

# VALUATION REPORT

185 Replingham Road  
Southfields  
London  
SW18 5LY

UNDERTAKEN ON BEHALF OF

Proplend Security Limited  
145-157 St John Street  
London  
EC1V 4PW

FOR THE ATTENTION OF

Richard Berkley

24 November 2014

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## EXECUTIVE SUMMARY

185 Replingham Road  
 Southfields  
 London  
 SW18 5LY



<b>Tenure</b>	Freehold
<b>Total gross Income</b>	£13,400 per annum
<b>Market Rental Value</b>	£13,400 per annum
<b>Market Value</b>	£200,000
<b>Market Value (VP)</b>	£165,000
<b>Description</b>	A ground floor shop forming part of a mid terrace, three storey, property. Situated off the main retail pitch of Southfields, within a predominantly residential use area. NIA of 458 sq ft (42.57 sq m)
<b>Loan security</b>	The particular strengths and weaknesses of the property are as follows:  <b>Strengths</b> <ul style="list-style-type: none"> <li>■ Freehold;</li> <li>■ Let and income producing at Market Rent;</li> <li>■ Low vacancy rates; and</li> <li>■ Popular retail location with independent traders servicing the residents.</li> </ul> <b>Weaknesses</b> <ul style="list-style-type: none"> <li>■ Further east of the main retailing pitch of Southfields.</li> </ul> We have taken these factors into consideration in determining our opinion of Market Value.

**Property Address:** 185 Replingham Road, Southfields, London, SW18 5LY

**Client:** Proplend Security Limited

**Customer:** Kelidon Property Ltd – Mr Neil Counihan

**Reference no:** RMV2014-131-SG/MS

## 1.0 INTRODUCTION

### Instructions

- 1.1 In accordance with your instructions, we have inspected the above mentioned freehold property, held by your customer, in order to advise you as to our opinion of:
- The current Market Value of the freehold interest in the property, as at the date of valuation, and otherwise on the basis of the other assumptions contained herein.
  - The current MV of the freehold interest in the property, as at the date of valuation, assuming vacant possession and otherwise on the basis of the other assumptions contained herein.
  - Market Rent.
- 1.2 You have additionally asked us to provide a guide on the reinstatement cost of the building for insurance purposes. We propose providing an indicative estimate that is sufficient for you to judge whether your interest as mortgagee is adequately covered in the policy effected by the Borrower.
- 1.3 We have valued the property based on the information provided and otherwise on the assumptions referred to herein. We have not been provided with any Report on Title and have assumed the property has good title, free from any onerous or restrictive covenants and other encumbrances.
- 1.4 Having made all necessary enquiries and completed our research, we are now able to report to you with our opinion of value.

### Purpose of valuation

- 1.5 We understand that our valuation is required for secured lending purposes. A copy of our letter of engagement is enclosed at **Appendix A**.

### Compliance

- 1.6 We confirm that this report has been prepared strictly in accordance with the Valuation Standards, Guidance Notes and appendices contained in the RICS Valuation - Professional Standards 2014 – Global and UK (“The Red Book”). The firm is considered to be an external valuer as defined in the RICS Standards.
- 1.7 We confirm that our professional indemnity insurance cover, on a per claim basis, is available in respect of the services provided.
- 1.8 We have undertaken a conflict of interest check and can confirm that we are not aware of any conflict of interest arising as a result of our acceptance of this instruction.
- 1.9 The valuation has been carried out in accordance with our Standard Valuation Assumptions and Bases of Valuation, which are attached at **Appendix B**.

### Inspection

- 1.10 The property was inspected externally and internally by Sharnie Gosal MRICS on Thursday 13 November 2014. The valuation has been prepared by Sharnie Gosal MRICS, a Partner of Cluttons LLP, who we confirm has experience in valuing commercial properties of this type.

### Date of valuation

- 1.11 The valuation date is the date of this report, 24 November 2014.

## 2.0 LOCATION AND SITUATION

- 2.1 The subject property is situated on the northern side of Replingham Road in Southfields, an area administered by Wandsworth Council.
- 2.2 The property is located away from the main retail pitch, within a predominantly residential use location. Surrounding retailers are entirely local traders and include a mix of local restaurants, solicitors, dry cleaners, hair and beauty and home security.
- 2.3 Southfields is a small district, located 6 miles south-west of Charing Cross. The street services local residents only and is predominantly made up of independent local traders. There are very few national retailers present, those noted include Tesco Express, HSBC and Sainsbury's Local
- 2.4 Southfields tube station (District Line) is located a 5-10 minute walk to the west of the subject property, close to the main retail pitch of Southfields.
- 2.5 Please refer to the Location Plan and Ordnance Survey extract attached at **Appendix C**.

## 3.0 DESCRIPTION AND CONSTRUCTION

- 3.1 The property comprises a ground floor shop forming part of a Victorian mid-terrace three storey building with residential accommodation above. The external construction comprises brick elevations, with timber framed single glazed windows, beneath a pitched tiled roof.
- 3.2 The shop is trading as a physiotherapy and internally, the unit provides two treatment rooms, a reception area to the rear with separate kitchenette and a WC. Access to a side-rear courtyard is through a single timber framed door.
- 3.3 The property is finished with spotlights throughout, painted and plastered walls, natural light to all rooms with the exception of the kitchenette, laminate flooring and wall mounted radiators.
- 3.4 Photographs of the property are attached at **Appendix D**.

## 4.0 ACCOMMODATION

- 4.1 We have scaled the net internal floor area (NIA) from a floor plan of the property, provided to us by the Borrower, and undertaken check measurements. On the day of our inspection, we were not able to access the therapy rooms. We have measured the NIA of the property in accordance with the RICS Code of Measuring Practice (6th Edition). We set out the NIA below:-

Accommodation	Use	NIA (sq m)	NIA (sq ft)
Ground Floor	Shop	42.57	458

## 5.0 SITE

5.1 The site is shown, for identification purposes only, edged red on the attached Ordnance Survey extract (scale approximately 1:1,250), has the following dimensions and area:

	Metric	Imperial
Site frontage	4.85 metres	16 feet
Site depth	13.46 metres	44 feet
Site Area	0.006 hectares	0.015 acres

5.2 The site is level, and rectangular in shape.

5.3 An Ordnance Survey Plan extract is attached at **Appendix B**.

## 6.0 CONDITION AND STATE OF REPAIR

6.1 In preparing this report, Cluttons LLP were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the subject property. We emphasise that we have not undertaken a building survey of the property, and should you require a more detailed report upon the structural condition and state of repair, a further inspection and report will be necessary. We would also refer you to our comments made under the heading 'Environmental Issues' below.

6.2 No significant defects were apparent on the date of inspection.

6.3 We can confirm that we have taken into account the existing condition of the property within our valuation.

## 7.0 SERVICES

7.1 The site is connected to all the main services, including electricity, gas and water.

7.2 It was beyond the scope of our inspection to test the services, however, we have assumed these are fully operational, are subject to regular maintenance and comply with all current guidelines and regulations.

## 8.0 ENVIRONMENTAL ISSUES

8.1 We were not instructed to undertake or commission an environmental assessment to establish whether contamination exists or may exist, nor are we aware of any such assessment having been prepared by a specialist advisor in respect of the subject property and its environs.

- 8.2 However, during the course of our inspection of the property and its immediate vicinity for valuation purposes and our usual subsequent enquiries, the possibility that the property may be contaminated has been considered. This was done by complying with the requirements of the “Royal Institution of Chartered Surveyors” and the property observation checklist for identifying apparent potential for contamination included therein.
- 8.3 We would remind you that, in accordance with your instructions, we have not undertaken any detailed site investigations. Historical land uses for the property and surrounding area appear to have been retail and residential use.
- 8.4 For the purposes of this valuation report, we shall assume that no contamination or deleterious materials exist to be sufficient to affect our opinions of value. However, we would stress that should this assumption prove to be incorrect, the values reported herein may be reduced.
- 8.5 We assume that the Local Authority have served no notices upon the subject property.

#### **Flood Risk**

- 8.6 A search of the Environment Agency’s website has identified that the property is at very low risk of flooding. This means that each year, this area has a chance of flooding of less than 1 in 1000 (0.1%).

## **9.0 PLANNING AND RATING**

### **Town planning**

- 9.1 The property falls within the administrative boundaries of Wandsworth Council.
- 9.2 We have made informal online enquiries of the local planning portal, which has confirmed that the property is not listed nor situated within a Conservation Area.
- 9.3 We have inspected the statutory planning register on Wandsworth Council’s website and outline details of major planning applications submitted within the last ten years in regards to the property:-

<b>Application Number</b>	<b>Decision Date</b>	<b>Decision</b>	<b>Details</b>
2007/1101	20/04/2007	Approve with conditions	Use of ground floor as a physiotherapy practice.

