

**REPORT AND PROPERTY SUMMARY**  
**ADDRESSED TO PROPLEND SECURITY LIMITED**

**The Company:** Beta Circle Ltd (Company Number 8566432).

**Transaction:** Facility and lending to the Company.

**Property:** Land and buildings known as 797 London Road, Thornton Heath CR7 6AW.

**The Lender/s:** As defined in the Security Documents.

**1 SCOPE OF THE REVIEW AND LIMITATION OF LIABILITY**

- 1.1 This report has been prepared for the sole benefit of you, Proplend Security Limited, in connection with the Transaction and for no other purpose.
- 1.2 The contents of this report are private and confidential. It must not be relied on by or made available to any other party without our written consent. We have already given our permission to you to provide this report to the Lenders and their solicitors but it should be noted that the Lenders and their solicitors are not entitled to rely on this report. It is supplied for information only. We will not answer any further questions on this report from anyone other than Proplend Security Limited.
- 1.3 The report is based on our review of the final draft of the certificate of title relating to the Transaction supplied by the Company's solicitors which we understand is also to be disclosed to the Lenders and their solicitors.
- 1.4 We have not inspected the Property and are unable to advise on the physical condition of the Property. We would advise you to arrange for a survey of the Property to be carried out, if this has not already been arranged. A survey should identify any physical defects and may warn of potential defects.
- 1.5 We are unable to advise on the value of the Property. We understand that you have instructed Cluttons LLP of Portman House, Portman Street, London W11 6DU to provide a valuation of the Property. You should ensure that the valuer is aware of the matters mentioned in this report, as these may have an impact on their valuation. We draw your attention to clause 3 of the certificate of title. This requires the Company's solicitor to certify that the valuer has been sent the certificate of title and as such the valuer should hopefully already be aware of any issues raised in this report and factored them into their valuation.

## **2 THE PROPERTY**

- 2.1 The Property is freehold and is known as land and buildings at 797 London Road, Thornton Heath CR7 6AW.
- 2.2 The Property is registered at the Land Registry under title number SY65010. The class of title is absolute freehold title. Absolute title is the best class of title available.
- 2.3 The registered owner of the Property is the Company.
- 2.4 The Property is not subject to nor benefits from any significant incumbrances or benefits.
- 2.5 The certificate of title confirms that the Property is multi let. Details of the occupational tenancies are contained in schedule 5 (splits into various parts) of the certificate of title but the basic terms are outlined below:

### **Tenancy 1 - Part of fifth floor (Smaller Part)**

- 2.5.1 A lease dated 9 January 2012 for 5 years.
- 2.5.2 The tenant is Commercial Collection Services Limited.
- 2.5.3 Rent is £14,164 per annum paid in advance on the usual quarter days. There remains a rent review on 8th January 2017.
- 2.5.4 Use is as offices (within class B1 of Town and Country Planning (Use Classes) Order 1987). The premises are currently used as offices.
- 2.5.5 The lease is not contracted out of the Landlord and Tenant Act 1954.
- 2.5.6 Both the service charge and insurance contributions are in the proportion which the net floor area of the Premises bears to the net lettable space from time to time in the Property.
- 2.5.7 There are no rights to determine on damage or destruction by an insured risk.
- 2.5.8 This lease is accompanied by a licence to the tenant of two parking spaces for use in conjunction with these offices. There is a licence fee of £400 per annum. The licensee must pay the cost of repairing and maintaining the parking spaces and the licence can be determined at

any time by either party on 3 months' written notice. It will also determine automatically at the expiration or sooner determination of the lease.

2.5.9 Otherwise the lease is generally on institutionally acceptable terms.

2.5.10 It should be noted that Tenancies 2 to 4 are on substantially the same terms as Tenancy 1 (with the exception of the licence referred to in paragraph 2.5.8) and as such are reported on more briefly below.

