affairs in each year certified by a chartered



accountant approved by the Debenture Holder and also from time to time such other information relating to the assets and liabilities and the business of the Company as the Debenture Holder may reasonably require;

- 6.4 get in and realise all book and other debts and claims charged by this Deed in the ordinary course of its business and pay them into such account as the Debenture Holder may direct;
- 6.5 observe and perform all covenants and stipulations from time to time affecting its freehold, leasehold or heritable property or the mode of user or enjoyment of such property, and not without the prior consent in writing of the Debenture Holder enter into any onerous or restrictive obligations affecting any such property, nor do or suffer or omit to be done any act, matter or thing which would infringe any provision of any statute, order or regulation from time to time in force affecting any such property;
- 6.6 observe and perform all covenants and stipulations from time to time affecting its patents, patent applications, trade marks, trade names, registered designs and copyrights and all other intellectual property or any licence or ancillary or connected rights from time to time relating to intellectual property, and preserve, maintain and renew when necessary or desirable all such licences and rights;
- 6.7 use its best endeavours to enforce and at its own cost institute, continue or defend all proceedings relating to the Charged Assets;
- 6.8 keep all buildings and erections and all plant, machinery, fixtures, fittings, vehicles, computers and office and other equipment and every part of such property in good and substantial repair and in good working order and condition. If the Company is at any time in default in complying with this covenant the Debenture Holder shall be entitled but not bound to repair and maintain such property, with power for the Debenture Holder, its agents and their respective employees to enter any of the Company's property for that purpose or to inspect such property, and any sum so spent by the Debenture Holder shall be repayable by the Company to the Debenture Holder on demand together with interest at the Default Rate from the date of payment by the Debenture Holder;
- 6.9 at its own expense insure and keep insured any of the Charged Assets of an insurable nature with insurers previously approved by the Debenture Holder in writing against loss or damage by fire, burglary, theft, civil commotion, explosion, aircraft, flood, storm, tempest lightning, burst pipes and such other risks and contingencies as the Debenture Holder shall from time to time



request to the full replacement value of such property and effects from time to time, including fees of architects, surveyors, engineers and all other professional fees and demolition charges together (in the case of leasehold properties) with loss of rent for [3] years in the name of the Company. The interest of the Debenture Holder shall be noted on the policy and the policy shall contain such provisions for the protection of the Debenture Holder as the Debenture Holder may reasonably require. The Company must maintain such other insurance policies (with the interest of the Debenture Holder noted on such policies) containing like provisions for the protection of the Debenture Holder as are normally maintained by prudent companies carrying on similar businesses and pay all premiums and other money necessary for effecting and keeping up such insurances, and on demand produce to the Debenture Holder the policies of such insurance and proof of such payments, failing which the Debenture Holder may take out or renew such insurances in any sum which the Debenture Holder may think expedient, and all money spent by the Debenture Holder under this provision shall be reimbursed by the Company on demand and bear interest at the Default Rate from the date of payment by the Debenture Holder. All money to be received by virtue of any insurance maintained or effected by the Company (whether or not in pursuance of the obligations under this clause 9.9) shall be [paid to the Debenture Holder (or if not paid by the insurers directly to the Debenture Holder held on trust for the Debenture Holder) and shall at the option of the Debenture Holder be] applied in repayment of the sums secured by this Deed or in replacing, restoring or reinstating the property or assets destroyed, damaged or lost (any deficiency being made good by the Company);

- 6.10 punctually pay and indemnify the Debenture Holder and any Receiver against all existing and future rent, rates, taxes, duties, charges, assessments, impositions and outgoings (whether imposed by agreement, statute or otherwise and whether in the nature of capital or revenue and even if wholly novel) now or at any time during the continuance of this Deed payable in respect of all or any of the Charged Assets or by the owner or occupier of the Charged Assets. If any such sums shall be paid by the Debenture Holder or by any Receiver they shall be repaid by the Company on demand with interest at the Default Rate;
- 6.11 comply with and fulfil its obligations under every lease and agreement relating to any of the Charged Assets and when required produce to the Debenture Holder proof of all payments from time to time due from the Company under such lease or agreement;
- 6.12 take all necessary steps to comply with any notice, proposal or order given, issued or made by any local or other authority relating to any of the Charged Assets and serve any appropriate counter-notice so as to protect the Charged Assets, and also at the request of the Debenture Holder (but at the expense of the Company) make or join with the Debenture Holder in making

such objections, appeals or representations in relation to the Charged Assets as the Debenture Holder considers or agrees is expedient, and any compensation received by the Company as a result of such notice or order shall be applied in the reduction of the money due to the Debenture Holder from the Company unless the Debenture Holder otherwise agrees;