- 9.4 We have not made specific additional enquiries with the Local Authority and our valuations further assume that the property will not be significantly affected by any town planning or other related proposals within the foreseeable future.
- 9.5 Replingham Road is understood to be adopted and maintained by the Local Authority and our valuations assume full and unequivocal rights of pedestrian and vehicular access are available to the property from this highway.
- 9.6 Our valuations further reflect that as far as we have been able to confirm and otherwise assume neither the site nor the local area will be detrimentally affected by any town planning or other related published proposals within the foreseeable future.

9.7 In arriving at our opinion of value we have assumed that the property complies with all the necessary statutory consents, including town planning and current building regulation requirements.

### Rating

9.8 We have made informal online enquiries of the Valuation Office website which confirms that the property is listed for Business Rates purposes as follows.

Address	Description	Rateable Value
185 Replingham Road, Southfields	Shop & Premises	£7,800

9.9 The national non-domestic multiplier for 2014/2015 is 48.2p in the £.

## 10.0 TENURE

10.1 We understand that the property is held Freehold.

10.2 We have not seen Title Deeds and have assumed that these are free from any unduly onerous restrictions, easements, or covenants that would affect our opinion of value.

## 11.0 TENANCY

11.1 We have been provided with a lease dated 6 November 2013 between Neil Patrick Counihan and Irene Inger Allen, and have summarised the principal terms in the table below.

<b>Lease Date:</b>	<b>06 November 2013</b>		
<b>Demise:</b>	Ground floor shop 185 Replingham Road, London, SW18 6QS		
<b>Current Lessor:</b>	Neil Patrick Counihan		
<b>Current Lessee:</b>	Irene Inger Allen		
<b>Term:</b>	5 year lease commencing on 06 November 2013 (expiry 05 November 2018)		
<b>Original Rent:</b>	£13,400 per annum	<b>Next Review:</b>	06 November 2016
<b>Rent Passing:</b>	£13,400 per annum	<b>Frequency:</b>	3 <sup>rd</sup> year of the term
<b>Break Date</b>	The tenant may terminate the lease at any time subject to at least six months notice.		
<b>Rent Free Period:</b>	N/A		
<b>Basis of Rent Review:</b>	Upward only rent review to the higher of the Annual Rent payable immediately before the Review Date or the Market Rent payable on the relevant Review Date, assuming the property is let as a whole for a period equal to the unexpired term. Standard assumptions and disregards apply. If the Landlord and Tenant are not able to agree the amount of the reviewed rent, two months prior to the Review		

Date the matter may be referred to an Arbitrator.

<b>Decoration</b>	The Tenant must decorate the inside of the property in the first and last year of the term. The Tenant must also maintain and decorate the shop front.
<b>Repairs:</b>	The Tenant must maintain the state and condition of the property.
<b>Alterations</b>	The Tenant may make alterations (excluding any structural alterations or additions), with the prior consent of the Landlord which is not to be unreasonably withheld.
<b>Insurance LL/T:</b>	The Landlord agrees to keep the Premises insured, the cost of which is recovered from the Tenant.
<b>Approved Use:</b>	Retail shop or Therapy Clinic or any other use to which the Landlord consents.
<b>Alienation:</b>	The Tenant is permitted to sublet the whole of the property, subject to the Landlord's consent, which shall not be unreasonably withheld. The sublease is to be on terms which are consistent with this lease, but is not to permit the sub-tenant to underlet.
<b>Other</b>	This lease is subject to the Landlord and Tenant Act 1954.

11.2 We consider the lease is drawn on acceptable full repairing and insuring terms.

## 12.0 COVENANTS

12.1 Detailed financial investigations of the tenant are outside the scope of this report. However, we have reviewed the Equifax Credit report on Southfields Physiotherapy Ltd and set out the details below.

Tenant Name	Latest Accounts	Score	Notes
Southfields Physiotherapy Ltd	30/06/2013	A	Excellent

12.2 Overall we believe that the property investment market would view the tenant company as providing a good security as a whole.

## 13.0 MARKET COMMENTARY

### Retail Overview

13.1 Although High Street retail has been one of the weaker performing sectors nationally, in London the story has been different, from both an occupational and investment perspective.

13.2 Investment Property Databank (IPD) have recently reported in the 'All Property Monthly Index' a total return of 12.7% for "Standard Retail – South East" for the year to end March 2014, based on capital growth of 6.6%. For the "Standard Retail – Rest of UK", the index showed a total return figure of 8.2% with capital growth of only 1.2%.

13.3 This demonstrates how much better the south east and London in particular is performing against the market as a whole. Within London there will be significant variations, dependant on local factors.

13.4 The base rate stands at 0.5%, unchanged for 5 years since March 2009.

### The UK economy

13.5 UK GDP growth during Q4 was confirmed at 0.7%, following an expansion of 0.8% during Q3, taking overall GDP growth to 1.8% during 2013. Crucially, this now means that the economy is just 1.3% smaller than its pre-recession peak (Q1 2008). During the 2014/15 Budget Statement, the Chancellor announced that overall activity is expected to reach the pre-crisis peak later this year and not mid-2015 as announced earlier.

13.6 The Chancellor also announced revised GDP growth figures for the UK:

	2014	2015	2016	2017	2018
<b>GDP forecast</b>	2.7%	2.3%	2.6%	2.6%	2.5%

13.7 Furthermore, the austerity measures, initiated in 2010, are still expected to run until 2016. However, positive employment data bodes well for the improving health of the economy, with a further 1.5% rise in total employment growth forecast for 2014. The recovery is clearly gaining traction, with four consecutive quarters of positive growth and the strongest economic expansion since 2007 experienced last year.

13.8 The improved weather conditions during March helped the headline Markit/CIPS Construction Purchasing Managers' Index (PMI) steady at 62.5. Although marginally down on the 62.6 figure recorded during February, the sector remains firmly in expansionary mode and is being supported by robust underlying demand.

13.9 In contrast, the critical services sector eased further during March to 57.6, from 58.2 during February. Although this is the slowest rate of expansion since June 2013, the sector continues to grow at a rate above the long run average.

13.10 Inflation and interest rates are the final components of the optimistic outlook for the year ahead. With inflation rapidly closing in on the 2.0% target set by the Bank of England (BoE), planned energy price hikes in the second half of 2014 may see this start to unravel, although the Governor of the Bank of England has suggested that several other conditions would have to be met before interest rates begin to edge upwards.

13.11 In addition, as unemployment continues to ease, the prospect of interest rate hikes appears to be approaching rapidly. We expect some movement in rates from mid-2015 onwards, with a gradual 0.25% increase per quarter likely as the economy normalises.

13.12 With this in mind, we project economic expansion of 1.8% this year, accelerating slightly to 2.5% in 2015, before stabilising at 2.3% between 2016 and 2019.

## 14.0 RENTAL VALUE

14.1 We set out below details of some recent lettings which we have considered in arriving at our opinion of Market Rent.

- **29 Replingham Road, SW18 5LT** – a semi-detached three storey property providing a ground floor retail unit totalling 1,208 sq ft with small storage accommodation within the basement. Let in February 2014 to Cook Trading Ltd on a 10 year lease, subject to a tenant break option and rent review in year 5 and 3 months rent free, at a passing rent of £30,000 per annum, reflecting £24.80 per sq ft overall.

*Larger retail unit by comparison and located within the main retail pitch just east of Southfields tube station.*

- **416 Garratt Lane, SW18 4HW** – a basement and ground floor retail unit comprising 755 sq ft, split equally across both floors, within a mid-terrace building with residential above across two floors. Let in June 2014 to Carolina Hair Designs on a 12 year lease, subject to a rent review every 4 years, a tenant option to break in year five and 2 months rent free, at a passing rent of £13,500 per annum, reflecting £17.88 per sq ft overall.

*A larger retail unit by comparison, situated close to Earlsfield train station and amongst the prime retail pitch. The rent achieved on a £ per sq ft basis is comparatively lower because it is inclusive of the basement space. To allow for a like for like comparison with the subject property, we have analysed the agreed rent and assumed a rate of £10 per sq ft was applied to the basement, which reflects a rental value of £25 per sq ft across the ground floor shop area.*

- **531 Old York Road, SW18 1TG** – a basement and ground floor retail unit totalling 999 sq ft. Let in March 2014 to Mary's Living and Giving Shop for Save the Children on a ten year lease, subject to a rent review and tenant break option in year five, three months rent free and at a passing rent of £30,000 per annum, reflecting £30 per sq ft overall.