#### **Tenancy 2 - Part of fifth floor (Larger Part)**

2.5.11 A lease dated 9th January 2012 for 5 years.

2.5.12 The tenant is Commercial Collection Services Limited.

2.5.13 Rent is £15,794 per annum paid in advance. There remains a rent review on 8 January 2017.

#### **Tenancy 3 - Part Fourth Floor (Larger Part)**

2.5.14 A lease dated 9th January 2012 for 5 years.

2.5.15 The tenant is Commercial Collection Services Limited.

2.5.16 Rent is £20,888 per annum paid in advance. There remains a rent review on 8th January 2017.

#### **Tenancy 4 - Part Fourth Floor (Smaller Part)**

2.5.17 A lease dated 9th January 2012 for 5 years.

2.5.18 The tenant is Commercial Collection Services Limited.

2.5.19 Rent is £11,304 per annum paid in advance. There remains a rent review on 8th January 2017.

#### **Tenancy 5 - Second floor front offices**

2.5.20 A lease dated 6th May 2011 for 5 years.

2.5.21 The tenant is Mihomecare Limited.

- 2.5.22 Rent is £16,245 per annum paid in advance on the usual quarter days. There is no rent review remaining.
- 2.5.23 Use is as high class offices (within class B1 of the Schedule to the Town and Country Planning (Use Classes) Order 1987). The premises are currently used as offices.
- 2.5.24 Both the service charge and insurance contributions are set at 8.103% of the total expenses and outgoings incurred or to be incurred by the Company.
- 2.5.25 The lease is contracted out of the Landlord and Tenant Act 1954.
- 2.5.26 The Tenant has the option to break between 6th May 2015 and the end of the term on three months' written notice. At the date of this report this option has not been exercised.
- 2.5.27 Unusually structural alterations are permitted with Landlord consent. Otherwise the lease is generally on institutionally acceptable terms.

**Tenancy 6 - First Floor comprising the office accommodation (measuring approximately 584 square feet)**

- 2.5.28 This is stated to be a licence rather than a lease and is personal to the licensee and cannot be assigned. However the licensee has remained in occupation of the Premises since 2007 and may seek to argue that the licence is now a lease protected by the security of tenure provisions conferred by the Landlord and Tenant Act 1954. It must be assumed that the licence is in fact a lease protected by the security of tenure provisions conferred by the Landlord and Tenant Act 1954 and is reported upon on that basis. That said, as the original document was drafted as a licence, a lot of the normal lease terms are not included in the document. We refer you to Schedule 5 Part C of the certificate for more detail.
- 2.5.29 A lease dated 28th June 2007 and expired on 31st July 2008. The tenant is Premier Trading GB Limited and they continue to occupy the Premises.
- 2.5.30 Rent is £5,840 per annum paid in advance on the usual quarter days. There is no rent review.
- 2.5.31 The licensee must pay a sum of £150 in advance, with each quarterly payment of the licence fee, as a contribution electricity services

supplied but there is no other contribution to service charge or insurance.

2.5.32 Use is as offices.

2.5.33 The Company can determine the licence if the Premises is damaged so that it is not practical to use and is likely to remain unusable for a period in excess of one month. Either party can also end the licence at any time after 31st July 2008 by not less than 3 months' written notice to the other (subject to our comments above relating to 1954 Act security). The Company can also terminate for default situations, including failure to pay any licence fee or any other due payment in full within seven days of the due date.

2.5.34 There are no repair and yielding up provisions. In the event of damage to the Premises caused by the licensee, the licensor can repair at the cost of the licensee.

#### **Tenancy 7 - Offices forming part of the second floor**

2.5.35 A lease dated 13th April 2015 for 2 years expiring 23rd March 2017.

2.5.36 The tenant is Pipeline Tube and Casing Limited and is guaranteed by Paul Shotton (however the guarantee is not expressed to be a primary obligation on the part of the guarantor).

2.5.37 Rent is £9,200 per annum (increasing to £10,925.00 on 29th September 2015) paid in advance on the usual quarter days. There is no rent review.