- 6.13 not (without the prior consent in writing of the Debenture Holder) permit any person:
  - 6.13.1 to be registered as proprietor under the Land Registration Act 2002 of any land forming part of the Charged Assets nor create or permit to arise any unregistered interest which overrides first registration affecting such property within Schedule 1 of that Act, or
  - 6.13.2 to become entitled to any proprietary right or interest which might affect the value of any land, fixtures or fixed plant and machinery charged by this Deed;
- 6.14 not (without the prior consent in writing of the Debenture Holder) redeem or purchase its own shares nor pay an abnormal amount by way of dividend;
- 6.15 deposit (if required by the Debenture Holder) with the Debenture Holder or a nominee of the Debenture Holder and permit the Debenture Holder or its nominee during the continuance of this security to hold and retain the following:
  - 6.15.1 all deeds and documents of title relating to all freehold, leasehold and heritable property from time to time belonging to the Company (and the insurance policies relating to such property),
  - 6.15.2 all stock and share certificates and documents of title relating to the Securities,
  - 6.15.3 all assurance policies from time to time effected by the Company on the lives of key employees, and
  - 6.15.4 all such documents relating to the Charged Assets as the Debenture Holder may from time to time require;
- 6.16 not to do or cause or permit to be done anything which may in any way prejudice the value to the Debenture Holder of the Charged Assets.

## **7 Further security**

The Company shall on request by the Debenture Holder execute such legal or other mortgages or assignments in favour of the Debenture Holder as the Debenture Holder shall from time to time require over all or any of the Charged Assets both present and future to secure all money, obligations and liabilities covenanted under this Deed to be paid or otherwise secured by this Deed, such mortgages, charges or assignments to be prepared by or on behalf of the Debenture Holder at the cost of the Company, and to contain an immediate power of sale without notice, a clause excluding the Law of Property Act 1925 Section 93 and the restrictions contained in Section 103 of that Act and such other clauses for the benefit of the Debenture Holder as the Debenture Holder may reasonably require.

## **8 Powers of the Debenture Holder**

- 8.1 At any time after the Debenture Holder shall have demanded payment of any money or the discharge of any obligation or liability secured by this Deed or if requested by the Company the Debenture Holder may exercise without further notice (and without the restrictions contained in the Law of Property Act 1925 Section 103) and whether or not it shall have appointed a Receiver all the powers conferred on mortgagees by that Act as varied or extended by this Deed and all the powers and discretions conferred by this Deed either expressly or by reference to a Receiver appointed under this Deed.
- 8.2 The Law of Property Act 1925 Section 93 shall not apply to this security or to any security given to the Debenture Holder under this Deed.
- 8.3 The statutory powers of leasing conferred on the Debenture Holder shall be extended so as to authorise the Debenture Holder to lease and make agreements for leases at a premium or otherwise and accept surrenders of leases and grant options as the Debenture Holder shall consider expedient and without the need to observe any of the provisions of the Law of Property Act 1925 Sections 99 and 100.
- 8.4 All money received by the Debenture Holder or by any Receiver in the exercise of any powers conferred by this Deed shall be applied, after the discharge of the remuneration and expenses of the Receiver and all liabilities having priority to the claims of the Debenture Holder, in or towards satisfaction of such of the obligations and liabilities secured by this Deed and in such order as the Debenture Holder in its absolute discretion may from time to time conclusively decide (save that the Debenture Holder may credit the money to a suspense account for so long

and in such manner as the Debenture Holder may from time to time decide). The Receiver may retain any amount for such period as he considers expedient before so applying it.

- 8.5 No purchaser or other person shall be bound or concerned to see or enquire whether the right of the Debenture Holder or a Receiver to exercise any of the powers conferred by this Deed has arisen or not or be concerned with notice to the contrary or with the propriety of the exercise or purported exercise of such powers.
- 8.6 The Company covenants with the Debenture Holder on demand to pay all costs, charges and expenses incurred by the Debenture Holder or which it or he shall properly incur in or about the enforcement, preservation or attempted preservation of this security or of all or any of the Charged Assets on a full indemnity basis with interest at the Default Rate.
- 8.7 Neither the Debenture Holder nor any Receiver shall be liable to account as mortgagee in possession in respect of all or any of the Charged Assets nor be liable for any loss upon realisation or for any neglect or default of any nature in connection with the Charged Assets for which a mortgagee in possession may be liable as such.
- 8.8 The Company agrees to indemnify the Debenture Holder and any Receiver against all losses, actions, claims, expenses, demands and liabilities, whether in contract, tort or otherwise, now or after the date of this Deed, incurred by it or by any manager, agent, officer or employee for whose liability act or omission it may be answerable, for anything done or omitted in the exercise or purported exercise of the powers contained in this Deed or occasioned by any breach by the Company of any of its covenants or other obligations to the Debenture Holder. The Company shall so indemnify the Debenture Holder on demand and shall pay interest on the sums demanded at the Default Rate until payment.