*Situated within walking distance of Wandsworth Town train station amongst retailers such as Pizza Express, Sainsbury's Local and a mix of independent traders.*

14.2 In consideration of the comparable evidence we are of the view that the Market Rent is in line with the current passing rent of £13,400 per annum, reflecting £29.26 per sq ft, which is reflective of the secondary pitch and the small size of the subject property.

14.3 We consider a marketing period of circa 6 months is to be expected, followed by a three month rent free period assuming a new ten year lease, subject to a tenant break option in year five.

## 15.0 CAPITAL VALUE

15.1 In determining our opinion of the achievable resale price for the property, we have used the comparative and investment method of valuation involving the assimilation of relevant sales information, as well as analysing data obtained from internet based research. Evidence relied upon includes the following.

- **183 Replingham Road, SW18 5LY** – a mid-terrace property providing ground floor retail (A1) accommodation, suitable for a variety of uses and totalling 833 sq ft. Located adjacent to the subject property on the northern side of Replingham Road. The freehold, subject to a long lease on the residential upper parts, sold to an owner occupier with

vacant possession in September 2014 for £190,000, reflecting a capital value of £228 per sq ft.

*Although sold with vacant possession, the property is located within the same pitch as number 185 and is therefore worth noting. The property came to the market on September 2013 for an asking price of £225,000 which was later reduced to £200,000 resulting in good levels of interest.*

- **21 Abbey Parade, SW19 1DG** – a mid-terrace property providing 1,921 sq ft across the ground, first and second floors. The entire property let to Whitecross Dental Care Limited for a term of 20 years from the date of completion, at a rent of £50,000 per annum, reflecting £26.03 per sq ft. The freehold sold in July 2014 for £830,000, reflecting a net initial yield of 5.69%.

*Located within walking distance of South Wimbledon tube station amongst independent traders.*

- **21 Merton High Street, SW19 1DF** – an end of terrace property providing 360 sq ft of retail accommodation across the ground floor. Located east of South Wimbledon tube station amongst independent traders. The property is let to Longbow Property Ltd on a 10 year lease from May 2009, subject to 4 yearly rent reviews, at a passing rent of £5,600 per annum, reflecting £15.55 per sq ft. The virtual freehold sold in May 2014 for £100,000, reflecting a net initial yield of 5.45%.

*Located within a similar retail parade with circa 5 years unexpired on the lease at the time of sale.*

- **315 Garratt Lane, SW18 4DX** – a end of terrace property providing a basement and ground floor lock up shop totalling 450 sq ft. The unit is let to London Stained Glass Centre on a ten year term from February 2004, at a passing rent of £10,000 per annum reflecting £22 per sq ft. The unit sold in May 2013 for £107,500, reflecting a net initial yield of 9.00%.

*Similar sized accommodation although at the time of sale, the lease had less than one year until expiry. Located further north of Earlsfield Station, away from the main retail pitch.*

- **537 Old York Road, Wandsworth, SW18 1TG** – a mid-terrace property providing basement and ground floor retail/ancillary accommodation, totalling 1,077 sq ft, and a residential split level flat above. The retail unit is let to SPQR Cleavers Ltd (butchers) on a 15 year lease from June 2012, subject to 5 yearly rent reviews and at a passing rent of £30,000 per annum, reflecting £27.85 per sq ft. The first and second floor flat is sold off on a long lease and provides a ground rent £100 per annum. The property sold in February 2013 for £395,000, reflecting a net initial yield of 7.24%.

*A larger retail unit by comparison to the subject property, located within a 5 minute walk of Wandsworth Town train station and forming part of an attractive local high street comprising a mix of independent traders and national retailers such as Pizza Express and Sainsbury's Local. At the time of sale, the lease had 14 years unexpired.*

## 16.0 VALUATION COMMENTARY

- 16.1 The evidence detailed above are all situated within comparable locations within the surrounding area and form part of local high streets providing predominantly independent traders servicing nearby residents.

- 16.2 In consideration of the evidence obtained and upon reflection of the various strengths and weaknesses of the property, we have applied a Market Rent of £13,400 per annum, reflecting £29.26 per sq ft overall, which we have capitalised at 6.5%. This produces a Market Value of £200,000, reflecting £422.11 per sq ft overall and a net initial yield of 6.5%.
- 16.3 In undertaking our vacant possession valuation, we have applied a current void of 6 months, with a rent free period of 3 months assuming a new ten year lease, with a rent review and tenant break option in year five. This produces a Market Value of £165,000, reflecting £359.44 per sq ft.
- 16.4 A copy of the valuation printouts are attached at **Appendix E**.

## 17.0 MARKETABILITY

- 17.1 There are very few, if any, vacant shop units on Replingham Road including the parade in which the subject property is located, i.e. away from the main retailing pitch that is surrounding Southfields station.
- 17.2 Although the unit is situated away from the main retailing pitch, demand is still apparent for small lot sizes such as the subject property, resulting in low void periods and therefore attracting a number of private investors to areas such as Southfields.

## 18.0 VALUATION

### Market Value

- 18.1 We are of the opinion that the current Market Value of the freehold in 185 Replingham Road, Southfields, SW18 5LY, as at the date of valuation, is:

**£200,000**  
**(Two hundred thousand pounds)**

### 18.2 Market Value with vacant possession

- 18.3 In our opinion, the Market Value (MV) of the freehold interest in the property, assuming vacant possession, as at the date of this report, is:

**£165,000**  
**(One hundred and sixty five thousand pounds)**

### Market Rent

- 18.4 Our opinion of the Market Rent of the Property, as at the valuation date, is:

**£13,400 per annum**  
**(Thirteen thousand four hundred pounds per annum)**

## 19.0 REINSTATEMENT COST

- 19.1 You have instructed us to provide you with an informal estimate of the current reinstatement cost of the subject property for insurance purposes. This is provided

solely as a guide for comparison against cover already taken out and is based solely in connection with the preparation of the market valuation.

- 19.2 Our estimate of the current reinstatement costs of the subject property in its existing condition, on a day one basis, is in the order of:

**£65,000**

**(Sixty five thousand pounds)**

- 19.3 This estimate is prepared on a full reinstatement basis, inclusive of professional fees, demolition costs, site clearance, etc, but make no allowance for any loss of rent or rental voids that may be incurred.
- 19.4 The figure is given as a guide for the construction of an identical building, constructed of modern materials.
- 19.5 No allowance has been made in our estimate for any increase in building costs which may arise during the period of insurance or during any period of rebuilding or any period necessary for design and obtaining requisite consents prior to such rebuilding.
- 19.6 No allowances have been made in our estimate for the incidence of Value Added Tax, other than on professional fees.
- 19.7 We would remind you that this estimate does not constitute a formal Building Reinstatement Cost Assessment and must not be relied upon as such.
- 19.8 Please note it is not common practice to provide a reinstatement cost assessment for part of a building which is combined within the construction of the whole building. We have provided you with the above figure for your internal review purposes only.

## **20.0 SUITABILITY FOR LOAN SECURITY**

- 20.1 On the basis of the above information with which we have been provided and following our inspection, we would summarise the main strengths and weaknesses of the subject property as follows.

### **Strengths**

- Freehold;
- Let and income producing at Market Rent;
- Low vacancy rates; and
- Popular retail location with independent traders servicing the residents.

### **Weaknesses**

- Further east of the main retailing pitch of Southfields.

## **21.0 CONFIDENTIALITY AND DISCLOSURE**

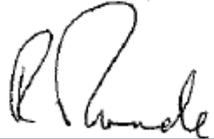
- 21.1 Our valuation is confidential to the addressees for the specific purpose to which the report refers and no responsibility is accepted to any third party for the whole or any part of its contents.
- 21.2 If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated. Before the certificate or any part of it

is reproduced, or referred to in any document, circular or statement, and before its contents or the contents of any part of it are disclosed verbally to a third party, our written approval as to the form and context of such publication or disclosure must first be obtained.

Prepared by 

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# APPENDIX A

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## Instruction Letter & Our Terms of Engagement

Our Ref: BR0029

11<sup>th</sup> November 2014

Cluttons LLP  
Portman House  
2 Portman Street  
London  
W1H 6DU

Dear Sirs,

We refer to recent discussions with Richard Berkley.

