



Report and Valuation as at 13 July 2015

Prepared on behalf of
Proplend Security Limited

Oceana Business Park

Davy Bank

Wallsend

Tyne & Wear

NE28 6UZ

13 July 2015

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- A Location Plans and Ordnance Survey extract
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Executive Summary

<p>Oceana Business Park Davy Bank Wallsend Tyne & Wear NE28 6UZ</p>	
<p>Property type</p>	<p>Industrial/office</p>
<p>Physical characteristics of the property:</p>	
<p>Floor area/Site area</p>	<p>7,844.02 sq m (84,430 sq ft) 4.52 hectares (11.41 acres)</p>
<p>Approximate year of construction</p>	<p>1950-2013</p>
<p>Specification</p>	<p>Oceana Business Park provides eleven buildings varying in age, use and specification. There is a mix of office and industrial buildings together with development land.</p>
<p>Condition</p>	<p>The condition of the property varies throughout having regard to age and use.</p>
<p>Deleterious materials</p>	<p>Due to the age of some of the buildings on site there may be deleterious materials present.</p>
<p>Obsolescence</p>	<p>The properties are of varying ages. We consider the economic life range to be between circa 5 and 30 years.</p>
<p>Environmental issues</p>	<p>We have been provided with an environmental report prepared by Sitecheck Assess dated 3 January 2006 which indicates that the site may be contaminated due to historic land uses.</p>
<p>Location</p>	<p>Wallsend is located in the Metropolitan Borough of North Tyneside approximately 5.6 kilometres (3.5 miles) east of Newcastle upon Tyne and 5.6 kilometres (3.5 miles) west of North Shields.</p>

	Oceana Business Park is on the north bank of the River Tyne. Access is provided from Hadrian Road (A187) which connects with Davy Bank providing direct access to the Business Park. The immediate area is characterised by industrial uses.		
Tenure	Freehold		
Tenancy	There is one occupational lease to Soil Machine Dynamics Limited for a term of 25 years from July 2013. There are breaks at Years 15 and 20.		
Vacancies	The remainder of the property is subject to licence agreements which offer no investment security. There are five vacant units, primarily within the office accommodation.		
Total current income (contracted)	£377,501 per annum (Lease- £196,821 per annum. Licences- £180,680 per annum)		
Annual estimated rental value (gross)	£271,845 per annum.	Estimated rental value per sq m/per sq ft	£10.76 - £64.58 per sq m (£1 - £6 per sq ft)
Market Value and yields			
Market Value as at 13 July 2015	£2,950,000		
Valuations on Special Assumptions			
VP value	£1,450,000		
Purchase price and date	£1,400,000	Date: 04 October 2013	
Loan security and marketability	In our opinion, subject to the comments and Assumptions contained below and elsewhere in this Valuation Report, the freehold interest in the property provides reasonable security for the purposes of a loan. However, we strongly emphasize the situation regarding the potential contamination and potential remediation cost. Any identified costs may significantly alter the subject property's suitability for loan security. We would recommend further investigations are required.		

Oceana Business Park, Davy Drive, Wallsend, Tyne & Wear, NE28 6UZ Details as at 13 July 2015

Unit / Description	Tenant	Demise (Use)	Area GIA/NIA		Terms of lease/licence		Next Review (frequency)	Break clause (T/L/M)	Current Rent £ per annum exclusive	Estimated Rental Value £ per annum exclusive	Comments
			sq m	sq ft	From	To					
New Units	Soil Machine Dynamics Ltd	Industrial	2,566	27,621	01.07.2013	30.06.2038	01.07.2018 (5 yearly)	01.07.2028 (Tenant)	£196,821	£165,750	The rent review is subject to RPI increases. The break is subject to 6 months notice.
Nelson House Units 1-6	Soil Machine Dynamics Ltd	Industrial	*773.29	*8,323	22.11.2013	21.11.2015	N/A	N/A	£35,890	£16,650	Licence Agreement
Nelson House Unit 7	Cortech Training Ltd	Industrial	*199.98	*2,152	01.07.2013	08.10.2015	N/A	N/A	£3,120	£4,300	Licence Agreement
Nelson House First Floor (Part)	ITV Studios	Industrial	*211.93	*2,281	30.04.2015	30.04.2016	N/A	N/A	£19,500	£2,280	Licence Agreement
Temporary Building	Soil Machine Dynamics Ltd	Industrial	302.48	3,256	19.08.2013	18.08.2015	N/A	N/A	£13,599	£9,770	Licence Agreement
Laurel House Ground Floor	Lime Pics	Industrial	*408.74	*4,400	06.01.2014	05.01.2015	N/A	N/A	£23,020	£16,200	Licence Agreement (Holding over)
Laurel House Ground Floor	Stephen Hale	Industrial			01.07.2013	08.10.2015	N/A	N/A	£3,070		Licence Agreement
Laurel House Ground Floor	East Coast Car Sales	Industrial			01.07.2013	08.10.2015	N/A	N/A	£3,195		Licence Agreement
Laurel House First Floor	Legends Fashion UK Ltd	Industrial			457.53	4,925	01.07.2013	08.10.2015	N/A		N/A
The Lodge	Legends Fashions UK Limited	Office	39.00	420	Not advised	Not advised	N/A	N/A	£2,600	£840	Licence Agreement
Northumbria House	A1 Windows	Ground Floor Office	*43.63	*469	01.01.2009	08.10.2015	N/A	N/A	£1,651		Licence Agreement

Unit / Description	Tenant	Demise (Use)	Area GIA/NIA		Terms of lease/licence		Next Review (frequency)	Break clause (T/L/M)	Current Rent £ per annum exclusive	Estimated Rental Value £ per annum exclusive	Comments
			sq m	sq ft	From	To					
Northumbria House	Vacant	Ground Floor Offices	*200.51	*2,158	N/A	N/A	N/A	N/A	£0		
Northumbria House	Safer Asbestos Solutions Ltd	Office	*149.28	*1,607	01.07.2013	08.10.2015	N/A	N/A	£2,086	£26,170	Licence Agreement
Northumbria House	Safer Asbestos Removal	Office			01.07.2013	08.10.2015	N/A	N/A	£3,447		Licence Agreement
Northumbria House	Vacant	Office	*136.50	*1,469	N/A	N/A	N/A	N/A	£0		Not applicable
Northumbria House Second Floor	ITV Studios	Office	281.58	3,031	14.04.2014	31.10.2014	N/A	N/A	£12,000		Licence Agreement
Neptune House	Eclipse	Industrial	92.95	2,077	01.07.2013	08.10.2015	N/A	N/A	£6,337	£5,200	Licence Agreement
Riverside Workshop Ground Floor	Steel Style	Industrial	528.14	5,685	01.07.2013	08.10.2015	N/A	N/A	£1,795	£5,685	Licence Agreement
Riverside Workshop First Floor	Vacant	Industrial			N/A	N/A	N/A	N/A	£0		Not applicable
Ceres House	Vacant	Offices	*318.71	*3,430	N/A	N/A	N/A	N/A	£0	£0	Not applicable
The Studios	Vacant	Offices	*444.70	*4,786	N/A	N/A	N/A	N/A	£0	£0	Not applicable
The Technology Centre	Safer Asbestos Solutions Ltd	Offices	*589.07	*6,340	11.06.2015	11.06.2016	N/A	N/A	£24,000	£19,000	Licence agreement
Land	ITV Studio	Car Parking	N/A	N/A	14.04.2014	13.04.2016	N/A	N/A	£16,900	£0	Licence Agreement
Land	Safer Asbestos Removal	Car Parking	N/A	N/A	22.06.2015	08.10.2015	N/A	N/A	£2,606	£0	Licence Agreement
Totals			7,844.02	84,430					£377,501	£271,845	

*relied upon VOA areas as agreed with Oceana Business Park Limited. We have assumed all licence agreements are extinguishable on 3 months' notice.



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13 July 2015

Dear Sirs

Applicant: Oceana Business Park Limited
Property: Oceana Business Park, Davy Bank, Wallsend, Tyne & Wear, NE28 6UZ

1. Terms of instruction, Valuation, suitability for loan security, disclosure and confidentiality

1.1. Terms of Instruction

1.1.1. Loan proposition

We understand that the property is to be used as security for a commercial mortgage advance. We understand the loan proposed is for a sum of £2,197,500 for a period of 48 months secured by a first charge.

1.1.2. Our appointment and valuation date

In accordance with your letter of instruction, dated 04 June 2015 and our reply dated 03 July 2015 (Section 5), we have valued the freehold interest in the above property, as at 13 July 2015, in connection with the proposed loan facility.

1.1.3. Compliance with RICS Valuation - Professional Standards 2014

We confirm that the valuations have been prepared in accordance with the appropriate sections of the Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGAs") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards 2014, (the "Red Book"). It follows that the valuations is compliant with International Valuation Standards ("IVS").