## **9 Power of attorney**

The Company by way of security irrevocably appoints the Debenture and separately any Receiver jointly and severally to be its attorney, in its name and on its behalf and as its act and deed or otherwise to execute and complete in favour of the Debenture Holder or its nominees or of any purchaser any documents which the attorney may require for perfecting its title to or for vesting the Charged Assets, both present and future, in the Debenture Holder or its nominees or in any purchaser, and to do all such acts and things as may be required for the full exercise of all or any of the powers conferred by this Deed, or which may be deemed expedient by the attorney on or in connection with any sale, lease, disposition, realisation or getting in by the Debenture Holder or any such Receiver of all or any part of the Charged Assets, or in

connection with any other exercise of any power under this Deed. This appointment shall operate as a general power of attorney made under the Powers of Attorney Act 1971 Section 10. The Company covenants with the Debenture Holder and separately with any Receiver that on request it will ratify and confirm all security, agreements, documents, acts and things and all transactions entered into by the Debenture Holder or such Receiver in the exercise or purported exercise of its or his powers, and the Company irrevocably acknowledges and agrees that such power of attorney is inter alia given to secure the performance of the obligations owed to the Debenture Holder and any such Receiver by the Company.

## **10 Notice of trusts**

The Company shall recognise and treat the Debenture Holder as the sole absolute owner of this Deed and as alone entitled to receive and give effectual discharges for the money secured by this Deed. The Company shall not be affected by notice of any trust or any right title or claim or any person other than the Debenture Holder to this Deed.

## **11 Freedom from equities**

The money secured by this Deed shall be paid and this Deed shall be transferable without regard to any set-off, cross-claim or equities between the Company and the original or any intermediate holder and the receipt of the sole holder or of joint holders shall be a good discharge to the Company.

## **12 Miscellaneous**

- 12.1 No failure or delay by the Debenture Holder in exercising any right or remedy shall operate as a waiver nor shall any single or any partial exercise or waiver of any right or remedy preclude its further exercise or the exercise of any other right or remedy.
- 12.2 Each of the provisions of this Deed is severable and distinct from the others and if at any time one or more of such provisions is or becomes invalid illegal or unenforceable the validity, legality and enforceability of the remaining provisions of this Deed shall not in any way be affected or impaired.
- 12.3 The Company certifies that neither the execution of this Deed nor the creation of the charges contained in this Deed contravenes any of the provisions of the constitution of the Company.



12.4 Any demand for payment, and any other notice to be given by the Debenture Holder under this Deed, shall be in writing [and may be signed by any official of the Debenture Holder], and may be made or given at any place of business of the Company or at its registered office:

12.4.1 by delivering it to any such place; or

12.4.2 by sending it by first class post to any such place (in which case it shall be deemed received at 10.00 am on the next business day after posting, and proof of posting shall be proof of delivery); or

12.4.3 by sending it by fax to any of the Company's fax numbers (in which case it shall be deemed received when sent, and proof of sending shall be proof of receipt).

### **13 Register**

The Company will keep a register and enter in it the issue and all transfers and changes of ownership of this Deed. The register may be closed from time to time for such periods (not exceeding 30 days in all in any year) as the Company may decide.

### **14 Transfer**

14.1 A transfer of this Deed shall be in writing under the hand of the transferor.

14.2 The transfer shall be lodged with the Company together with such evidence of the title of the transferor (including production of this Deed) as the Company may reasonably require and after that the transferee shall be registered as the holder of this Deed.

14.3 The Company shall be entitled to retain the transfer.

### **15 Death of Debenture Holder**

On the death of the Debenture Holder his personal representatives and on the death of a joint holder the survivor or survivors shall be the only persons recognised by the Company as having any title to this Deed.

## **16 Registration on transmission**

Any person entitled to this Deed by reason of the death of the Debenture Holder or otherwise by operation of law may upon producing such evidence of his title as the Company may reasonably require be registered as the holder of this Deed and be subject to the conditions of this Deed as a transferee would be subject to under clause 18 above.