Please accept this letter as our formal instruction to your firm to carry out a valuation, for mortgage purposes, on the properties indicated below upon which we, Proplend Security Limited shall rely. The valuation may be shown to any third parties in connection with the financing of the property albeit it cannot be relied on by those parties directly. **Please advise us immediately if you are unable to give prompt attention to this matter.**

**BORROWER:** Keildon Property Ltd – Mr Neil Counihan

**PROPERTIES:** Ground Floor, and Freehold Interest to upper floor of  
185 Replingham Road, Southfields, London SW18 5LY

**TENURE:** Freehold

**USE:** A Physiotherapy Practice

**TENANCIES:** 5 year lease to Ms Irene Allan t/a Southfields Physiotherapy  
Commencing 6<sup>th</sup> November 2013 at a rental of £13,400 p.a.  
See attached copy lease (to be changed to reflect current ownership)

**ACCESS:** For access and further documentation please contact  
Neil Counihan Mobile 07900 244443

**Instruction**

The report should be addressed to Proplend Security Limited which must clearly state that it can be relied upon for lending purposes by the parties named herein.

Please ensure that the report accords with the current RICS Appraisal and Valuation Manual.

Please indicate in your report if the valuer or your firm have had any previous involvement with the property forming the subject of the valuation. If so, please indicate the nature and extent of that involvement and confirm specifically that you consider there is no conflict of interest on the part of the valuer or your firm.

The report must be signed by a partner or director of the firm who is a member of the Royal Institute of Chartered Surveyors.

## Valuation and Report

The Market Valuation referred to below should be based on current values and should reflect market conditions prevailing at the date of the report, and changes in market conditions that you are able to predict, and should include:

1. The Market Valuation for loan security purposes of the Property in its current condition at the date of your inspection, subject to the current tenancies in place. Please indicate the period of marketing you have assumed in arriving at your valuation.
2. Please also indicate the value of the Property if sold with vacant possession.
3. Please provide comparable evidence to support your assumptions on values.
4. Please provide an estimated rental value for each of the Subject Properties.
5. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
6. Please provide a full description of each Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
7. Please certify that the Property is acceptable for secured lending purposes.

## Report on Title

A copy of the solicitors Report on Title will be sent to you so that you can cross check your assumptions with the facts contained within the said report and comment on specific items which may affect your valuation.

## Fees

We understand that you have quoted and agreed a fee for this undertaking with the Borrower. Whilst a receipted invoice for this service should be supplied with your report, and addressed to this company, we ask that you seek settlement of your fee from the proposed Borrowers who's contact details are supplied above. Proplend Security Limited cannot accept any responsibility for non-payment of your fees in this regard.

Please contact Richard Berkley on 07768 512079 if you have any queries regarding this instruction. Please send a copy of your report by email in the first instance to [bb@proplendsecurity.com](mailto:bb@proplendsecurity.com) with hard copy to H1 Ascot Business Park, Lyndhurst Road, Ascot SL5 9FE.

Yours faithfully,



Brian Bartaby  
Proplend Security Limited  
Director

Proplend Security Limited  
145-157 St John Street  
London  
EC1V 4PW

FAO Richard Berkley

12 November 2014

Dear Sirs,

**185 Replingham Road, London, SW18 5LY**  
**Valuation Report**

Thank you for your instructions to undertake a valuation of the freehold interest in the above mentioned property for secured lending purposes. This letter is to record our agreement of terms of engagement in line with latest RICS requirements.

I confirm that neither I, nor Cluttons LLP, has any current or previous involvement with the property or borrower. Therefore, in accepting this instruction, we are not aware of any material conflict of interest and we are able to undertake the valuation in the capacity of External Valuer.

I confirm that the valuer has sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. I also confirm that Cluttons LLP holds adequate Professional Indemnity Insurance cover to undertake the valuation.

You have requested valuations on the following basis:-

- i) The Market Value of the property in its current condition, as at the date of our inspection, subject to the existing tenancy;
- ii) Market Value with Vacant Possession; and
- iii) The Market Rent.

You have additionally asked us to provide a guide on the reinstatement cost of the property for insurance purposes. We propose providing an indicative estimate that is sufficient for you to judge whether your interest as mortgagee is adequately covered in the policy effected by the Borrower.

The valuation will be carried out by Sharnie Gosal a Partner of Cluttons LLP. We have arranged to inspect the property on Thursday 13 November at 3.30pm.

The firm is registered for regulation by RICS and the valuation will be undertaken by an RICS Registered Valuer in accordance with the current RICS Valuation - Professional Standards 2014 - Global and UK ("The Red Book"). Compliance with these standards may be subject to monitoring under RICS conduct and disciplinary regulations. Our terms and conditions, which includes details of the firm's complaints handling procedure, are attached for signature and return (if appropriate). Also enclosed are our Standard Valuation Assumptions.

Our fee for undertaking this work will be £2,000, exclusive of VAT. You have requested that we invoice the customer direct. We reserve the right to revert to Proplend Security Limited if we are unable to obtain payment from your customer.

Our report will be addressed to Proplend Security Limited and is for your use only. No responsibility will be accepted to any other party, unless our prior agreement is given to extend our liability to further named parties. Also, our prior consent in writing will be required if you wish to reproduce the report or refer to it in any published document.

As per your instruction, the effective valuation date will be the date of our instruction.

Yours sincerely,



**Sharnie Gosal MRICS**  
Partner  
Valuation Consultancy

T: 020 7647 7245  
E: sharnie.gosal@cluttons.com  
Ref: RMV2014131 –SG/MS

# TERMS AND CONDITIONS OF BUSINESS

## GENERAL TERMS OF BUSINESS

These General Terms of Business have been prepared in order to clarify the basis upon which we will act for you. They apply to all services provided by Cluttons LLP.

They are to be read in conjunction with any other correspondence from us confirming the basis upon which your particular instructions are accepted ("Appointment Correspondence"). Any such additional terms will be sent to you before your instructions are confirmed/accepted.

The General Terms of Business and Appointment Correspondence will govern the contract ("The Contract") between you and Cluttons LLP. The Contract will apply unless varied in writing.

### Our relationship with you

- When we refer, in this document and elsewhere, to "Cluttons", "we", "our" and "us", we are referring to Cluttons LLP. We use the word "partner" to refer to a member of Cluttons LLP. No reference to a "partner" is to imply that any person is carrying on business with others in partnership.
- Your relationship is solely with Cluttons LLP. No member, employee, agent or consultant of Cluttons LLP will have any personal legal liability for the work that we undertake for you. Individuals signing letters, reports and other documents in their own names do so as representatives of Cluttons LLP, without assuming any personal legal liability.
- Reference to papers and documents includes any written communication, however transmitted, on our stationery or from a Cluttons' email account. We do not accept responsibility for the contents of emails from other accounts.
- Our work for you is confidential to you and may not be passed on to or shared with others without our prior written consent. We accept no responsibility to anyone other than you, our client, for the work that we undertake for you. In the absence of express agreement to the contrary, no term of The Contract is enforceable pursuant to the Contracts (Rights of Third Parties) Act 1999 by any person who is not party to it.
- If you provide information and documentation to us, then we must rely on you for its accuracy. We will not be liable for any errors or losses arising from false, incomplete or misleading information or documentation that you have supplied.

- On completion of our work for you, we will usually store the papers relevant to your instruction, on the understanding that we have authority to destroy the file 12 years from the date on which our final fee invoice was issued.

### Responsibility for work

- If we engage other professional advisors on your behalf, whether within or outside the UK, we do so as your agent. Their fees shall be for your account in addition to our own fees and, unless we have otherwise agreed in writing, we accept no responsibility for their work.
- We may from time to time refer work to a firm with which we are in association. We will advise you clearly where this is the case. You accept that the appointment in respect of such advice is directly between you and any firm we are in association with and that Cluttons LLP has no liability to you (in contract, tort (including negligence) or otherwise) for the referral or any such work undertaken.
- Where we refer work to a firm with which we are in association with, unless you advise us otherwise, you agree that we may use our discretion and disclose information which you have provided to us (whether or not this information is confidential).
- Where we refer work to another professional adviser or any firm we are in association with, we may receive a referral fee from them. In such cases, we shall let you have details of the referral fee and seek your consent.