2.5.38 Use is as offices (within class B1 of the Schedule to the Town and Country Planning (Use Classes) Order 1987). The premises are currently used as offices.

2.5.39 Both the service charge and insurance contributions are set at 5.45% of the Company's expenditure in keeping the Property insured and providing the services.

2.5.40 The Company or the tenant may terminate at any time by giving the other not less than three months' written notice. In the case of termination by the tenant, it must pay to the Company the sum of £2,300. At the date of this report the option has not been exercised by either party.

2.5.41 The lease is contracted out of the Landlord and Tenant Act 1954.

- 2.5.42 The lease is accompanied by a licence of two parking spaces for use in conjunction with the Premises. The total licence fee is £800 plus VAT per annum for both car parking spaces. The licence can be determined at any time by either party on three months' written notice and will determine automatically when the lease does. The licensor can determine the licence earlier if the licence is breached by the licensee and not remedied within seven days.
- 2.5.43 The lease is inalienable i.e. the tenant may not assign or underlet (or deal with the lease in any other way). Otherwise the lease is generally on institutionally acceptable terms.

### **Tenancy 8 - Roof Top Lease**

- 2.5.44 A lease dated 19th February 2010 for 10 years.
- 2.5.45 The tenant is T-Mobile (UK) Limited and Hutchison 3G UK Limited.
- 2.5.46 Rent is £14,000 per annum paid in advance on the 19th February in each year. There remains an outstanding rent review which should have occurred on 19th February 2013. This pre-dates the Company's ownership and the Company has no further information as to why the rent review was not undertaken. The other remaining rent review dates are 19th February 2016 and 19th February 2019
- 2.5.47 The lease states that it is contracted out of the Landlord and Tenant Act 1954 and whilst the Company has confirmed that a declaration was made on 18 February 2010 on behalf of Hutchison 3G Limited they have been unable to confirm the same in respect of T-Mobile (UK) Limited. In the circumstances, we are unable to confirm that the lease is validly contracted out of the Landlord and Tenant Act 1954 and it must be assumed that it is not contracted out of the Landlord and Tenant Act 1954.
- 2.5.48 Use is for the provision and/or operation of electronic communications networks and electronic communications services (each within the meaning of the Communications Act 2003). In combination with possibly being within the 1954 Act, the Communications Act makes it very difficult to remove telecoms tenants. Given that the equipment is located on the roof of the Property, it is unlikely that this equipment will need to be removed for any future redevelopment.
- 2.5.49 The tenant has a number of options to determine the lease. In the event that the Company is in breach of its obligations under the lease,

the Tenant may be prior written notice immediately determine the lease. There is no provision giving the Company the right or opportunity to remedy the breach before determination. Also if either of the tenant's entitlements to provide electronic communications networks and or electronic communication services is suspended or restricted under legislation, or their licence to do so is revoked, the tenant may by prior written notice immediately determine the lease.

2.5.50 The tenant does not contribute to either insurance or service charge.

2.5.51 This tenancy is not registered at the Land Registry.

2.5.52 Otherwise the lease is generally on institutionally acceptable terms.

**Tenancy 9 - The communications site known as Cell Site Number 9320 on the rooftop at the Property.**

2.5.53 A lease dated 21st January 2011 for 10 years.

2.5.54 The tenant is Telefónica O2 UK Limited.

2.5.55 Rent is £14,000 per annum paid in advance on the usual quarter days. There remains a rent review on 21st January 2016.

2.5.56 Use is as an electronic communications base station.

2.5.57 The lease is not contracted out of the Landlord and Tenant Act 1954

2.5.58 The tenant does not contribute to either insurance or service charge.

2.5.59 If the tenant loses its statutory authorisation to operate its communications network, operators' licence or authorisation then the tenant may immediately serve written notice on the Company to determine the lease. The tenant may also determine the lease at any time on six months' written notice to the Company.