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1.1.4. Status of valuer and conflicts of interest

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of PS 2.3.7 of the Red Book have been satisfied. We confirm that John Cooke has overall responsibility for the valuation. Finally, we confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

We provided valuation advice on the subject property to Martin Oliver of Oceana Business Park Ltd with a report undertaken and dated 27 August 2014. The valuation report was provided for internal management purposes. We do not consider this conflicts in any way our ability to undertake the instruction for which this report is being prepared.

1.2. Valuations

The property is described in Section Two of this Valuation Report and our market analysis and valuation approach are discussed in Section Three of this Valuation Report. The valuations referred to below must be read in conjunction with the other sections of this Valuation Report.

1.2.1. Basis of valuation

Our opinion of the Market Value of the property has been primarily derived using comparable recent market transactions on arm's length terms.

In accordance with your instructions, we have undertaken our valuations on the following bases:-

- a. Market Value
- b. Market Rent

We have set out the definitions of the above bases of valuation in Section 4.2 of this Valuation Report.

In addition you have requested that we provide valuations on the following:

- c. Market Value assuming vacant possession throughout

In preparing our valuation on this basis, it is necessary for us to prepare a valuation on a "Special Assumption". A Special Assumption is referred to in the Glossary in the Red Book as an assumption that "either assumes facts that differ from the actual facts existing at the *valuation date*, or that would not be made by a typical market participant in a transaction on the *valuation date*".

In the circumstances of this instruction, we consider the above Special Assumption may be regarded as realistic, relevant and valid.

In addition, we have also provided an Estimated Reinstatement Cost Assessment, the definition for which we have included in Section 4.1 of this Valuation Report.

Our Valuation Report is subject to our standard Valuation Conditions and Assumptions which are included in Section 4.1 of this Valuation Report. In the event that any of our Assumptions prove to be incorrect then our valuations should be reviewed.

1.2.2. Valuations

i. Market Rent

We are of the opinion that the Market Rent of the property, as at 13 July 2015, subject to the Assumptions and comments in this Report and the Appendices is:-

£271,845	(Two hundred and seventy one thousand eight hundred and forty five pounds) per annum exclusive
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ii. Market Value

We are of the opinion that the Market Value of the freehold interest in the above property, subject to the existing tenancy, as at 13 July 2015 subject to the Assumptions and comments in this Report and the Appendices is:-

£2,950,000	(Two million nine hundred and fifty thousand pounds)
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iii. Valuations undertaken based on "Special Assumptions"

The valuations detailed below should be considered in the context of our comments under paragraph 1.2.1.

Market Value assuming vacant possession throughout

We are of the opinion that the Market Value of the freehold interest in the above property, assuming vacant possession throughout, as at 13 July 2015, subject to the Assumptions and comments in this Report and the Appendices is:-

£1,450,000	(One million four hundred and fifty thousand pounds)
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iv. Estimated reinstatement cost assessment as at 13 July 2015,

£12,523,000	(Twelve million five hundred and twenty three thousand pounds)
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The above assessment must be considered in the context of our comments under Section 4.1.13. In particular, we have not carried out a formal reinstatement cost assessment through our Building Consultancy Division. Our assessment should be treated as a guide only and should not be relied upon. It should be used for comparative purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, a formal reinstatement cost assessment should be commissioned.

1.3. Suitability for loan security

In our opinion, subject to the comments and Assumptions contained below and elsewhere in this Valuation Report, the freehold interest in the property provides reasonable security for the purposes of a loan. However, we strongly emphasize the situation regarding the potential contamination and subsequent remedial works. The costs of which may significantly alter the subject properties suitability for loan security. We advise a full contamination inspection is carried out and deduct the cost of any mandatory remedial from our opinion of value.

If the subject property is not exempt from the requirement for an Energy Performance Certificate ("EPC") to be made available by the vendor in the event of a sale, failure to comply with these certification requirements may lead to a penalty charge notice and a fine.

In terms of the strengths and weaknesses of the property we would comment as follows:

Strengths/opportunities

- The SMD unit is modern and let to a strong tenant covenant
- The business park has good occupancy levels, however note comment below regarding investment security of licences.
- Two licensees are producers of popular TV programmes which has raised the profile of the business park.
- On the north bank of the River Tyne allowing for increased transport links
- Within close proximity of the Tyne Tunnel and the A19, one of the main arterial routes in the North East.

Weaknesses/risks

- Significant risk of contamination may impact on suitability as loan security.
- The majority of properties are let on licence agreements which offer no investment security.
- Properties unlikely to attract tenants willing to commit to anything other than 'easy in easy out' licence agreement.
- With the exception of the SMD Unit, the majority of the buildings are in a dilapidated state.

We have not been provided with a report on title and a copy of this Valuation Report should be provided to your solicitors and they should be asked to inform us if they are aware of any aspect which is different, or in addition, to that we have set out; in which case we will be pleased to reconsider our opinion of value in the light of their advice and/or opinions.

1.4. Disclosure and confidentiality

The contents of this Valuation Report and Appendices are confidential to the party to whom they are addressed for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation – Professional Standards 2014 referred to herein. For the avoidance of doubt, such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Report are combined with others.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'John Cooke', is written over a horizontal line.

John Cooke FRICS
Director
RICS Registered Valuer
For and on behalf of
DTZ Debenham Tie Leung Limited

2. Oceana Business Park, Davy Drive, Wallsend, Tyne & Wear, NE28 6UZ

2.1. Inspection

The property was inspected internally and externally by Richard Houghton MRICS and David Gray MRICS on 30 June 2015. We were able to externally inspect all of the property although internal access was only provided to part.

The property was inspected internally and externally by Nicola Allon MRICS and Richard Houghton MRICS on 17 July 2014 as part of previous valuation advice. Our valuation is on the assumption that there have been no significant internal changes to those parts of the property we were unable to re-inspect.

2.2. Location and situation

Wallsend is located in the Metropolitan Borough of North Tyneside, which comprises part of the Tyne & Wear conurbation. The Tyne & Wear conurbation has a resident population of 1,104,800 and the Borough of North Tyneside comprises 18% having a resident population of 200,800 [Source: 2011 Census].

Wallsend is situated approximately 5.6 kilometres (3.5 miles) east of Newcastle upon Tyne and 5.6 kilometres (3.5 miles) west of the principal town in North Tyneside, North Shields.

Wallsend benefits from good road access communications being accessed by the A1058 Coast Road, which links with the A186 Station Road. The A193 and A197 also provide direct access to Newcastle upon Tyne and North Shields. The A19 and Tyne Tunnel are located 3.2 kilometres (2 miles) to the east.

Wallsend is also accessed by the Tyne & Wear Metro system with stations at Wallsend and Hadrian Road, both of which provide access to the town centre and the immediate surroundings.

Oceana Business Park is located on the north bank of the River Tyne. It is situated to the south of Wallsend town centre and access is provided from the A187 Hadrian Road via Davy Bank. The nearest Metro station is at Hadrian Road. The immediate surrounding area is characterised by industrial and employment uses.

Plans and an Ordnance Survey extract are included in Appendix A. The site plan is for identification purposes only. We advise that the accuracy of the plan is verified by your solicitors.

2.3. Description and construction

2.3.1. Age and external specification

Nelson House



Nelson House dates from the 1950's and comprises a detached two-storey building which provides a terrace of industrial accommodation at ground floor level brick construction with painted elevations and offices/industrial accommodation to the upper floor. A pitched and hipped roof with corrugated asbestos covering surmounts the property together with a flat felt covered roof. Rainwater goods are cast iron. The windows to the property are timber frame and single glazed. Loading access is provided by way of five steel roller shutter doors. Access to the upper floor accommodation is provided from single timber swing entrance doors. To the front of the property there is a tarmac access road together with small car parking facility. Landscaping is provided to the side and rear of the property.

Internally, the accommodation is arranged over a solid concrete floor. The internal walls are painted brickwork and the ceiling is the underside of the concrete roof. Lighting is provided from surface mounted fluorescent strip lights. There is no heating to this area of accommodation. Ancillary office accommodation has an exposed concrete floor, painted plaster walls and suspended ceiling with recessed Category II lighting. The first floor level is of a similar specification and various demountable partitions have been erected by the current tenants.

Laurel House



Laurel House is centrally located within the Oceana Business Park and comprises a detached, two storey industrial unit. The property dates from 1950's and is of steel frame construction with solid brickwork and corrugated cement sheeting. The property is surmounted by a mono pitched corrugated roof. The windows to the ground and first floor levels are metal frame and single glazed. There is a timber loading entrance door at ground floor level to the front elevation, together with a steel roller shutter door.

No access was provided to the ground floor accommodation. The first floor is currently utilised for the storage by a clothing business. Access is provided from a timber entrance door leading to a concrete staircase. The accommodation is arranged over a solid concrete floor. The walls are painted brick and painted plaster. The ceiling is the underside of the lined mono pitched roof. Lighting is provided from bulb lighting. Heating is provided from suspended gas fired warm air blowers.