### Fees

- Fees will be as set out in the Appointment Correspondence.
- Unless specified otherwise in the Appointment Correspondence, in addition to professional fees you will be responsible for repaying any disbursements, including advertising, photocopying charges and out of pocket expenses, incurred on your behalf. Where these sums are significant, we may ask for a sum on account before the costs are incurred, or for reimbursement immediately afterwards.
- We do not pay interest on monies held on account of fees and disbursements.
- Invoices are payable on receipt. In the event of non payment within thirty days of issue, we retain the right to charge interest on the amount outstanding at a rate of 5% above the base rate from time to time of Barclays Bank plc. Additionally, there will be no obligation to carry out any further work for you on any matter until the outstanding amount has been paid.
- If it is necessary to use solicitors or other parties to recover agreed fees, costs or charges, you agree to pay any reasonable costs incurred by us in that respect.
- All fees, costs and charges are subject to Value Added Tax.
- If any cheque you submit is dishonoured, a charge of £50 will be added to your account to cover our administrative time and charges made by our bankers.
- If you instruct us that a third party will be responsible for paying our fees, we will accept such an instruction only on the basis that you will pay our fees if they are not paid promptly (within 30 days of issue) by the third party.

### Data protection

- Cluttons LLP complies with data protection legislation and we observe the confidentiality of our clients' affairs.
- Information about you that we learn in the course of acting for you may be shared within Cluttons LLP for the purposes of fulfilling your instructions, notifying you of matters that we consider might be of interest to you and for similar promotional reasons.
- This does not affect your statutory rights under the Data Protection Acts 1984 and 1998.

### Copyright

- We retain copyright in and ownership of all documents, drawings, maps, reports, photographic and other records produced by us in connection with our work for you.

### Complaints procedure

- In accordance with the Royal Institution of Chartered Surveyors' rules of conduct and disciplinary procedures, we have a formal procedure to deal with complaints from clients and others. Details of this procedure are available from the Client Partner who is handling your affairs, although we would normally expect that any difficulties arising can be resolved satisfactorily with the Client Partner and that the formal complaints procedure can be avoided.

### Applicable law and jurisdiction

- Whether instructions are carried out within or out the UK, the Laws of England shall apply to The Contract and the English courts shall have jurisdiction.

### Liability

- The maximum amount of our liability in respect of the work that we do for you will be limited to the amount (if any) specified in the Appointment Correspondence.
- If no amount is specified therein, our liability in contract, tort (including negligence) or otherwise will not exceed £2 million or (if higher) an amount equal to 10 times the agreed fee (excluding disbursements and VAT) charged by us to you for performing the service to which the claim relates, subject always to our total liability not exceeding £10 million.
- These liability limits are total figures, regardless of the number of people who comprise our client for any one instruction.
- These limitations would not apply to loss or damage caused by our deliberate and wilful default, or to damages for death or personal injury.
- Claims may be brought only against Cluttons LLP, and not (except for fraud) against Cluttons LLP's individual members, employees, consultants or agents.
- We will not be liable for any indirect consequential loss, damage, cost or expense of any kind. We shall not be liable to you, or be deemed to be in breach of The Contract, by reason of any delay in performing any of our obligations therein if the delay or failure is due to any cause beyond our reasonable control
- Any alleged liability on our part is to take account of other parties' contributory negligence and legal responsibilities, regardless of those parties' ability to pay or liability limitations in their own terms of engagement.

**Regulation**

- When we take instructions from a new client, we may be obliged, under money laundering regulations, to ask for evidence of identity.
- We may also be required, in some cases, to disclose information to governmental or other regulatory authorities. For example, money laundering regulations require us to notify the Serious Organised Crime Agency if we suspect or have reasonable grounds for suspecting that our client or another person is using the proceeds of crime. In that event, we may be precluded from seeking our client's consent to notify and/or from informing our client that notification has been made.

**Miscellaneous**

- No variation to these conditions shall be binding unless agreed in writing between the parties.
- You acknowledge that in instructing Cluttons LLP you have not done so on the basis of, and do not rely on, any representation, warranty or other provision not expressly provided for in The Contract.
- If any provision of The Contract is held by any competent authority to be invalid or unenforceable in whole or in part, the validity of the remainder of The Contract shall not be affected.

Please sign below to confirm your acceptance of these terms of business and receipt of our instruction letter.

Signed \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Signed for and on behalf of Cluttons LLP

Signed \_\_\_\_\_

Date \_\_\_\_\_

Cluttons LLP is a limited liability partnership in England and Wales under the number OC310771, registered office and head office - Portman House, 2 Portman Street, London W1H 6DU. Regulated by RICS.

**Professional liability insurance**

The contact details of our professional indemnity insurance underwriter and information on the territorial coverage of that insurance are available on request.

**December 2011**

# APPENDIX B

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## Our Standard Valuation Assumptions and bases

## 1.0 STANDARD VALUATION ASSUMPTIONS AND BASES OF VALUATION

All valuations and appraisals have been carried out in accordance with **The RICS Valuation - Professional Standards - Global and UK (January 2014) - "The Red Book"**. Compliance with The Red Book is mandatory for Chartered Surveyors in the interests of maintaining high standards of service and for the protection of clients.

Please note that our valuation may not be relied upon for the stated or any other purposes until such time as our fee account has been paid in full.

Unless agreed otherwise in writing, or stated otherwise in our Valuation Report, the following Standard Conditions of Engagement shall apply:

### 1.1 **Assumptions:** In preparing the Valuation and Report, we have made the following general assumptions:

- i) We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.
- ii) We rely upon information provided to us, by the sources listed, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our report. We assume that this information is up-to-date, complete and correct and may be safely relied on.
- iii) That all information provided as to ownership (e.g. tenure, lease terms, tenant's improvements, development expenditure, etc.) is up to date, complete and correct. Also, that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoing or conditions, likely to have an adverse effect upon the value of the property, attaching to the relevant interest in the property of which we have not been made aware and that a good and marketable title to the relevant interest is held.
- iv) Where we have read leases, no reliance should be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved. We assume that all covenants in any head leases have been complied with and that there are no disputes with the lessors or notices received from the

lessors or lessees which would adversely affect the valuation. Information regarding tenure and tenancies must be checked by your legal advisers.

- v) That, unless we have been informed otherwise, each property complies with all relevant Statutory Requirements (including, but not limited to, Fire Regulations, Bye-Laws, Disability Access, Asbestos, Radon Gas and Health and Safety at Work).
  - vi) That each property has been constructed, and is occupied, in accordance with valid Town Planning Consents and Building Regulations Approvals, and that it complies with any other relevant Statutory and Bye-Law requirements and that there are no outstanding Statutory or other notices in connection with the property or its current use.
  - vii) That, unless we have been notified otherwise, the presence of high alumina cement, calcium chloride additive, blue asbestos or any other deleterious, harmful or hazardous material has not been determined and our valuation assumes that these materials have not been used in the construction of any of the buildings or subsequently added.
  - viii) With regard to development properties, we have assumed, except where notified otherwise, that there are no leases, underleases, tenancies, licences or other agreements under which any person has or will have any right to possession, occupation or use of the property or any part thereof and that vacant possession for development is obtainable.
- 1.2 **Special assumptions:** Where special assumptions are necessary in order to adequately provide the valuation(s) required, these will have been agreed and confirmed in writing before the Report is issued. Special Assumptions may only be made if they can be regarded as realistic, relevant and valid, in connection with the particular circumstances of the valuation.
- 1.3 **Restricted information:** Where we have undertaken a Valuation on the basis of restricted information, the nature of the restriction and the impact upon the accuracy of the valuation has been referred to in our Report.
- 1.4 **Revaluations:** Revaluations without re-inspections are made only on the assumption that the client has confirmed that no material changes to the physical attributes of the property and the area in which it is situated have occurred. (For residential properties only: Unless otherwise agreed, we will not undertake revaluations without re-inspections if the property was inspected more than 12 months previously because the condition of such property can materially change significantly during this period of time, especially when let.)