2.5.60 Otherwise the lease is generally on institutionally acceptable terms.

**Tenancy 10 - Electricity Substation at 797 London Road**

2.5.61 A lease dated 18th March 1964 for 99 years. The lease expires on 31st July 2062.

2.5.62 The tenant is The Southern Eastern Electricity Board.

2.5.63 Use is as an electrical transformer substation. As such this lease is not an income generating tenancy. There is no rent payable and there are no rent reviews. The tenant also does not contribute to service charge or insurance.

2.5.64 The lease is not contracted out of the Landlord and Tenant Act 1954.

2.5.65 The tenant may determine the lease at any time after the date on which it ceases to use the Premises for an electrical transformer substation by giving not less than three calendar months written notice to the Company.

2.5.66 Otherwise the lease is as expected for a lease of this nature.

#### **Tenancy 11 - Rear Office, Ground Floor**

2.5.67 A lease dated 2 July 2015 for 20 months expiring 28th February 2017.

2.5.68 The tenant is Advice Support Knowledge Information Limited.

2.5.69 Rent is £13,500 per annum paid in advance on the usual quarter days. There are no rent reviews. A rent deposit of £4,050 is held by the Company.

2.5.70 Use is as office (within class B1 of Town and Country Planning (Use Classes) Order 1987). The premises are currently used as offices.

2.5.71 The lease is contracted out of the Landlord and Tenant Act 1954.

2.5.72 The tenant does not contribute to either insurance or service charge.

2.5.73 The Company may determine the lease at any time by giving the Tenant not less than three months written notice.

2.5.74 Otherwise the lease is generally on institutionally acceptable terms. It should be noted that Tenancy 12 is on substantially the same terms as Tenancy 11 and as such is reported on more briefly below.

#### **Tenancy 12 - Small Office, First Floor**

2.5.75 A lease for 22 months commencing on 14th August 2015 and expiring on 28 February 2017.

2.5.76 The tenant is Unflatpack Uk Installation Limited.

2.5.77 Rent is £0 from 14 August 2015 to 30 September 2015, £950 plus VAT from 1 October 2015 to 31 December 2015 and £1950 plus VAT per quarter from 1 January 2016 to 28 February 2017. A rent deposit of £1950 plus VAT is also held.

### **Tenancy 13 – First Floor Front Offices**

2.5.78 A lease dated 10th July 2015 for 21 months expiring on 28<sup>th</sup> February 2017.

2.5.79 The tenant is Will Drafters Limited. The guarantors are Michelle Annette Hanover and David Stuart Crossland.

2.5.80 Rent is £20,625 per annum paid in advance on the usual quarter days. There are no rent reviews.

2.5.81 Use is as office (within class B1 of Town and Country Planning (Use Classes) Order 1987). The premises are currently used as offices.

2.5.82 The tenant contributes to the service charge in the proportion of which the floor area of the premises bears to the net lettable space from time to time in the building. In respect of the tenant's insurance contribution, it is fixed at 12.084% of the sum which the Company incurs in insuring the Property.

2.5.83 Either the Company or the Tenant may end this lease on 23rd November 2016 or at any time thereafter by serving not less than six months written notice on the other.

2.5.84 Otherwise the lease as stated is generally on institutionally acceptable terms

2.6 The Property is also subject to two licences to companies connected to and under the control of Daniel Selby (director and sole shareholder of the Company) and/or Eric Onona (manager of the Company). Brief details of these licences are set out in Part J Schedule 5 of the certificate. The licences are summarised but it should be noted that statement 2.3 of the Certificate does not apply to Part J Schedule 5 as these are stated to be licences rather than tenancies. The Company's solicitor is not prepared to categorically confirm that these are licences and the Lenders must proceed on the basis that the licences are or may become protected by the security of tenure provisions conferred by the Landlord and Tenant Act 1954. Despite this contradiction, the licences are stated to be personal to the respective

licensees and do not grant exclusive possession to the licensees, with the licensor being entitled to enter the respective premises at any time. Each licence can be terminated by either party at any time after the first anniversary of the licence term by not less than three months' written notice to the other. Licence details follow:

2.6.1 Licence of Front Office, Ground Floor dated 1st October 2014 between Beta Circle Limited (1) and GlobalTech Holdings Limited (2). The licence is for one year but continues after that year terminable by either party on 3 months' notice. A licence fee of £26,400 per annum is payable with a further £600 per quarter payable in respect of electricity services.