## Schedule 1

Loan agreement between **Heritage Hotel Porthcawl Limited** (Company number 11656697) whose registered office is at Kemp House, 160 City Road, London, EC1V 2NX ("the Borrower")

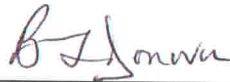
and

**JONATHAN THIRKETTLE & ANDREA THIRKETTLE** as Trustees of the AJ3 Consult Executive Pension Scheme of 47 The Sanctuary, Culverhouse Cross, Cardiff, CF5 4RW (1) and **RHODRI THOMAS** as Trustee of the SMART Family Investment Company Executive Pension of St Crispin, 8 Eastgate, Cowbridge, Vale of Glamorgan, CF71 7DG (2) and **RICHARD LEIGH** of 67 West Street, Warminster BA12 8JZ (3) ("the Lender")

EXECUTED AS A DEED BY  
Rhodri Thomas  
As Trustee of the  
The SMART Family Investment  
Company Executive Pension

)   
) \_\_\_\_\_

In the presence of:-  
Witness signature :



Witness name :

BRIAN JOHN DONOVAN

Address :

44 LON ISA, RHINBINA, CF14 6EE

Occupation:

LANDS CONSULTANT

EXECUTED AS A DEED BY

Jonathan Thirkettle

As Trustee of the

AJ3 Consult Executive Pension Scheme



In the presence of:

Witness signature :



Witness name :

Philip Gasston

Address :

61 Coed y Wenallt, Cardiff

Occupation:

Civil Engineer

EXECUTED AS A DEED BY

Andrea Thirkettle

As Trustee of the

AJ3 Consult Executive Pension Scheme



In the presence of:

Witness signature :



Witness name :

RICHARD GRAHAM BROOKS

Address :

1 RHOS IDU, PENARTH CF64 3HS, UK

Occupation:

CHARTERED GEOLOGIST

EXECUTED AS A DEED BY )  
Dale Christopher Smith Of )  
Heritage Hotel Porthcawl Limited )  
Acting by a Director

Smith

In the presence of:-

Witness signature :

[Signature]

Witness name :

ALUN HUW MARTINSON.

Address :

4, LLYS CEIRIOS, COITY, CF35 6QB

Occupation:

ADVISER.

SIGNED AS A DEED BY  
Dale Christopher Smith  
In the presence of:-

Smith

Witness signature

[Signature]

Witness name

ALUN HUW MARTINSON

Address

4, LLYS CEIRIOS

COITY

CF35 6QB.

Occupation

ADVISER

**SIGNED AS A DEED BY**  
**Richard Leigh**

\_\_\_\_\_

In the presence of:

Witness signature :

\_\_\_\_\_

Witness name :

\_\_\_\_\_

Address :

\_\_\_\_\_

Occupation:

\_\_\_\_\_

# **SIGNED SOLICITORS TERMS**

# SPENCER SKUSE & POTTER

## *Terms and Conditions of Business For 3<sup>rd</sup> Party Loan Agreement*

### OUR AIM

We aim to offer our clients quality legal advice with a personal service at a fair cost. As a start, we hope it is helpful to you to set out in this statement the basis on which we will provide our professional services.

### OUR COMMITMENT TO YOU

We will:

REPRESENT your interests and keep your business confidential.

EXPLAIN to you the legal work that may be required and the prospects of a successful outcome.

MAKE SURE that you understand the likely degree of financial risk that you will be taking on.

ADVISE YOU on tax matters, but only if specifically requested to do so.

KEEP YOU regularly informed of progress or, if there is none, when you are next likely to hear from us.

TRY to avoid using technical legal language when writing to you - tell us when we fail in this aim!

DEAL with your queries promptly, for example, we will always try to return your telephone calls on the same day.

### OUR HOURS OF BUSINESS

The normal hours of opening at our offices are between 9.00am and 5.00pm on weekdays. Appointments may be arranged at other times when this is essential.

### PEOPLE RESPONSIBLE FOR YOUR WORK

The Partner responsible for dealing with your work will be John Potter. The Secretary who may be able to deal with your queries and who will be pleased to take any message for you is Linda Hancock. We will try to avoid changing the people who handle your work but if this cannot be avoided, we will tell you promptly of any change and why it may be necessary.

The partner of this firm with final responsibility for work done in this department is John Potter.

### CHARGES AND EXPENSES

Our charges will be calculated mainly by reference to the time actually spent by the Solicitors and other staff in respect of any work that they do on your behalf. This will include meetings with you and perhaps others, reading and working on papers, correspondence, preparation of any detailed costs calculations, and time spent travelling away from the office when this is necessary.

Routine letters are charged as 6-minute units of time and we charge for the time spent on making and taking telephone calls in 6-minute units and considering incoming letters at units of 3 minutes per page. However, calls made to mobile telephones will be charged at 50p per minute plus V.A.T.

The fixed fee rate charged for this matter is £1,500.00. We will add VAT on these at the rate that applies when the work is done. At present, VAT is 20%.

The hourly rates have to be reviewed periodically to reflect increases in overhead costs and inflation. Normally the rates are reviewed with effect from 1 September each year. If a review is carried out before this matter has been concluded, we will inform you of any variation in the rate before it takes effect.