- 1.5 **Structural condition:** No structural surveys have been carried out, nor have we tested any services or inspect roof voids, woodwork or any parts of the structures which are covered, unexposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order. Any obvious defects or items of disrepair have been taken into account, but we are not be able to give any assurance that any property is free from defect.
- 1.6 **Plant and machinery:** Plant and machinery and trade fixtures and fittings have not been included in the valuation unless forming part of the structure or service installations and normally valued with the building.
- 1.7 **Site history investigations and surveys:** We recommend that a site history investigation and survey is undertaken although this is usually commissioned by lawyers. We have not carried out or commissioned a site investigation or geographical or geophysical survey unless requested to do so and, therefore, we are not able to give any opinion or assurance or guarantee that the ground has sufficient load bearing strength to support any of the existing constructions or any other constructions that may be erected in the future. We also cannot give any opinion or assurance or guarantee that there are no underground mineral, other workings, or archaeological remains beneath the site or in its vicinity nor that there is any fault or disability underground which could or might affect the property or any construction thereon or that there is no abnormal risk of flooding.
- 1.8 **Contamination:** We are not qualified to give specific advice on the nature or risk of contamination. If, during the course of our inspection and subsequent enquiries for valuation purposes, or through our knowledge of the locality, we became aware of any matters which may indicate the likelihood or potential for contamination of the subject property, these are stated in our Report. If a Contamination Report is considered necessary, this should again be commissioned by lawyers as part of their due diligence process. Should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values set out in our Valuation Report and we must be notified immediately.
- 1.9 **Measurements:** All measurements have been carried out in accordance with the latest Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors, unless stated otherwise in our Report.
- 1.10 **Planning/rating:** We have made informal oral enquiries of the relevant local planning and rating authorities together with publicly available electronic sources and we have taken into account the information received in the preparation of our Valuation Report. This verbal information is given to us and accepted by us on the basis that it should

not be relied upon. Written enquiries can take several weeks for response and incur charges. No searches have been carried out and, therefore, unless we are specifically advised to the contrary, we have assumed that the property and its value are unaffected by any matters which would be revealed by a full Local Search. We recommend that formal written enquiries should be undertaken by your lawyers.

- 1.11 **Tenant covenant:** We have undertaken limited research into the strength of covenant offered by commercial tenants in order to form a view of the likely perception of their financial status from the standpoint of potential purchasers. We have assumed that their financial standing is satisfactory, unless our research indicated otherwise. Unless informed to the contrary, we have assumed in all cases that there are no significant arrears of payment and that all commercial tenants are capable of meeting their obligations under the terms of leases and agreements. You should be aware we have made no such checks on residential tenants.
- 1.12 **Taxation/costs of realisation:** No account has been taken of any liability for taxation, which may arise upon the disposal of the property, nor have we deducted the likely costs of such disposal. However, normal purchaser's costs are reflected in our valuations where necessary.
- 1.13 **Development properties:** For properties in course of development, we have reflected the stage reached in construction and the costs remaining to be spent at the date of valuation. We have had regard to the contractual liabilities of the parties involved in the development and any cost estimates that have been prepared by the professional advisors to the project. For recently completed developments, we have taken no account of any retentions, nor have we made allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.
- 1.14 **Build Cost Information:** Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that we are supplied with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you or your advisors. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If specialist build cost advice is subsequently obtained, we recommend that we are instructed to review our advice.
- 1.15 **Valuation date:** The date of our Valuation Report, unless specified otherwise.

- 1.16 **Comparables:** Information quoted in our reports is often based upon our verbal enquiries and electronically available information and its accuracy cannot be assured. However, such information is only referred to where we have reason to believe its general accuracy, or where it is in accordance with our expectation. We have not inspected comparable properties.
- 1.17 **Publication:** Prior consent in writing is required for any reproduction or public reference to the valuation or Report.
- 1.18 **Reliance on the report:** The Valuation Report has been provided only for the purpose agreed with the instructing Client and is for the sole use of that Client. As such, it is confidential to the Client and his professional advisors to whom we accept responsibility that the Report has been prepared with the skill, care and diligence that can reasonably be expected of a competent Valuer. We accept no responsibility whatsoever to other parties that subsequently rely on this report, for the whole or any part of its contents.
- 1.19 **Loan security:** Where instructed to comment on the suitability of property as a loan security, we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.
- 1.20 **Complaints procedure:** In accordance with the requirements of the RICS, a copy of our complaints procedure is available on request.
- 1.21 **Valuation Bases:** Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions contained in The Red Book. The basis of valuation will have been agreed in the letter covering the specific terms for the instruction.
- 1.22 The definitions of the various valuation bases are reproduced below as follows:

## **1. Market Value (MV)**

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 and where the parties had each acted knowledgeably, prudently and without compulsion.

## **2. Market Rent (MR):**

Market Rent is defined 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.

### **3. Fair Value**

There are two recognised definitions of Fair Value and the valuer needs to be make explicit which definition is being adopted.

The definition adopted by the International Accounting Standards Board in IFRS 13 is:

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

This definition is considered by RICS for most practical purposes to be the same as the Market Value.

The definition adopted by the IVSC in IVS Framework paragraph 38 is:

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

For more information, valuers should refer to IVS Framework paragraphs 38-42.

### **4. Investment Value**

Investment Value (or Worth) is defined as:

Investment Value is the value of an asset to the owner or a prospective owner for individual investment or operational objectives.

### **5. Projected Market Value (PMV) of Residential Property only**

Projected Market Value is designed to provide residential mortgage lenders with a simple numeric indication of the valuer's opinion of short-term market trends and is defined as:

The estimated amount for which an asset is expected to exchange at a date, after the valuation date and specified by the valuer, between a willing buyer and a willing seller, in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 6. Existing Use Value (EUV)

Existing Use Value is the basis suitable for financial reporting purposes under UK accounting standards UK GAAP only and is defined as:

The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion – assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

### 2.0 STANDARD CONDITIONS FOR INFORMAL ESTIMATES OF CURRENT REINSTATEMENT COST

- 2.1 The following standard conditions apply: -
- 2.2 If requested to do so, we have provided an informal estimate of the probable current reinstatement cost for insurance purposes assuming total loss of the property and this is provided solely as a guide for comparison against cover already taken out.
- 2.3 The estimate is based solely on the inspection of the property undertaken in connection with the preparation of market valuations.
- 2.4 The estimate does not constitute a formal Building Reinstatement Cost Assessment, and must not be relied upon as such
- 2.5 The information is provided as a guide only and is be subject to the following conditions:-
  - i) The estimate is given as a guide for the construction of an identical building, constructed of modern materials.
  - ii) The estimate is given on a day one basis of insurance and no allowance what so is made for any increase in building costs which may arise during the period of insurance or during any period of rebuilding and any period necessary for design and obtaining necessary consents prior to such rebuilding. We recommend you ensure that adequate provision is made under the policy for inflation.
  - iii) No allowance is made for any additional costs that may have to be incurred during reconstruction to meet current requirements of Local Authorities, Building Inspectors, Statutory Undertakers, Mortgagees, Landlords and Freeholders nor for any matters of a consequential nature, e.g. fire prevention and thermal insulation.

- iv) It is assumed no allowance has to be made for any costs for the remediation of any contamination of the land in accordance with the requirements of the Environment Agency or any other statutory body.
  - v) No allowance is made within our estimate for any costs requiring special demolition and disposal, handling and/or dealing with dangerous or hazardous materials or situations remaining on or originating from the premises in the event of any incident.
  - vi) The estimate includes normal water, electricity and gas installations as appropriate.
  - vii) The estimate excludes tenants fit out/alterations furnishings, floor coverings, light fittings, furniture, wall coverings, false ceilings, all other occupiers fixtures and fittings, telephone installations and specialist service installations and buildings contents which would normally be subject of separate contents policies.
- 2.6 No allowance is made for the incidence of Value Added Tax, except on professional fees (unless stated otherwise).
- 2.7 In the case of commercial property VAT is payable on re-instatement expenditure and, unless the VAT status of the insured enables total recovery, a sum equal to the VAT which the insured will be unable to recover should be added. On the assumption that the insured is registered for VAT, we have not included an allowance for VAT in the assessment. It is recommended that, before arranging cover, you discuss the recovery or non-recovery of VAT with your insurers and accountants.
- i) We have not undertaken a structural survey and, in the absence of detailed drawings or specifications, assumptions will have to be made as to the construction of the buildings.
  - ii) The estimate is prepared on a full reinstatement basis, inclusive of professional fees, demolition costs, or site clearance but makes no allowance for any loss of rent or rental void incurred nor for any costs of alternative accommodation during the reinstatement period, nor other consequential losses such as the loss of income. These aspects should be considered with you insurers or brokers
- 2.8 Should you require a formal Building Reinstatement Cost Assessment for insurance purposes, prepared by a Chartered Building Surveyor, based on a detailed inspection for such purposes. We will be pleased to provide a proposal for consideration