Neptune House



Neptune House, dates from the 1960's and comprises a detached industrial unit of steel frame construction. The external elevations are solid brickwork with corrugated asbestos above. The property is surmounted by a pitched corrugated asbestos roof. Rainwater goods are uPVC. The windows to the property are metal frame and single glazed. Loading access is provided from two large timber swing entrance doors to the eastern and western elevation with paint covering.

Internally, the property is arranged over a solid concrete floor. The brickwork walls are exposed and the corrugated asbestos has a panel lining. Lighting is provided from pendant bulb lights. Heating is provided from wall mounted Ambi Rad heaters.

SMD Unit



This detached industrial unit was constructed in 2013 and is of steel portal frame construction. The external elevations are profile metal sheeting with a blockwork inner leaf. A pitched profile metal sheet covered roof surmounts the property. The roof incorporates translucent sections. Loading access is provided from 2 no. automatically operated steel roller shutter doors provided to the northern and southern elevations of the property. Internally the property is arranged over a solid concrete floor with paint covering. The internal walls are painted block and profile metal sheet. Lighting is provided from high density sodium lights. A 50 tonne crane system is fitted within the property.

To the front of the property there is a site utilised by SMD. It provides a rough gravel hardstanding fronting the River Tyne, with gated access from the estate road and a roller shutter door within the southern elevation of the SMD unit.

SMD Temporary Building



The SMD temporary building dates from circa 2010 and is a detached small industrial unit of steel frame construction with timber supports, profile metal sheet clad elevations and situated on a blockwork plinth. The roof is pitched with profile metal sheet covering and incorporating translucent sections. Loading access is provided from a steel roller shutter door.

Internally the accommodation is arranged over a solid concrete floor. The internal walls are profile metal sheeting and the ceiling is the underside of the profile metal sheet roof covering which also incorporates translucent sections. Lighting is provided from fluorescent strips. There are no staff facilities within the property.

The Studios



The Studios provide temporary portacabin type office accommodation. It is a pre-fabricated building of modular construction. The external elevations are a combination of painted timber and insulated panel work. A mono pitched roof surmounts the property. The windows are aluminium frame and single glazed.

Internally the property provides office accommodation arranged around a central corridor. The specification includes carpeted timber floors, painted plaster walls, and painted plaster ceilings. Lighting is provided from fluorescent strips and there are central heated radiator units.

The Technology Centre



The Technology Centre is a standalone office/light industrial unit of portal frame construction with block work elevations, external smooth skin panel cladding and aluminium framed windows with a central glazed entrance foyer. The roof comprises a pitched glazed atrium running the length of the building with flat roof structures either side. Parking is provided to the front of the building as well as down the southern side elevation. A small yard is provided to the rear.

Internally the accommodation provides a large open plan atrium down the centre of the building. Partitioned offices and lab accommodation is positioned off either side and to the rear of the footplate. Staff facilities are also provided with WCs and staff areas. The specification includes a mixture of carpeted and linoleum covered floors, painted plaster and papered walls, wall mounted radiators and suspended ceilings with fluorescent strip lighting.

Northumbria House



Northumbria House dates from the 1960's and comprises a detached three-storey office building. The property is of concrete frame construction with brickwork elevations and surmounted by a flat roof which we assume has a felt covering. The windows are metal frame and single glazed. Access is provided from a shared entrance point at ground floor level which is aluminium frame and double glazed.

The office accommodation has a central core which provides a stairwell and lift to the upper floors together with staff and WC facilities. The office accommodation is arranged over a solid concrete floor with either carpet or timber floor covering. The walls are painted plaster and the ceiling is either painted plaster or suspended tile. Lighting is provided from fluorescent strips. Heating is provided from cast iron radiators which are gas fired.

Ceres House



Ceres House again dates from the 1960's and is similar in terms of specification to Northumbria House. It is arranged over three floors and detached being of concrete frame construction with brickwork elevations and surmounted by a flat felt covered roof. The windows are metal frame and single glazed. The offices are in a dilapidated state of repair and currently not occupied. Refurbishment will need to be undertaken prior to letting the property.

Riverside Workshop



The Riverside Workshop dates from the 1960's and is of steel frame construction with brickwork and asbestos panel clad elevations. The accommodation is arranged over ground and first floor level. The loading access to the ground floor is provided from a timber sliding entrance door. The windows are metal frame and single glazed.

Development Land



A number of buildings have been cleared on site to create a flat development site with rough hardstanding.

We understand that the site has the benefit of all main services.

2.4. Condition

The property in the main appears to have been satisfactorily maintained having regard to its age, use and construction however there are elements which are in a poor state of repair. We have not undertaken a condition survey and we would draw your attention to our Assumptions in Section 4.1. During the course of our inspection, we noted the following defects:-

- Ceres House requires a full refurbishment in order to put the property into a lettable state of repair and condition.
- The Riverside Workshops are in a poor state of repair and condition.
- There is vegetation growth to the rainwater goods throughout the property as a whole.
- Due to asbestos containing materials, some areas of the property are not considered safe for occupation.

2.5. Deleterious materials

The age and style of construction of the subject property are such that materials such as high alumina cement concrete, woodwool shuttering, calcium chloride or asbestos may have been used in its original construction or subsequent alteration. We would draw your attention to Section 4.1 of this Valuation Report.

2.6. Floor areas

The floor areas are detailed in the Executive Tenancy Summary.

We have undertaken a measured survey/calculated floor areas from floor plans provided by Oceana Business Park Limited supported by check measurements on site. Measurement was in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

2.7. Site

The property occupies an irregular shaped site and an approximate site area of 4.52 hectares (11.41 acres).

The site has a relatively flat topography and the site coverage is circa 17.5%

An Ordnance Survey extract showing our understanding of the boundaries of the property edged in red is attached at Appendix A. This site plan is for identification purposes only. We advise that the accuracy of the plan is verified by your solicitors. The site excludes the green hatched building which is held under a separate title.

2.8. Flood enquiries

We have made enquiries of the Environment Agency web site and are advised that the subject property falls outside the extent of the extreme flood.

If the property lies within or close to a flood plain, or has a history of flooding, we have made an Assumption that building insurance is in place regarding flooding and available to be renewed by the current or any subsequent owner of the property, without payment of an excessive premium or excess.

2.9. Environmental matters

Our enquiries and inspection have provided evidence that there may be a risk of contamination sufficient to affect value in respect of the property at Oceana Business Park. We consider that a purchaser in the market receiving these results to preliminary enquiries would not have sufficient information upon which to formulate his bid. Accordingly, we recommended that you seek the advice of a suitably qualified and insured specialist firm of environmental consultants as to the appropriate investigations and that these be undertaken.

We have had sight of a Sitecheck Assess Report dated 3 January 2006 in respect of the subject site. The report highlights the presence of potentially contaminated past land uses and unknown filled ground and industrial processes on or within 25 metres of the site boundary.

There are a number of matters affecting the property, details of which are outlined below:

Potential Sources

- A detailed examination of the Ordnance Survey maps from 1959 to present day has revealed that the site was occupied by an inter-tidal zone in the south (sand) with a brick and tile works and Wallsend Quay in the North. Wallsend Iron Work is also evident to the east of the site. By 1898 the south west of the site had been reclaimed from the river and developed with Wallsend works. By 1921 this works is no longer identified and the west of the site appears to be occupied by part of an extensive works to the west. By 1938 the east of the site has also been developed as part of a works. By 1958 this is identified as Turbina Works, and the west of the site has been developed with a research station, with numerous associated tanks. By 1977 the works in the east has been cleared and the site further developed as a research station. There is little further change evident up to present day mapping.
- The Environment Agency data identifies a waste management facility on or within 25 metres of the site. The site is located at Wallsend Research Station and operated by Total Recycling Management under Licence No. 64040.
- The Environment Agency data identifies a second waste management site on or within 25 metres of the site. The site is located at Tabina Works and is operated by Total Recycling Management under Licence No. 64068.
- From Contemporary Trade Director Entries it would appear that GP Hunter Marine Services are located on or within 25 metres of the property. Although this may identify current occupiers, no details of builds confirm whether or not potentially contaminated operations are taking place.
- From a review of historic map data the site check assess report has identified that the site is located on or within 25 metres of unknown filled ground.
- A review of select ordnance survey mapping covering a period from 1943 to 1996 has identified that the centre of the search is within 25 metres of tanks and electricity sub-station.

Potential Pathways

- Direct human contact with soil and water.
- Contamination of transport to shallow ground water.
- Contamination transport to deep ground water.
- Gas migration through soils, service media and building foundations.