In addition to the hourly rate charged, we will also charge for any telegraphic transfers sent or received via our bank. Our current charges for this are £25.00 plus VAT for each telegraphic transfer sent and £5.00 plus VAT for each telegraphic transfer received.

In addition to the time spent, we may take into account a number of factors including any need to carry out work outside our normal office hours, the complexity of the issues, the speed at which action has to be taken, any particular specialist expertise when the case may demand. In particular, in property transactions, in the administration of estates and in matters involving a substantial financial value or benefit to a client, a charge reflecting, for example, the price of the property, the size of the estate, or the value of the financial benefit may be considered. It is not always possible to indicate how these aspects may arise but on present information, we would expect them to be sufficiently taken into account in the rates that we have quoted. Where a charge reflecting any value element is to be added we will explain this to you.

Solicitors have to pay out various other expenses on behalf of clients ranging from Land or Probate Registry fees, court fees, experts' fees, and so on. We have no obligation to make such payments unless you have provided us with the funds for that purpose. VAT is payable on certain expenses. We refer to such payments generally as "disbursements". We will require a payment in advance from you in respect of any search fees payable on your transactions.

If, for any reason, this matter does not proceed to completion, we will be entitled to charge you for work done and expenses incurred.

### PAYMENT ARRANGEMENTS

Property transactions. We will normally send you our bill following the exchange of contracts and payment is required on a purchase prior to completion; and at completion, on a sale. If sufficient funds are available on completion, and we have sent you a bill, we will deduct our charges and expenses from the funds.

Administration of estates. We will normally submit an interim bill at regular stages during the administration, starting with the obtaining of a Grant. The final account will be prepared when the Estate Accounts are ready for approval.

Other cases or transactions. It is normal practice to ask clients to pay sums of money from time to time on account of the charges and expenses that are expected in the following weeks or months. We find that this helps clients in budgeting for costs as well as keeping them informed of the legal expenses that are being incurred. If such requests are not met with prompt payment, delay in the progress of a case results. In the unlikely



event of any bill or request for payment not being met, this firm must reserve the right to stop acting for you further.

Payment is due to us within 14 days of our sending you a bill. Interest will be charged on a daily basis at 4% over NatWest Bank's base rate from time to time from the date of the bill in cases where payment is not made within 14 days of delivery by us of the bill.

#### **OTHER PARTIES' CHARGES AND EXPENSES**

In some cases and transactions, a client may be entitled to payment of costs by some other person. It is important that you understand that in such circumstances, the other person may not be required to pay all the charges and expenses that you incur with us. You have to pay our charges and expenses in the first place and any amounts that can be recovered will be a contribution towards them. If the other party is in receipt of legal aid, no costs are likely to be recovered.

The other person will not be liable to pay the VAT element of your costs if you are able to recover the VAT yourself.

If you are successful and a court orders another party to pay some or all of your charges and expenses, interest can be claimed on them from the other party from the date of the court order. We will account to you for such interest to the extent that you have paid our charges or expenses on account, but we are entitled to the rest of that interest.

You will also be responsible for paying our charges and expenses of seeking to recover any costs that the court orders the other party to pay to you.

A client who is unsuccessful in a court case may be ordered to pay the other party's legal charges and expenses. That money would be payable in addition to our charges and expenses. Arrangements can be made to take out insurance to cover liability for such legal expenses. Please discuss this with us if you are interested in this possibility.

#### **CHARGES FOR TELEGRAPHIC TRANSFERS AND CHAPS PAYMENTS AND PAYMENTS IN CASH**

A charge of £25.00 plus VAT is made for transferring funds through the banking system and £5.00 plus VAT for funds transferred directly into our accounts. This disbursement will be in addition to the legal costs quoted or estimated. We will charge you the banking charge that we incur in the event of cheques credited to your account with us being dishonoured.

We prefer that clients do not pay money to us in cash in excess of £500.00. In cases where a client wishes to pay money to us in cash, we need at least two working days prior notice in cases where the cash sum exceeds this amount.

#### **INTEREST PAYMENT**

Under the Solicitors Accounts (Deposit Interest) Rules, solicitors are liable to pay their clients interest on moneys held by the Solicitor on their behalf in the circumstances set out in the Rules. We normally hold our client's moneys in a general client account with NatWest Bank and we account to clients for interest at the rate paid from time to time on a deposit account by NatWest Bank. If we hold moneys upon which interest is liable to be paid, we make a minimum charge of £30.00 plus Vat for calculating the interest and maintaining necessary records in respect of the interest as required by the Inland Revenue and the Solicitors

Accounts (Deposit Interest) Rules. In calculating interest due to you in respect of moneys held in an "undesignated" account we shall work on the basis that 7 days notice of withdrawal shall be allowed and that funds received will take 5 working days to clear, unless received in cash or by direct bank transfer to our client account.