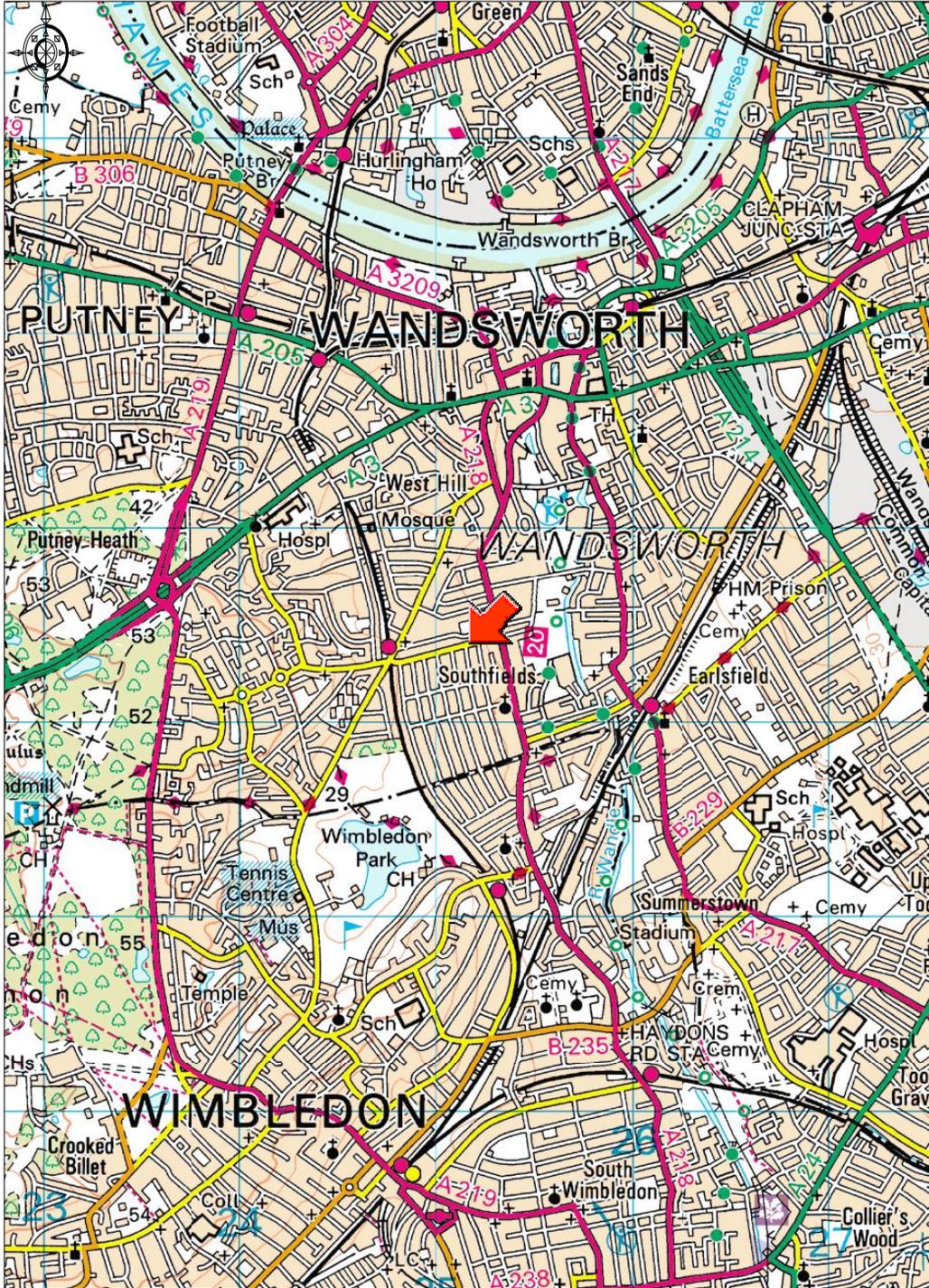
- 2.9 We strongly recommend formal assessments for Grade I and Grade II\* listed buildings, since their reconstruction can be subject to English Heritage involvement and guidance and might involve more expense than normal rebuilding, for which informal estimates are not suitable.

# APPENDIX C

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## Location Plans

185 Replingham Road, London, SW18 5LY



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Licence number 100022432. Plotted Scale - 1:35000

This plan is for indicative purposes only

185 Replingham Road, London, SW18 5LY



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Licence number 100022432. Plotted Scale - 1:7500

This plan is for indicative purposes only

185 Replingham Road, London, SW18 5LY



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Licence number 100022432. Plotted Scale - 1:1250