Potential Receptors

- The property, surrounding properties and their respective occupants may be considered as receptors.
- The ground water vulnerability map sheet 5 Tyne & Tees, has revealed that that the site is located above a minor aquifer. Although minor aquifer seldom produce large quantities of water for abstraction. They may be important for local suppliers and supplying base flow to rivers.
- BGS Sheet 5 Tyne & Tees 1:100,000 identified low permeability drift deposits occurring at the surface.
- Current mapping indicates that the closest surface water feature is located within 25 metres of the site.
- Environment Agency data indicates that the site is located on or within 25 metres of an area that could be affected by flooding if there were no flood defences. In the event of a floor, the floor water may be considered an sensitive receptor.
- Environment Agency data indicates that the site is located on or within 25 metres of an area that is unlikely to flood except in extreme conditions. In the event of a flood the floor water may be considered a sensitive receptor.

The Sitecheck Assess Report concludes that there may be a potential source of contamination arising from the potentially contaminative past land uses which may have significant indication. It would appear from the preliminary appraisal that there may be a potential pollutant linkage. The property may also constitute contaminated land as defined by Part 2A of the Environmental Protection Act 1990.

We have made an Assumption that the information and opinions we have been given by Sitecheck Assess are complete and correct in respect of the property and that further investigations would not reveal more information sufficient to affect value. We consider that this Assumption is reasonable in the circumstances. However, purchasers may cause such further investigations to be made and if these were to reveal additional contamination then this might reduce the value now being reported.

The potential contamination will likely reduce the value of the subject property in the order of the cost of any mandatory remedial work required to suitably reduce any risk. We have been asked to provide our opinion of value in the property's current condition. We have not been provided with an up to date environmental report detailing any remedial costs and are therefore unable to provide a robust valuation which fully considers the remedial works. Our valuation figure reported herein is therefore subject to a suitable investigation being undertaken by a specialist consultant and the cost of any mandatory remedial works being deducted from our valuation figure as a capital expenditure item.

2.10. Planning

North Tyneside Council
www.northtyneside.gov.uk

We have made enquiries of the local authority and they have advised us that planning permission for the property's current use is long established. The most recent planning application on site refers to the new SMD unit and planning application 11/02306/FUL refers. We have not been advised as to whether the property is subject to any enforcement action. They have further advised us that there are no outstanding planning applications in respect of the property nor is it listed or in a conservation area.

We have made enquiries with a view to identifying any highway or development proposals which are likely to affect the value of the property. In this regard we have been advised that the Swan Hunter site has been designated as an Enterprise Zone site. The Local Development Order includes part of the subject site "Davy Bank River Frontage".

Planning policy for the area is contained within the North Tyneside Council Local Plan, which was adopted in March 2002. The property is located in an area zoned as a current employment area/expansion land. Policy LE1/4 refers.

2.11. Rateable Value/Council Tax

See summary below:

Demise	Description	Rateable Value
Soil Machine Dynamics Limited Large Unit 8 Temporary Unit	Workshop & Premises	£155,000
Units 1-6 Nelson House	Workshop & Premises	£10,750
Unit 7 Nelson House	Workshop & Premises	£4,950
Unit 8, First Floor, Nelson House	Offices & Premises	£5,200
Laurel House	Warehouse & Premises	£16,600

Demise	Description	Rateable Value
The Lodge	Not applicable	Not assessed
Unit 1, Ground Floor, Northumbria House	Offices & Premises	£1,725
Units 2-7, Ground Floor, Northumbria House	Offices & Premises	£7,910
First Floor, Northumbria House	Offices & Premises	£6,225
Second Floor, Northumbria House	Offices & Premises	£12,500
Neptune House	Workshop & Premises	£3,050
Riverside Workshop	Not applicable	Unable to identify
Ceres House	Offices & Premises	£9,490
The Studios	Offices & Premises	£10,750
The Technology Centre	Offices & Premises	£18,250
Total		£262,400

The general Non-Domestic Rating Multiplier for the fiscal year 2014/2016 for England has been set at 49.3 pence.

Eligible businesses with rateable values below £18,000 will have their liability calculated using the Small Business Non-Domestic Rating Multiplier, which for the fiscal year 2014/2016 has been set at 48.0 pence.

2.12. Tenure and VAT

We have not been provided with a copy of the Certificate of Title/Report on Title. Save as disclosed in the Certificate/Report on Title, we understand that the property is held freehold, free from rent charge, restriction as to use, title or occupation and free from any other restriction which may affect value. We have not had sight of the title deeds.

We have undertaken a Land Registry search and Title TY317989 refers. The register confirms the title is held freehold and the registered proprietor is Oceana Business Park Limited. A copy of the title register is provided in Appendix C.

We have not been provided with the Deed dated 10 December 2014 made between Oceana Business Park Limited and Soil Machine Dynamics Limited which varies the lease dated 9 June 2014. We have however been verbally informed by the Borrower that this variation relates to the removal of Clause 27 of the lease which permits the Tenant to surrender part of the land subject to landlords consent at which point the rental income on their existing lease would be reduced by £10.76 per sq m (£1 per sq ft). Our valuation assumes the clause is removed.

We have been provided with a deed of easement dated 28 June 103. The Agreement is between The Council of the Borough of North Tyneside and North East Business Park Limited and Northern Park Limited (now Oceana Business Park).

The Grantor (North Tyneside Council) has the freehold interest in the servant land registered under Title TY318776 and the leasehold interest in part of the servant land registered under Title Number TY345380.

The Grantee (Oceana Business Park Limited) has the freehold interest in the dominant land which comprises the subject property.

The Grantor has granted the Grantee the right over the servant land for the benefit of the dominant land. The right is for a period of 125 years from 1 April 2012. The right is defined as the right for the Grantee

and its successors in title and all authorised persons in common with the Grantor and other persons having the same right to pass and re-pass with or without vehicles over and along the access way to and from the dominant land from and to the Quay load out facility at all times and for all purposes connected with the use thereof in accordance with the Operating Agreement.

The Grantee is not permitted to use the access way by commercial vehicles of more than 500 tonnes laden.

The right is only exercisable when a valid Operating Agreement is in place. This is an agreement made between the Grantor and Grantee/any authorised person regulating the use by the Grantee or such authorised person of the Quay load out facility.

The Grantor/Grantee shall be responsible for repairing and maintaining the access way in accordance with the terms of the Operating Agreement made between them and in place from time to time.

VAT: We have not been advised as to whether an election has been made to waive exemption to VAT in respect of this property. The capital valuations and rentals included in this Report are net of Value Added Tax at the prevailing rate.

2.13. Tenancy

We have been provided by Oceana Business Park Limited with a copy of the Soil Machine Dynamics' lease, and have detailed the primary terms in the Executive Tenancy Summary, which is at the front of this Valuation Report.

The subject property only has one occupation lease in place, details of which are provided below. In addition there are 18 licence agreements and there five units vacant. This produces a current gross contracted income of £377,501 per annum.

Demise
Edged within Lease. Oceana Business Park, Davy Bank, Wallsend, Tyne & Wear, NE28 6UZ
Lease date:
The lease is undated
Lessor:
Oceana Business Park Limited
Lessee:
Soil Machine Dynamics Limited
Surety:
Not applicable
Term:
25 years from 5 October 2013
Break option(s):
5 October 2028 and 5 October 2033 subject to six month prior written notice
Current passing rent:
£196,821 per annum
Next rent review:
The rent is to be reviewed on the fifth anniversary of the term being 5 October 2018
Rent review basis:
The rent is to be reviewed on an upward only basis and is subject to RPI linked increases

Repairing obligations:

The tenant shall keep the property clean and tidy and in good repair and clear of all rubbish. The tenant shall also keep the bio diversity treatment plant and all ancillary surface media thereto in good and substantial repair and condition. The tenant must keep all of the unbuilt area in good condition and must keep all landscaped areas in reasonable order. The tenant may not deposit any waste, rubbish or refuse on the unbuilt area. No vehicles or caravans are to be stored on the unbuilt area. Where appropriate, the tenant shall decorate the exterior of the property as often as reasonably necessary

Insurance provisions:

The tenant is required to pay an insurance rent to cover the landlord's costs associated with insuring the property

User:

The permitted use is Use Class B2 of the Town & Country Planning (Use Classes) Order 1987

Alterations:

The tenant is not permitted to make any structural/external alterations or additions to the property without consent of the landlord, such consent not to be unreasonably withheld or delayed. Service media cannot be installed without landlord consent. Internal, non-structural alterations are permitted with consent

Alienation:

The tenant shall not at any time assign the whole or any part of its interest in rights relating to the blue land. The tenant shall not assign the whole of its interest relating to the green land without the consent of the landlord, such consent not to be unreasonably withheld or delayed. The tenant shall not assign the whole of the interest in the red land without the landlord's consent, such consent not to be unreasonably withheld or delayed. The tenant shall not at any time assign part only as distinct from the whole of its interest relating to the green land and/or the red land. We would comment that we have not been provided with a coloured plan attached to the lease and as such legal enquiries should be made to ascertain a copy.

Any assignment of the red or green land will be subject to an Authorised Guarantee Agreement (AGA). The lease provides conditions upon when an assignment can be refused.