If however clients instruct us in writing, moneys liable to earn interest can be held in a separate "designated" account. If you require us to open a separate designated deposit account, this will be subject to the same minimum charge of £30.00 plus VAT.

Where a Client obtains borrowing from a lender in a property transaction, we will ask the lender to arrange that the loan cheque is received by us a minimum of 4 working days prior to the completion date. If the money can be telegraphed, we will request that we receive it the day before completion. This will enable us to ensure that the necessary funds are available in time for completion. Such clients need to be aware that the lender may charge interest from the date of issue of their loan cheque or the telegraphing of the payment.

#### **STORAGE OF PAPERS AND DOCUMENTS**

After completion of the work, we are entitled to keep all papers and documents while there is money owing to us for our charges and expenses. In addition, we will keep your file of papers for you in storage for not less than 1 year. After that, storage is on the clear understanding that we have the right to destroy it after such period as we consider reasonable or to make a charge for storage if we ask you to collect your papers and you fail to do so. We will not of course destroy any documents such as Wills, Deeds, and other securities, which you ask us to hold in safe custody. NO charge will be made to you for such storage unless prior notice in writing is given to you of a charge to be made from a future date that may be specified in that notice.

If we retrieve papers or documents from storage in relation to continuing or new instructions to act in connection with your affairs, we will not normally charge for such retrieval. However, we may make a charge based on time spent for producing stored papers or documents to you or another at your request. We may also charge for reading, correspondence or other work necessary to comply with your instructions.

#### **CHANGES IN THE LAW AND CRITICAL DATES**

Once your case is finished we cannot accept on-going responsibility for reminding you of changes in the Law which might affect you (even where we continue to store deeds, wills or other documents on your behalf) or of future critical dates. For example, we cannot accept on-going responsibility to remind you of such matters as rent review dates, lease renewals, the exercise of options, the service of notices and counter-notices within time limits and the like.

#### **SECURITY AND MONEY LAUNDERING**

##### **(i) Clarification of Client Identity**

We are by law required to satisfy ourselves as to the identity of our new clients. This is also frequently a requirement of banks and building societies in their instructions to us regarding mortgage advances or similar matters. Accordingly, it will be necessary for you to produce acceptable evidence of identity and also of your address.



The following are types of documents that can act as evidence of identity:

- (a) full current signed passport;
- (b) EEA member state identity card;
- (c) Residence permit issued by the Home Office to EEA Nationals on sight of their own country passport;
- (d) Current UK or EEA photo-card driving licence;
- (e) Current full UK driving licence;
- (f) Benefit book or original notification letter from the Benefits Agency confirming the right to benefits;
- (g) Firearms or shotgun certificate;
- (h) National identity card containing your photograph.

Please note that this is not an exhaustive list of documents that can act as evidence of identity. In the context of transactions involving a mortgage, different lenders have different requirements and you should therefore check with us as to what evidence will be required for that individual lender.

For non-quoted private companies and other organisations, we require the evidence set out above for two of the Directors/Company Secretary/Partners or other persons authorised to act on behalf of the organisation.

Information held by this firm is subject to the provision of the Data Protection legislation but please note that, as with most other users, we utilise a non-encrypted email system.

(ii) Clarification of Client Address

The following is a list of examples of suitable documentary evidence of address for UK resident private individuals:

- (a) recent utility bill or statement;
- (b) local Council Tax bill for the current year;
- (c) current full UK driving licence;
- (d) bank, building society or credit union statement or passbook containing the current address;
- (e) recent original mortgage statement from a recognised lender;
- (f) a solicitor's letter confirming recent house purchase or Land Registry confirmation of address;
- (g) local council or housing association rent card or tenancy agreement;
- (h) benefit book or original notification letter from the Benefits Agency confirming the right to benefits;
- (i) Inland Revenue self-assessment statement or tax demand;
- (j) house or motor insurance certificate.

Please note that this is not an exhaustive list of documents that can act as evidence of address.

(iii) Persons Not Resident in the UK

There are additional considerations that may apply in respect of individuals who are not resident in the UK, students and minors and those acting in a representative capacity.

(iv) Corporate Clients

For non-quoted private companies and other organisations, we require the evidence of identity and address for two of the directors/company secretary/partners or other persons authorised to act on behalf of the organisation. We also require

a copy of the Certificate of Incorporation, a list of directors, a list of shareholders and the registered address. In respect of a partnership, we will require evidence of the identity and address of the partner instructing us.