2.6.2 Licence of Second Floor Office dated 10th June 2014 between Beta Circle Limited (1) and Short Term Business Finance Limited (2). The licence is for one year but continues after that year terminable by either party on 3 months' notice. A licence fee of £11,000 per annum is payable with a further £250 per quarter in respect of electricity services.

2.7 The Property is not subject to any registered charges.

### **3 SIGNIFICANT DISCLOSURES MADE AGAINST THE STANDARD CONDITIONS OF THE CERTIFICATE OF TITLE**

3.1 The certificate of title does disclose issues and reveals the following information:

3.1.1 The current use of the Property is as offices. The Property benefits from a planning permission to convert the Property to flats. A prior approval planning application was approved on 28 October 2014 for change of use from offices to use as 71 flats. This change of use has not been implemented and no works relating to this permission have been commenced. This approval relies on the change of use and development falling within Permitted Development and expires on 30th May 2016. A related planning permission was granted on 27th January 2015 for external alterations to include installation of panels to facades and replacement of windows and doors. Again this permission has not been implemented nor have any works relating to it been commenced.

3.1.2 The Certificate has been prepared on the basis of certified copy documents. The vast majority of original documents are not currently held by the Company's solicitors.

3.1.3 The Company is currently in dispute with two entities. There is an existing dispute with Orange in relation to removal of telecoms equipment on the roof and whose responsibility it is to rectify damage caused by such removal. The Company will make a commercial decision as to how to proceed based on the circumstances as matters progress but at the date of this report the equipment remains on the roof. There is also an ongoing dispute with a former builder/handyman who is claiming approximately £5,000.00 for works that he claims have been carried out to the Property.

3.1.4 The public sewer map indicates that there is a public sewer within the boundaries of the Property. If the sewer is in the way of any future development of the Property, the Company will need to negotiate its relocation at the Company's cost.

3.1.5 The Property is located in an area which continues to have a potential chancel repair liability. The Property has however been transferred for valuable consideration since 13 October 2013, having been purchased on 9 June 2014 for £1.35m and therefore an indemnity policy is not considered to be necessary.

#### **4 LAND REGISTRY SEARCHES**

4.1 A Land Registry official search shows whether the register for a property has changed since the copy of the register was originally issued to the Company's solicitor. The search also gives the applicant a "priority period". Any new entries that are registered in the priority period will not bind the applicant, as long as the Land Registry receives their application for registration within the priority period. It is too early to carry out a Land Registry official search now, but the Company's solicitor will carry out a search before completion of the and confirm that:

4.1.1 there are no further issues raised by that search; and

4.1.2 priority will be afforded to the registration of the security in favour of Proplend Security Limited over the Property.

#### **5 INSURANCE**

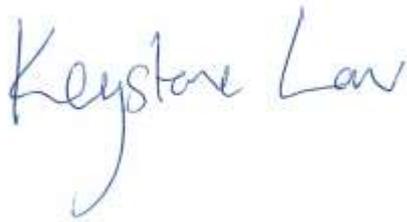
The Company's solicitor has confirmed that your interest in the Property will automatically be noted on the insurance from completion of the Transaction.

#### **6 CERTIFICATE OF TITLE**

Following completion of the final Land Registry searches, the draft agreed certificate of title will be completed by the Company's solicitors and dated on the day of completion of the Transaction.

## **7 CONCLUSION**

Subject to the matters referred to in this report, we are of the opinion that upon completion of the Transaction and registration at the Land Registry in respect of the Property, you will have a first legal charge over the Property to protect against the lending by the Company.

A handwritten signature in blue ink that reads "Keystone Law". The signature is written in a cursive, flowing style.

Signed: **KEYSTONE LAW**