The tenant shall not at any time underlet the whole or any part of its interest in the blue land. The tenant shall not underlet the whole or part of its interest in the green land and red land without consent from the landlord, such consent not to be unreasonably withheld. Any underletting will be contracted out of the security of tenure provisions of the Landlord & Tenant Act 1954 (Part 2)

Service charge:

The tenant is required to pay a proportion of the estate service charge.

2.14. Covenant information

We have carried out a company report for Soil Machine Dynamics Ltd (registration no. 01028571). For the financial year ending 31 December 2013 the company had a total turnover of £73,935,054. The company made a pre-tax profit of £2,752,097. The company employs 308 people and has fixed assets amounting to £5,740,026. The company has an Experian credit risk score of very low risk. We consider that the tenant offers a good covenant strength.

The remainder of the property is subject to licence agreements, primarily to local covenants offering a weak covenant strength. Due to the nature of the licence agreements there is limited investment security.

2.15. Energy Performance Certificate

We are aware of the following EPC ratings:

Address	EPC Rating
Unit 1 Laurel House	A23
Unit 2 Laurel House	B32

EPC ratings are not available for the remaining units on the estate

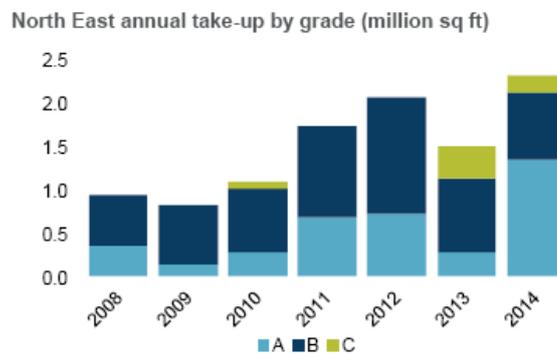
The Energy Act 2011 includes a provision whereby from April 2018 it will be unlawful to rent out premises with an EPC rating below a yet to be confirmed level. Current opinion is that the minimum EPC rating will be an E but this is not confirmed. In any instance, where we have not been provided with an up to date EPC rating for the property we have made an assumption that the subject property meets the requirements to enable the property to be let after April 2018.

3. Market analysis and valuation approach

3.1. Occupational market

3.1.1. Market commentary

Take-up reached 2.3m sq ft in 2014. 2014 was also the strongest year for grade A deals with 1.4m sq ft taken. This was the first year that prime take-up outperformed secondary, despite grade A only accounting for seven of the 20 deals in 2014. The six largest of the year were all grade A deals, predominantly let to manufacturing companies, which was the driving force behind the strong 2014 take-up.



Unlike the more active regions, developers are unlikely to start developing speculatively larger than 50,000 sq ft. With grade A availability at 0 sq ft in the North East, all grade A take-up is expected to be through build-to-suit deals over the coming year. However, there is limited space to build along the main corridors in the region, namely along A1 and A19, so occupiers will also consider refurbishment of poorer quality buildings in exchange for a good location.

There has been minimal rental growth in the North East over the past five years. As the market gains momentum, it is forecast that rents in Newcastle will increase by an annual average of 2.9% over the next five years, the highest growth predicted for anywhere in the UK. The complete lack of grade A availability, strong manufacturing demand, and shortage of build-to-suit land in good locations will all contribute to this growth.

3.1.2. Rental evidence

In terms of industrial rental evidence for new industrial accommodation on the north banks of the River Tyne, we are aware of the following:-

Unit 4 Walker Riverside Industrial Estate, Walker, Newcastle upon Tyne was let to FHP Ltd in August 2014 for a term of 10 years at an agreed rent of £30,000 per annum. The unit measures circa 957 sq m (10,306 sq ft) which reflects a rate of £31.34 per sq m (£2.91 per sq ft).

In September 2012 a pre let was agreed with Fraser Hydraulic Power Limited on a new industrial unit at Neptune Yard, Fisher Street, Walker, Newcastle upon Tyne. The unit extends to an approximate gross internal area of 2,178 sq m (23,444 sq ft). A 25 year lease was agreed at a rent of £148,799 per annum, subject to three yearly rent reviews. The rent passing reflects £68.32 per sq m (£6.35 per sq ft).

In February 2013, Unit 22 Orion Way, Orion Business Park, Tyne Tunnel Industrial Estate, North Shields which extends to 1,159.12 sq m (12,477 sq ft) was let to Lloyds British Testing. The lease is for 10 years at a rent of £42,000 per annum. The rent reflects £36.23 per sq m (£3.36 per sq ft).

In May 2011, Unit 1 Walker Riverside Industrial Estate, Walker, Newcastle upon Tyne was let to Shepherd Offshore Services Limited. The lease is for a term of 15 years at a rent of £55,000 per annum. The unit extends to an approximate gross internal area of 1,011.12 sq m (10,854 sq ft) reflecting a rent of £54.40 per sq m (£5.05 per sq ft).

Neptune One, Walker, Newcastle upon Tyne, extending to 5,182.62 sq m (55,819 sq ft) was let to an undisclosed tenant on confidential terms in November 2010. We understand that the rent passing is in excess of £107.64 per sq m (£10.00 per sq ft).

Duco Limited occupies Unit 2 Walker Riverside Industrial Estate, Walker, Newcastle upon Tyne by way of a three year lease from November 2010, with annual break options. The passing rent is £44,500 per annum reflecting £50.36 per sq m (£4.68 per sq ft). The unit extends to an approximate gross internal area of 883.20 sq m (9,507 sq ft).

Having regard to older industrial accommodation, we are aware of the following:-

Unit 18A, Point Pleasant Industrial Estate, Hadrian Road, Wallsend was let in May 2015 for a term of 3 years at a rent of £2,350 per annum. The unit extends to 36 sq m (388 sq ft). The rent passing reflects £65.27 per sq m (£6.05 per sq ft).

Also in May 2015 Unit 9 Prospect Terrace, North Shields, Tyne & Wear was let for a rent of £4,550 per annum. The unit extends to 86 sq m (931 sq ft) which equates to circa £52.91 per sq m (£4.88 per sq ft).

50 Walker Road, Newcastle upon Tyne was let in April 2015 for a rent of £35,000 per annum which reflects circa £50.21 per sq m (£4.66 per sq ft) with the unit extending to 696.63 sq m (7,498 sq ft).

Unit 1 Brinkburn Street, Newcastle upon Tyne was let in September 2014 for a rent of £31,000 per annum for a term of 5 years. The unit extends to circa 1,245 sq m (13,401 sq ft) which reflects £24.90 per sq m (£2.31 per sq ft).

In May 2014, Unit 1 Metnor Business Park, Hadrian Road, Wallsend was let to Xervan Palmers Limited for a term of three years at a rent of £18,150 per annum. The unit extends to 482 sq m (5,190 sq ft). The rent passing reflects £37.64 per sq m (£3.50 per sq ft).

TST (2000) Limited took a lease of Unit 6A Metnor Business park, Hadrian Road, Wallsend in March 2014. The lease is for a term of five years. The rent passing is £41,000 per annum reflecting £32.38 per sq m (£3.00 per sq ft). The unit extends to 1,266 sq m (13,626 sq ft).

Also in March 2014, part of the CEF premises at Hadrian Road, Wallsend was let to an undisclosed tenant for a term of three years. The rent passing is £10,000 per annum reflecting £32.38 per sq m (£3.00 per sq ft).

In November 2011, OSE European Limited took a lease of Unit C3 Morston Quays, Willington Quay, Wallsend. The unit extends to 890 sq m (9,583 sq ft). The rent passing is £19,466 per annum which equates to £21.53 per sq m (£2.00 per sq ft).

Sanderson Weatherall is marketing Units 3A – 3C Buddle Industrial Estate, Wallsend. The units extend to an approximate gross internal area of 1,899.22 sq m (20,336 sq ft). The quoting rent is £60,000 per annum reflecting a rate of £31.76 per sq m (£2.95 per sq ft).

There are very few offices available to let in Wallsend with space generally being ancillary to industrial uses.

3.1.3. Estimated Rental Value

Taking the above evidence into account, we are of the opinion that the current Estimated Rental Value of the subject property is as follows.

Unit	Market Rent	
	per sq m	per sq ft
SMD Unit	£64.58	£6.00
Nelson House Ground	£21.53	£2.00
Nelson House First	£10.76	£1.00
SMD Temporary Building	£32.29	£3.00
Laurel House Ground	£21.53	£2.00
Laurel House First	£16.15	£1.50
Northumbria House	£32.29	£3.00
Ceres House	£0	£0
The Studios	£0	£0
Neptune House	£26.91	£2.50
Riverside Workshop	£10.76	£1.00
Technology Centre	£32.29	£3.00
The Lodge	£21.53	£2.00

We are of the opinion that the Market Rent of the property, as at 13 July 2015 is:-

£271,845	(Two hundred and seventy one thousand eight hundred and forty five thousand pounds) per annum exclusive
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3.1.4. Lettability

The nature of Oceana Business Park, excluding the purpose built large industrial unit which is subject to a formal lease, is likely to be let on flexible “easy in / easy out” lease / licence terms. Due to the age and condition of the buildings there will always be an element of permanent void.