(v) The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003

As has been explained in a Notice given to you, this new law has the effect of overriding the solicitor's duty of confidentiality in circumstances where the solicitor knows or suspects that he or she is involved in any activity, including dealing, transferring or holding money including the proceeds from any criminal activity. If we, as solicitors, know, suspect or have reasonable grounds to know or suspect that we are assisting or being involved in the laundering of the proceeds of any criminal conduct, then we are obliged under the law to make an "authorised disclosure" of information to the National Criminal Intelligence Service ("NCIS"). The disclosure is "authorised" by the Proceeds of Crime Act and the Money Laundering Regulations. It is a potentially imprisonable offence for us to fail to make such disclosure. It is also a criminal offence for us, as solicitors, to "tip off" our client or clients that we have made such a disclosure.

(vi) Our liability to you in the event of us having to make a disclosure to the NCIS

In the event that we make an authorised disclosure to the NCIS, it is possible that delay or other detriment may be caused to your transaction by that disclosure. You must accept that the delay or detriment has been caused by our complying with our duty under the law and that compliance with that duty does not constitute negligence or breach of contract on our part. You must accept that no liability will attach to this firm in respect of such delay or detriment caused directly or indirectly by the authorised disclosure whether or not any action by the NCIS or other authorities resulted from that disclosure.

(vii) Policies relation to Money Laundering

In order to reduce the possible incidence of making disclosures to the NCIS, we, as a firm, will not accept payments in cash (whether to our office or directly into our bank account) of more than £500.00, nor will we accept payments of any kind from any unknown or unidentified third party. Furthermore, at the conclusion of a transaction, we will not be prepared to send funds to any unknown or unidentified third party.

**LIMITATION ON OUR LIABILITY TO YOU**

We are insured by our professional indemnity insurers in respect of incidents of professional negligence. Our liability to you in respect of such matters is limited to £2 million. In the event that you wish to extend our potential liability for your transaction, you will need to contact us in writing and negotiate specific written terms as to that extended liability.

You should be aware that this firm's liability to persons other than our clients is, in all circumstances, limited to the figure stated above.

**TERMINATION**

You may terminate your instructions to us in writing at any time but we will be entitled to keep all your papers and documents while there is money owing to us for our charges and expenses.



If at any stage, you do not wish us to continue doing work and/or incurring charges and expenses on your behalf, you must tell us this clearly in writing.

If we decide to stop acting for you, for example if you do not pay an interim bill or comply with the request for a payment on account, we will tell you the reason and give you notice in writing.

#### LIMITED COMPANIES

When accepting instructions to act on behalf of a limited company, we may require a Director and/or controlling shareholder to sign a form of personal guarantee in respect of the charges and expenses of this firm. If such a request is refused, we will be entitled to stop acting and to require immediate payment of our charges on an hourly basis and expenses as set out earlier.

#### TAX ADVICE

Any work that we do for you may involve tax implications or necessitate the consideration of tax planning strategies. We may not be qualified to advise you on the tax implications of a transaction that you instruct us to carry out, or the likelihood of them arising. If you have any concerns in this respect, please raise them with us immediately. If we can undertake the research necessary to resolve the issue, we will do so and advise you accordingly. If we cannot, we may be able to identify a source of assistance for you.

#### COMMUNICATION BETWEEN YOU AND US

Our aim is to offer all our clients an efficient and effective service at all times. We hope that you will be pleased with the work we do for you. However, should there be any aspect of our service with which you are unhappy, please raise your concern in the first place with Graeme Skuse. If you still have queries or concerns, please contact our Client Care Partner, Mr John Potter, to whom any final difficulty can be reported. If you have made a complaint, we will acknowledge receipt within seven days of receiving the said complaint. This acknowledgment will indicate what action will be done and the timescale within which the action may be expected to be done. We shall keep a separate record of your complaint and all further contact in relation to it through to its conclusion. If you are still dissatisfied with the response to your complaint, we shall provide you with contact details of the Legal Complaints Service.

We will aim to communicate with you by such a method as you may request. We may need to virus check discs or email. Unless you withdraw consent, we will communicate with others when appropriate by email or fax but we cannot be responsible for the security of correspondence and documents sent by email or fax.

The Data Protection Act requires us to advise you that your particulars are held on our database. We may, from time to time, use these details to send you information that we think might be of interest to you.

#### HOW YOU CAN HELP US

You can help us to do our best for you by telling us what we need to know and providing information and documents when we ask for them. Please tell us at the start what you expect of us so that we can agree with you what is possible to achieve. If you have personal time limits or targets that would not be obvious to us please let us know so that we can do our best to work towards

them. If you do not understand anything we have discussed or written to you about, please tell us as soon as possible.

#### TERMS AND CONDITIONS OF BUSINESS

Unless otherwise agreed, and subject to the application of the current hourly rates, these Terms and Conditions of Business shall apply to any future instructions given by you to this firm.