This plan is for indicative purposes only

# APPENDIX D

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## Photographs

185 Replingham Road, Southfields, London, SW18 5LY

Front Elevation



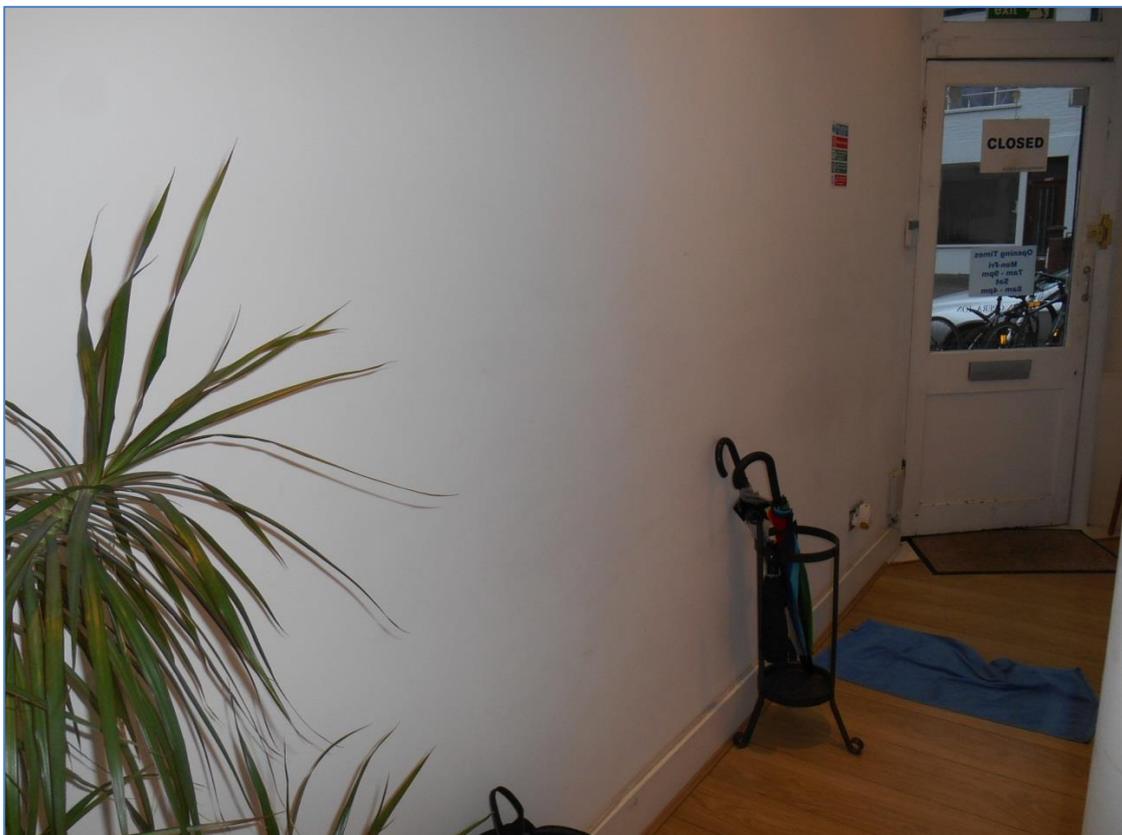
Street View West of Replingham Road



Street View East of Replingham Road



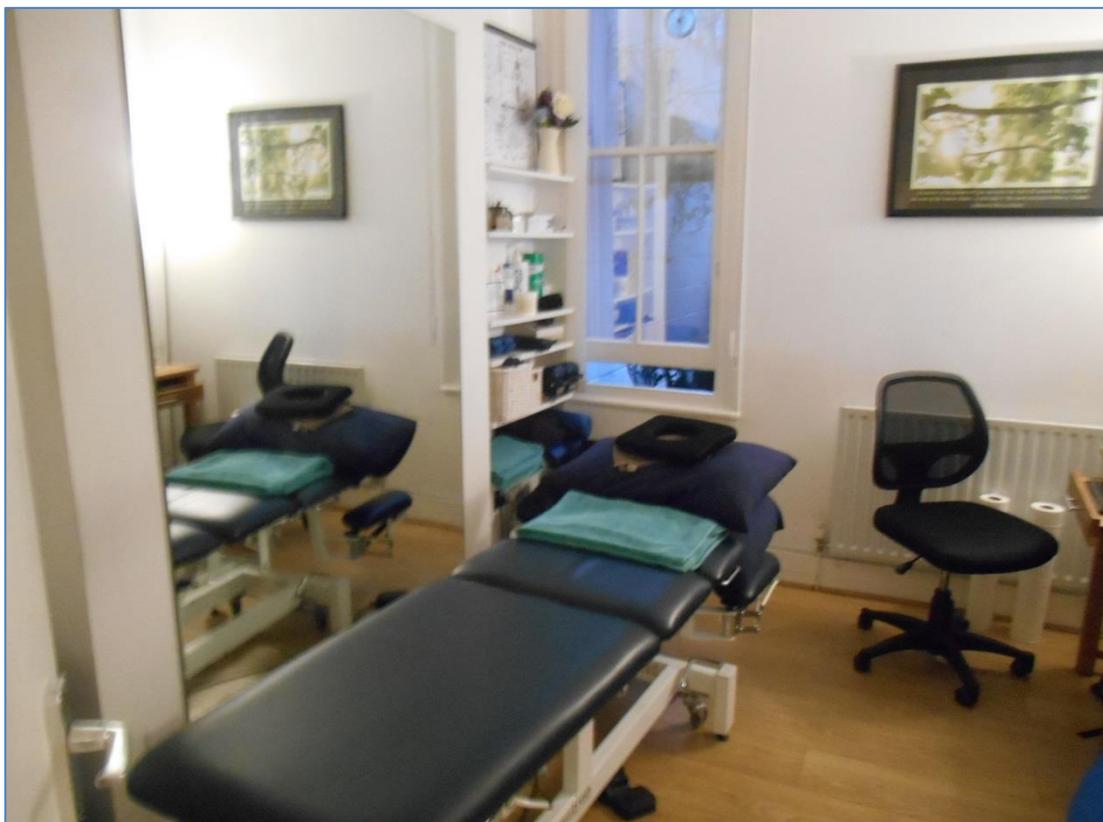
Entrance Hallway



**Kitchenette**



**Treatment Room**



Rear Reception



# APPENDIX E

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## Valuation Printout

**185 Replingham Road, Southfields, SW18 5LY**

**Report Date** 25 November 2014  
**Valuation Date** 24 November 2014

File/Ref No  
 Region South East

Description / Notes **Assumptions**

Valuation Tables Annually in Arrears

**Valuation**

Gross Valuation			<u>£198,739</u>
Capital Costs			£0
Net Value Before Fees			<u>£198,739</u>
Less	Stamp Duty	@ 1.00% of Net Value	-£1,933
	Agents Fee	@ 1.00% of Net Value	-£2,320
	Legal Fee	@ 0.50% of Net Value	-£1,160

Fees include non recoverable VAT @ 20.00 %

Net Valuation			£193,326
		Say	<u>£200,000</u>

Equivalent Yield	6.5000%	True Equivalent Yield	6.7654%
Initial Yield (Deemed)	6.7425%	Initial Yield (Contracted)	6.7425%
Reversion Yield	6.7425%		
Total Contracted Rent	£13,400	Total Current Rent	£13,400
Total Rental Value	£13,400	No. Tenants	1
Capital value per ft <sup>2</sup>	£436.68		

**Running Yields**

Date	Gross Rent	Net Rent	Annual	Quarterly
24-Nov-2014	£13,400	£13,400	6.7425 %	7.0365 %
06-Nov-2018	£0	£0	0.0000 %	0.0000 %
06-Aug-2019	£13,400	£13,400	6.7425 %	7.0365 %

Yields based on £198,739

**185 Replingham Road, Southfields, SW18 5LY**

Report Date 25 November 2014  
 Valuation Date 24 November 2014

Freehold TenureTenant - Southfields Physiotherapy

Description  
 Status Occupied and Let  
 Lease 5 years from 06-Nov-2013  
 Expiring 05-Nov-2018  
 Rent Reviews every 3 years Upward only  
 Parent Tenure Freehold  
 Current Rent £13,400  
 Rental Value £13,400 from Areas (Rounded)  
 Valuation Method Hardcore (6.500 %)

NotesAreas

Areas	per ft <sup>2</sup>	ft <sup>2</sup>	% of ERV	+/-% adjust	Rent pa
	£29.26	458	100.00 %	0.00	£13,401
		458			£13,401
*Rental Value using Rounded ERV					£13,400

Lease History

Date	Years	Months	Days	Event	Rent Paid
06-Nov-2013	3	0	0	Review	£13,400
06-Nov-2016	2	0	0	Review	£13,400
06-Nov-2018	0	6	0	Post Void	£0
06-May-2019	0	3	0	Rent Free	£0
06-Aug-2019	0	0	0	Reversion	£13,400

Component Valuation

24-Nov-2014					
Gross rent (Current)			£13,400		
Valuation rent				£13,400	
YP perp			@ 6.50%	15.3846 yp	
					<u>£206,154</u>
06-Nov-2018					
Gross rent			(Re-letting Void)	£0	
Valuation rent				-£13,400	
YP 0 Yrs 9 Mths			@ 6.50%	0.7097 yp	
PV 3 Yrs 11 Mths @ 6.50%				x 0.7797	
				0.5534 yp	
					<u>-£7,415</u>
<b>Gross Value</b>					<b><u>£198,739</u></b>

## VP - 185 Replingham Road, Southfields, SW18 5LY

Report Date 25 November 2014  
Valuation Date 24 November 2014

File/Ref No  
Region South East

Description / Notes **Assumptions**

Valuation Tables Annually in Arrears

**Valuation**

Gross Valuation			<u>£169,234</u>
Capital Costs			£0
Net Value Before Fees			<u>£169,234</u>
Less	Stamp Duty	@ 1.00% of Net Value	-£1,646
	Agents Fee	@ 1.00% of Net Value	-£1,976
	Legal Fee	@ 0.50% of Net Value	-£988

Fees include non recoverable VAT @ 20.00 %

Net Valuation			£164,624
		Say	<u>£165,000</u>

Equivalent Yield	7.5000%	True Equivalent Yield	7.8454%
Initial Yield (Deemed)	0.0000%	Initial Yield (Contracted)	0.0000%
Reversion Yield	7.9180%		

Total Contracted Rent	£0	Total Current Rent	£0
Total Rental Value	£13,400	No. Tenants	1
Capital value per ft <sup>2</sup>	£360.26		

**Running Yields**

Date	Gross Rent	Net Rent	Annual	Quarterly
24-Nov-2014	£0	£0	0.0000 %	0.0000 %
24-Aug-2015	£13,400	£13,400	7.9180 %	8.3260 %

Yields based on £169,234

**VP - 185 Replingham Road, Southfields, SW18 5LY**

**Report Date** 25 November 2014  
**Valuation Date** 24 November 2014

**Freehold Tenure**

**Tenant - Vacant**

Description  
 Status Occupied and Let  
 Lease 10 years from 24-May-2015  
 Expiring 23-May-2025  
 Rent Reviews every 3 years Upward only  
 Parent Tenure Freehold  
 Current Rent £0  
 Rental Value £13,400 from Areas (Rounded)  
 Valuation Method Hardcore (7.500 %)

**Notes**

**Breaks**

Act Date	Penalty
* 20-May-2020 Tenant	£0

**Areas**

Areas	per ft <sup>2</sup>	ft <sup>2</sup>	% of ERV	+/-% adjust	Rent pa
	£29.26	458	100.00 %	0.00	£13,401
		458			£13,401

\*Rental Value using Rounded ERV £13,400

**Lease History**

Date	Years	Months	Days	Event	Rent Paid
24-Nov-2014	0	6	0	Pre Void	£0
24-May-2015	0	3	0	Rent Free	£0
24-Aug-2015	2	9	0	ResumeERV	£13,400
24-May-2018	1	11	26	Review	£13,400
20-May-2020	0	0	0	Reversion	£13,400

**Component Valuation**

24-May-2015					
Gross rent (Current)			£0		
Valuation rent				£0	
YP perp			@ 7.50%	13.3333 yp	
PV 6 Mths @ 7.50%				x 0.9645	
				12.8598 yp	
					<u>£0</u>
24-Aug-2015					
Gross rent	(Resume market (non-RR))			£13,400	
Valuation rent				£13,400	
YP perp			@ 7.50%	13.3333 yp	
PV 9 Mths @ 7.50%				x 0.9472	
				12.6294 yp	
					<u>£169,234</u>
<b>Gross Value</b>					<b><u>£169,234</u></b>