We consider some elements of the Business Park are currently unlettable due to condition. This includes Ceres House and Riverside Workshops.

It is therefore considered that a lengthy letting void will be required in order to secure tenants. This is likely to be in excess of 12 months. Due to the short term nature of the leases, no incentives will need to be offered.

The rents will need to be pitched appropriately in order to compete with similar schemes including Metnor Business Park and Morston Quays.

3.2. Construction and analysis of cash flow

3.2.1. Gross rental income

The current gross rental income is £196,821 per annum. This is derived from the occupational lease. In addition there is £180,680 from licence agreements, however this income is unsecure and based on annual licences. The total current annual income is £377,501.

3.2.2. Irrecoverable revenue outgoings

The freeholder of the site will be responsible for void holding costs, including vacant rates liability, insurance and repairs.

Assuming the freeholder is responsible for all vacant rates at Oceana Business Park, excluding the large new industrial unit let to Soil Machine Dynamics Limited, the vacant rates liability would be £52,947 per annum. Please note that we were unable to identify the Rateable Value for The Lodge and Riverside Workshop and thus this could increase.

We have adopted repair costs of £20,000 per annum, reflective of the current condition and insurance at £15,000 per annum based on £2.70 per sq m (£0.25 per sq ft).

3.2.3. Total net income

The current net rental income is £108,874 per annum, assuming that the units subject to licence agreement are vacant.

3.2.4. Analysis of cash flow

The investment security at Oceana Business Park lies with the lease to Soil Machine Dynamics Limited. There are 14 years remaining until the tenant break option and 24 years until lease expiry assuming the lease is not renewed. The rent is subject to five yearly RPI increases and thus potential for rental growth over the term. The current rent passing of £196,821 per annum is however marginally over rented with the market rent considered to be £165,750 per annum. The income profile will not however revert to market rental until 2028 when the break is activated or lease expiry in 2039.

3.3. Investment market

3.3.1. Property market commentary

Economic overview

Investment in the UK in Q1 was the highest first quarter total ever, nearly 40% higher than in Q1 2014. Despite there being few very large transactions, lot size rose nearly 20% to £36m, the third highest total recorded.

At £4.6bn, investment turnover in Central London was also a record high for a first quarter.

Retail and alternative investments volume increased in Q1. Retail investment was driven by a 12% rise in high street sales.

Portfolios continue to increase in importance, taking a 30% share, mostly attributable to a small number of very large student accommodation sales.

Investment activity remained stable in the UK outside Central London, reflecting an increased interest in the higher yielding opportunities available there.

North American investors were the most active purchasers in Q1, and also the largest net purchasers, followed by Asia Pacific investors. All other overseas investor groups were net sellers this quarter.

Commercial property will remain attractive. Strong demand combined with rental growth will result in an increase in investment transaction value in 2015, so long as enough stock is made available.

3.3.2. Industrial Market commentary

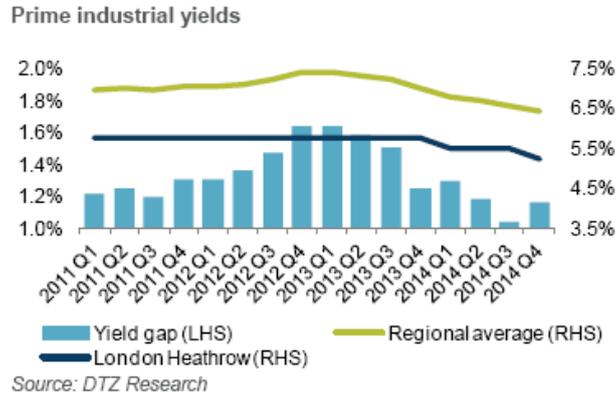
Investors' confidence in the UK industrial market continues to grow, with 2014 producing a record amount of investment of industrial property. 2014 volumes totalled over £6.1bn, double the amount invested in 2010 and significantly more than pre-crisis volumes



Domestic investors still dominate the UK industrial market, accounting for 87% of the total 2014 volume. Even though UK industrial is becoming more attractive, foreign investors are still concentrating on the Central London market and flagship shopping centre deals. The Tritax Big Box REIT and Legal and General were by far the two most active investors in 2014, purchasing £465m and £436m over 12 and 13 deals respectively. The majority of this money was invested into distribution warehouses. The Legal and General PF also bought the Ocean Portfolio for £226.5m in Q4, in the largest Industrial transaction of the year.

The increase in investor sentiment was evident across the whole country, as all regions exceeded their 10 year average volumes in 2014 (Figure 20). Four regions (Yorkshire and Humberside, East Midlands, North West and South West) and multi-regional portfolios had record amounts of investment across 2014. Annual investment in Yorkshire and Humberside had never been higher than £260m, until £331m was recorded in 2013. However, 2014 smashed this record, with over £512m recorded.

Investment into multi-regional portfolios has been increasing over the past four years, with volumes increasing steadily from £856m in 2010 to a record £1.9bn in 2014. Investors have been taking advantage of the economic recovery by targeting these large deals.



The yield gap between London Heathrow and the UK regions continued to decrease through 2014. The gap was smallest in Q3 with a difference of just over 1%. In response to the yield gap shrinking, Heathrow yields have begun to move downwards and now stand at 5.25%. Yields are forecast to drop in all locations over 2015 as more money is invested into the market.

3.3.3. Investment evidence

A schedule of industrial investment transactions similar to the Soil Machine Dynamics Limited lease profile is provided in the following table; together with tertiary industrial investment transactions on flexible lease terms.

Investment comparables

Address Description Size	Date and type of transaction. Source of information	Tenant Brief lease terms. Rent guarantees	Rent £ per annum £ per sq m / (£ per sq ft)	Reversionary or Over-rented	Purchase price / Asking terms	Comparison with subject property
Units 1 & 2 Hall Dene Way, Seaham Grange Industrial Estate, Co Durham The property comprises two detached industrial warehouse buildings extending to 3,507.82 sq m (37,757 sq ft)	March 2015 Investment Sale GVA	The property is let to two tenants with an weighted unexpired term of 5.1 years to expiry and 2.75 years to break	A combined rent of £122,250 per annum £34.85 per sq m (£3.24 per sq ft)	Rack Rented	£1,100,000 10.05% £313.58 per sq m (£29.13 per sq ft)	Constructed mid 2000 with shorter unexpired term in comparison to SMD unit.
West Chirton Industrial Estate, North Tyneside, NE29 8SS Multi-let industrial estate extending to 8,759.46 sq m (94, 287 sq ft)	February 2015 Investment Sale	Full let to 7 national, regional and local tenants including Wolsley, Fuda International Ltd and Seafood Holdings Ltd. Weighted average unexpired lease term to expiry of 4.85 years and 4.15 years to break options	£336,308 per annum £38.40 per sq m (£3.56 per sq ft)	Under Rented	£4,400,000 8.55% £502.31 per sq m (£46.66 per sq ft)	Similar location although shorter unexpired term in comparison to SMD unit. Unit constructed in mid 1980's
Unit 40 Crowther Industrial Estate, Washington, NE38 0AD The property comprises a detached industrial unit extending to 5,115.1 sq m (55,059 sq ft)	February 2015 Investment Sale GVA	The property is let to Opsec Security Ltd with a guarantee from Opsec Security Group plc on an FRI lease for a term of 15 years from 25 March 2005	£203,000 per annum £39.72 per sq m (£3.69 per sq ft)	Under Rented	£2,250,000 8.5% £439.87 per sq m (£40.88 per sq ft)	Superior location in established industrial area of the North East. Shorter unexpired term in comparison to SMD unit.