Although your continuing instructions in this matter will amount to an acceptance of these Terms and Conditions of Business, it may not be possible for us to start work on your behalf until one copy of them has been returned to us for us to keep on our file.

**I have read and understood, and I accept these Terms and Conditions of Business.**

Signed



Print name      Rhodri Thomas  
Member Trustee

Date              24/11/2019

# **SSAS RESOLUTION**



# SSAS INVESTMENT RESOLUTION

At a meeting of the trustees of the SMART Family Investment Company Executive Pension on 24<sup>th</sup> November 2019, it was resolved that:

1. The member trustee has received a request by **Heritage Hotel Porthcawl Limited** (CRN 11656697) whose registered office is at Kemp House, 160 City Road, London, EC1V 2NX ("the Borrower"); to loan a sum of £25,000 in order to complete investment property, in order to take advantage of this opportunity the scheme trustees namely **RHODRI THOMAS** of St Crispin, 8 Eastgate, Cowbridge, Vale of Glamorgan, CF71 7DG (The Member/Trustee) has agreed to make such a loan. Therefore in accordance with their powers under the scheme trust documentation, assets of the fund shall be used to provide a fixed term loan to the above individuals.
2. Investment powers and duties in relation to this transaction are delegated under the trust documentation to the Member Trustee above and has agreed for the transaction to be carried out on behalf of the scheme.
3. All necessary documentation has been viewed by the Member Trustee before agreeing to the loan in addition to commissioning an independent solicitor as the loan will be secured by way of a debenture charge over the company to give security to the scheme.
4. The Member Trustee is satisfied that the above loan is an acceptable and commercial transaction and in keeping with the scheme legislation and have agreed the loan subject to valuation and all legal searches being satisfactory.
5. The member/trustee has appointed the following independent solicitor to carry out all necessary searches and conveyancing to completion. John Potter, Spencer Skuse & Potter Solicitors, 17 Lambourne Crescent, Llanishen, Cardiff, CF14 5GF.
6. In addition to any indemnities conferred on him by law or under the trust documentation, the scheme Administrators "The Practitioner Partnership LP, Retirement Capital" and all associated companies or delegates are not liable for any act or omission of the Member Trustee or his advisers or their delegates in relation to the exercise of the powers referred to in 1. Above.
7. The Member Trustee confirm that "The Practitioner Partnership LP, Retirement Capital" and any associated companies or delegates will not be liable for any unauthorised payment charge, unauthorised payment surcharge, scheme sanction

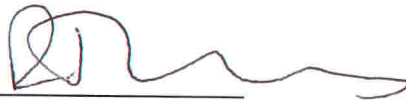
charge or other tax charge that may be levied by HMRC in connection with this loan should one ever arise.

8. The Member Trustee has agreed for the loan funds to be made available by bank transfer from funds held on deposit with Natwest to the following Solicitors Client account on exchange of contracts:-

Bank:	Natwest
Account name:	Spencer Skuse & Potter
Account number.	29640121
Sort code	56-00-41

9. The Member Trustee agrees for payment to be made and will provide the necessary transfer prior to exchange of contracts.
10. The loan will be for a term of 12 months at a rate of 5.00% per annum simple, payable on repayment of the loan.
11. Security will be provided by way of debenture held over Heritage Hotel Porthcawl Limited (Company number 11656697) whose sole asset is the **Property**
12. The Member Trustee hereby confirms and agrees to the scheme investment as described in 1. over and paid in line with 10. above.

Signed (Trustee 1)



Name (printed) Rhodri Thomas

Date 24/11/2019

# **SSAS PAYMENT AUTHORITY**

AIB BANK PLC  
Sort Code: 23-83-96

## Outward Payment Instruction for Faster Payments

### 1. SCHEME DETAILS

Scheme Name

Account Number

### 2. PAYMENT DETAILS

Date to be actioned

Amount  
(GBP)

Amount in  
Words

### 3. BENEFICIARY

Beneficiary  
Name

Beneficiary  
Sort Code


Beneficiary Account Number

Payment Reference

### 4. PURPOSE OF TRANSACTION - Description

### 5. TRUSTEE SIGNATURE

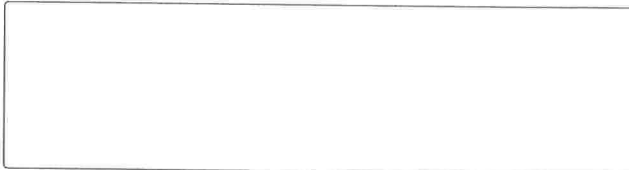
#### 1st Signatory



Name

Date

#### 2nd Signatory - if applicable



Name

Date