<p>Enterprise House, Viking Industrial Park, Jarrow, Tyne & Wear, NE32 2DE</p> <p>The property comprises a high quality industrial unit extending to 9,439.15 sq m (101,603 sq ft)</p>	<p>April 2014 Investment Sale Knight Frank</p>	<p>The property is let to DST Output (London) Limited for a term of 20 years from March 2000</p>	<p>£480,850 per annum £50.91 per sq m (£4.73 per sq ft)</p>	<p>Over Rented</p>	<p>£3,987,000 11.40% £422.39 per sq m (£39.24 per sq ft)</p>	<p>The property is modern in comparison to the subject property and occupies a good location. The property is let to an excellent covenant strength with a long unexpired lease term.</p>
<p>Wellington House, Wynyard Park, Teesside, TS22 5TB</p> <p>Multi-let industrial premises comprises 5 demises and extending to 16,386.93 sq m (166,389 sq ft)</p>	<p>January 2014 Investment Sale DTZ</p>	<p>The property is multi-let and provides a mix of office and industrial accommodation. Tenants in occupation include Westray Office Services, Viewtech Display Services, SK Chilled Foods, a Government department and Cool Retail Services</p>	<p>£700,814 per annum</p>	<p>Rack Rented</p>	<p>£6,600,000 10.61% £402.76 per sq m (£37.42 per sq ft)</p>	<p>The property occupies a good location alongside the A19. The property is also fully let to a range of tenants which are perceived to offer good covenant strength</p>
<p>Brake Bros Limited, Bowburn North Industrial Estate, Durham DH6 5PG</p> <p>1980s detached industrial building extending to 3,332.30 sq m (36,202 sq ft)</p>	<p>February 2014 Investment Sale</p>	<p>The property is let to Brake Bros Limited with 7 years remaining on the lease. The next rent review is in November 2015.</p>	<p>£131,000 per annum £38.96 per sq m (£3.62 per sq ft)</p>	<p>Rack Rented</p>	<p>£1,460,000 8.48% £438.14 per sq m (£40.32 per sq ft)</p>	<p>The property occupies a good location with access to the A1. The property is let to an excellent covenant with a shorter unexpired lease term in comparison to SMD unit.</p>
<p>12 Renny's Lane, Dragonville Industrial Estate, Durham DH1 2RS</p> <p>The property comprises a detached industrial unit extending to 2,512.78 sq m (27,048 sq ft)</p>	<p>November 2013 Investment Sale</p>	<p>The property is let to Just Car Clinics Limited until 2022 with 8.5 years remaining on the lease. The next rent review is in 2017.</p>	<p>£102,000 per annum £40.58 per sq m (£3.77 per sq ft)</p>	<p>Rack Rented</p>	<p>£1,140,000 8.45% £453.67 per sq m (£42.15 per sq ft)</p>	<p>The property occupies a good location with access to the A1. The property is let to a good covenant with a parent company guarantee and lengthy unexpired lease term.</p>

<p>4 New York Way, New York Industrial Park, North Tyneside NE27 0QF</p> <p>Modern purpose built industrial unit 1,094 sq m (11,777 sq ft)</p>	<p>September 2013 Investment Sale</p>	<p>The property is let to Controle Mesure Regulation UK Limited for a term of 10 years from October 2012.</p>	<p>£45,000 per annum</p> <p>£41.12 per sq m (£3.82 per sq ft)</p>	<p>Rack Rented</p>	<p>£512,000</p> <p>8.03%</p> <p>£467.91 per sq m (£43.47 per sq ft)</p>	<p>The subject property comprises a modern detached industrial unit which is single let on North Tyne Industrial Estate. It is let to a reasonable covenant with a French parent company guarantee for a lengthy unexpired lease term.</p>
<p>Units 1 – 2 Cathedral Park, Belmont Industrial Estate, Durham DH11 1TF</p> <p>The property comprises a modern detached industrial unit constructed in 2005. 1,405.05 sq m (15,124 sq ft)</p>	<p>July 2013 Investment Sale</p>	<p>The property is let to Howden Joinery Properties Limited for a term of 15 years from 21 March 2005.</p> <p>The unexpired lease term is 7 years.</p>	<p>£72,750 per annum</p> <p>£51.77 per sq m (£4.81 per sq ft)</p>	<p>Rack Rented</p>	<p>£844,000</p> <p>8.15%</p> <p>£583.08 per sq m (£54.17 per sq ft)</p>	<p>The property occupies a prominent position on Cathedral Park at Junction 2 of the A1 and thus has good access communications. It is let to a single tenant with 7 years remaining and the tenant covenant strength is good.</p>
<p>Booker Cash & Carry Warehouse, First Avenue, Team Valley, Gateshead, Tyne and Wear</p> <p>Detached industrial estate constructed in the 1970s. 7,228 sq m (77,810 sq ft)</p>	<p>July 2013 Investment Sale</p>	<p>The property is let to Booker Limited for a term of 25 years from February 1995.</p> <p>The unexpired lease term is 6.6 years.</p> <p>There are no vacant units.</p>	<p>£279,000 per annum</p> <p>£38.64 per sq m (£3.59 per sq ft)</p>	<p>Rack Rented</p>	<p>£2,700,000</p> <p>9.76%</p> <p>£373.51 per sq m (£34.70 per sq ft)</p>	<p>The subject property is located on the premier industrial estate in the North East. It is alongside the A1 and is better located. The lease structure is poorer than the SMD lease.</p>
<p>North Road Trading Estate, Maynell Road, Darlington, DL3 0XA</p> <p>The property 12 terraced industrial units in 2 blocks extending to 3,395.85 sq m (36,553 sq ft)</p>	<p>June 2013 Investment Sale DTZ</p>	<p>The property is multi-let to 9 tenants and occupiers include Wolesley Plumb Centre, Jewson Ironmongery, Edmundson Electrical and a number of local and regional businesses</p>	<p>£155,106 per annum</p> <p>£45.70 per sq m (£4.25 per sq ft)</p>	<p>Rack Rented</p>	<p>£1,650,000</p> <p>8.87%</p> <p>£485.88 per sq m (£45.14 per sq ft)</p>	<p>The property is located in Darlington and comprises a popular industrial location with trade counter type uses. The property is fully let.</p>

3.4. Valuation approach and marketability

3.4.1. Market Value

In assessing our opinion of market value, we have looked at each unit independently. We have detailed our valuation methodology below, which had regard to the rental and investment evidence in Sections 3.1.2 and 3.3.3 respectively.

The new large industrial unit at Oceana Business Park extends to 2,566 sq m (27,621 sq ft). It is let to Soil Machine Dynamics Limited for a term of 25 years from July 2013. The current rent passing is £196,821 per annum. The lease provides for five yearly rent reviews with RPI increases. There is a tenant break option in 2029. The WAULT to the break is 13 years and 23 years until expiry. The income profile is 18% over rented. We have adopted a net initial yield of 8% reflecting its modern construction, high specification and unexpired term to a strong tenant covenant which attributes a Market Value of £2,325,000 after purchaser's costs at 5.80%.

The majority of the value for Oceana Business Park is apportioned to the aforementioned lease to Soil Machine Dynamics Limited. The remainder of the property is subject to flexible licence agreements that offer no investment security. The current licence fee income equates to £180,680 per annum, however for the purposes of this valuation we have assumed vacant possession and site value.

We have approached the valuation having regard to both an overall Capital Value rate as well as a rent and yield analysis based upon our projected Market Rents.

We have applied a Market Rent and an appropriate yield to reflect the age and quality of the buildings. In each instance we have had regard to the Capital Value attributable.

There is 0.24 hectares (0.6 acres) of cleared development land. We have applied a land value of £247,000 per hectare (£100,000 per acre) which equates to £60,000.

On this basis, subject to the comments in part 2.9 of this report, the Market Value is £2,950,000. The Capital Value Rate applied to the vacant accommodation on an overall basis is £107.69 per sq m (£10.00 per sq ft) with the additional £60,000 included for the land, the Market Value for this element is £625,000 reflecting a Net Initial Yield of 16.00% which we believe is appropriate.

We are of the opinion that the Market Value of the freehold interest in the above property, subject to the existing tenancies, as at 13 July 2015, subject to the assumptions and comments in this report, in particular point 2.9 and appendices is:-

£ 2,950,000	(Two million nine hundred and fifty thousand pounds)
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3.4.2. Valuations based on Special Assumptions

We have also been asked to provide a valuation on the Special Assumption of vacant possession. In this regard we have considered the following freehold/long leasehold sales:-

Unit B2 Tyne Tunnel Trading Estate, North Shields sold in May 2015 with vacant possession for £295,000. This reflected a capital value rate of £289.49 per sq m (£26.89 per sq ft) as the property measures circa 1,019 sq m (10, 968 sq ft). The unit was constructed in the 1970s and is within an established industrial estate with excellent access to the A19.

Unit 5 Saturn Court, Orion Business Park, North Shields was the subject of a sale to Northumberland Estates for a price of £280,000 in August 2014. The unit extends to 646.07 sq m (6,953 sq ft) and was constructed in 2005. This is within a prominent industrial location and the sale price reflects £433.38 per sq m (£40.27 per sq ft).

Millennium Court, Dukesway, Team Valley, Gateshead sold in July 2014. The unit extends to 1,019 sq m (10,970 sq ft) and was sold for £850,000 reflecting £834.15 per sq m (£77.48 per sq ft). The unit is of a high specification and in a prime industrial location in the North East.

Churchill Works, Cowen Road, Blaydon sold in June 2013 to Lanchester Properties Limited for £700,000 reflecting a Capital Value Rate of £77.05 per sq m (£7.16 per sq ft). The property extends to 9,085 sq m (97,783 sq ft) and has high site coverage. DTZ were involved with the sale of the property. The location is good in close proximity to the A1 but a significant amount of works were required to the property.

The former Dewhurst Unit on the Blyth Riverside Park Estate, Blyth was sold with vacant possession in September 2013 for £1,000,000. The sale reflects a Capital Value Rate of £107.64 per sq m (£10.00 per sq ft) against an area of 9,415.37 sq m (101,347 sq ft). The unit comprises secondary/tertiary accommodation.

We understand that Unit 3 Drum Industrial Estate, Chester le Street, Co Durham was sold in March 2013 for £3,500,000 reflecting £450.05 per sq m (£41.81 per sq ft). The unit was in shell specification and extends to 7,777.59 sq m (83,720 sq ft). The unit was in shell specification and was acquired by the Royal Mail.

In February 2013, Unit 1 Whitehouse Business Park, Traynor Way, Peterlee, was sold for £1,900,000 reflecting £228.70 per sq m (£21.25 per sq ft). The unit extends to 8,308.05 sq m (89,430 sq ft). In assessing our opinion of Market Value, we have had regard to the sale of freehold industrial accommodation in the North East. The subject accommodation with the exception of the SMD Unit, is overall poor quality in comparison and would sit at the lower end of the range.

With regard to the SMD Unit, this is a recent build and to a high specification, the location is secondary in comparison to the more established industrial estates in the North East such as Tyne Tunnel and Team Valley. We would anticipate due to the modern nature of this unit, it would sit between the two rates achieved at Tyne Tunnel Industrial Estate.

Taking into consideration the above, we have adopted a Capital Value Rate of £322.91 per sq m (£30 per sq ft) to the SMD Unit and £107.64 per sq m (£10.00 per sq ft) to the remaining units which reflects a Market Value subject to the special assumption of vacant possession and subject to comments in part 2.9 of this report, of £1,390,000. The total value including the potential land development site at £60,000 is £1,450,000.

£1,450,000	(One million, four hundred and fifty thousand pounds)
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3.4.3. Marketability

In terms of marketability, the property is likely to be of interest to developer speculators due to its location alongside the River Tyne. Other likely purchasers are property companies who would look to add value through asset management opportunities.

We consider that the large industrial unit let to Soil Machine Dynamics Limited, if available for sale in isolation, would receive considerable investor demand. A marketing period of 6 months would be required and the best method of sale would be by private treaty.

If the property was sold as a whole, we believe a marketing period in excess of 6-12 months would be required. Again the best method of sale would be by private treaty.

3.5. Additional valuation considerations

Although discussed previously, we feel it important to further emphasise that the valuations reported do not make any allowances for any contamination costs that may be required in connection with remediation works.

We strongly recommended you instruct a specialist contractor to undertake an assessment of the site before committing to any financial agreement. Following the completion of the survey, we would expect our valuation to be reduced by a sum equal to the cost of any mandatory remedial work required to suitably reduce any risk.

4. Assumptions, definitions and copyright

4.1. Valuation Conditions and Assumptions

These are the conditions and Assumptions upon which our valuations and reports are normally prepared and form an integral part of our appointment together with our related Engagement Letter and DTZ Terms and Conditions. Unless otherwise referred to in this Valuation Report these conditions and Assumptions apply to the valuation(s) that are the subject of this Valuation Report. We have made certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, our valuations that we have not verified as part of the valuation process but rather, as referred to in the Glossary to the RICS Valuation – Professional Standards 2014 (Red Book), have treated as "a supposition taken to be true". In the event that any of these Assumptions prove to be incorrect then our valuation(s) will need to be reviewed.

4.1.1. Basis/Bases of Valuation

The property has been valued on the basis/bases set out in Section 1.2 of this Valuation Report and defined in Section 4.2 of this Valuation Report.

4.1.2. Title

We have not had access to the title deeds of the property. Unless specifically advised to the contrary by you or your legal adviser, we have made the Assumption that titles are good and marketable and are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also made the Assumption that the property are/is free from mortgages, charges or other encumbrances.

Where a Certificate of Title has been made available, we have reflected its contents in our valuation(s). Save as disclosed either in any such Certificate of Title or as referred to in our Valuation Report, we have made the Assumption that there is good and marketable title and that the property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also made the Assumption that the property is free from mortgages, charges or other encumbrances.

Where a Valuation Report contains site plans these are based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, our understanding of the extent of title based on site inspections or copy title plans supplied to us. If verification of the accuracy of these plans is required, the matter must be referred by you to your solicitors.

4.1.3. Condition of structure and services, deleterious materials

It is a condition of DTZ or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

Our valuations have taken account of the general condition of the property as observed from the valuation inspection. Where a separate condition or structural survey has been undertaken and made available to us, we have reflected the contents of the survey report in our valuations, and we may have discussed the report with the originating surveyor.

Due regard has been paid to the apparent state of repair and condition of the property, but a condition survey has not been undertaken, nor has woodwork or other parts of the structure which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the property is

structurally sound or is free from any defects. We have made an Assumption that the property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may be mentioned in our Valuation Report.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in the construction or any alterations in respect of the property, and therefore we cannot confirm that the property is free from risk in this regard. For the purposes of our valuation(s), we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of Asbestos at Work Regulations 2002. We have not made an enquiry of the duty holder (as defined in the Control of Asbestos at Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Asbestos at Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations have been undertaken to certify that the site is free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the site of the property are sufficient to support the buildings constructed, or to be constructed thereon. We have also made an Assumption that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the property.

No tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage are provided and are functioning satisfactorily.

4.1.4. Plant and Machinery

No allowance has been made for any items of plant or machinery not forming part of the service installations of the building. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

4.1.5. Goodwill

No account has been taken in our valuation(s) of any business goodwill that may arise from the present occupation of the property.

4.1.6. Floor areas and inspections

Unless referred to otherwise in our Valuation Report, we have physically inspected the property and have either carried out a measured survey or have calculated floor areas from plans provided by the Applicant or their agents, supported by check measurements on site. Measurement has been in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

Where we were not instructed to measure and calculate the floor areas, we have applied floor areas provided by the Applicant or their agents. We have made an Assumption that these areas have been

measured and calculated in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

4.1.7. Environmental matters

We have made the enquiries referred to in Section 2 of this Valuation Report regarding environmental matters including contamination and flooding, and we have had regard to any environmental reports referred to in Section 2 of this Valuation Report. However, we have not undertaken a formal environmental assessment.

Where our enquiries have lead us to believe that the property is unaffected by contamination, flooding or other environmental problems, then, unless you have instructed us otherwise, our valuation is based on an Assumption that no contamination or other adverse environmental matters exist in relation to the property sufficient to affect value.

4.1.8. Statutory requirements and planning

We have made verbal or written enquiries or an inspection of the website, of the relevant planning authorities as referred to in Section 2 of this Valuation Report as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We have also sought to ascertain whether any outstanding planning applications exist which may affect the property and whether it is listed or included in a Conservation Area. We have also attempted to verify the existing permitted use of the property, and endeavoured to have sight of any copies of planning permissions. The results of these enquiries are in Section 2 of this Valuation Report.

Save as disclosed in a Certificate of Title or unless otherwise advised, and unless otherwise referred to in this Valuation Report we have made the Assumption that the building has been constructed in full compliance with valid town planning and building regulations approvals and that where necessary has the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, we have also made the Assumption that the property is not subject to any outstanding statutory notices as to its construction, use or occupation and that the existing use of the property is duly authorised or established and that no adverse planning conditions or restrictions apply.

We have made the Assumption that the property complies with all relevant statutory requirements.

The Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates ("EPC") to be made available for all properties, when bought or sold, subject to certain exemptions. If the subject property is not exempt from the requirements of this Directive, we have made an Assumption that an EPC is made available, free of charge, to a purchaser of the interest which is the subject of our valuation.

In addition, in England and Wales, the Energy Act 2011 includes a provision whereby from April 2018 it will be unlawful to rent out a premises with an EPC which, according to Government proposals issued in February 2015, falls below an E rating. We have asked you or your advisors for information relating to the EPC rating of the property if it is not exempt from these requirements. In any instance, where we have not been provided with an up to date EPC rating for the property we have made an Assumption that the subject property meets the requirements to enable the property to be let after April 2018.

Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We assume that, if you should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

In instances where we have valued a property with the benefit of a recently granted planning consent or on the Special Assumption that planning consent is granted, we have made an assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, we must be informed and asked to reconsider our opinion of value. Advice would be required from your lawyer and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which we will reflect in our reconsideration of value.

4.1.9. Defective Premises Act 1972

No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.

4.1.10. Leasing

We have read all the leases and related documents provided to us, subject to the provisions of the paragraph below. We have made an Assumption that copies of all relevant documents have been sent to us and that they are complete and up to date.

We have not undertaken investigations into the financial strength of any tenant(s). Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that:

- a. where a property is occupied under leases then the tenants are financially in a position to meet their obligations, and
- b. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, our valuations reflect the market's general perception of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

4.1.11. Legal issues

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the valuation of the property and our Valuation Report will include a statement to this effect.

4.1.12. Information

We have made the Assumption that the information provided by you, the Applicant and your respective professional advisers in respect of the property we have valued is both full and correct. We have made the Assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

4.1.13. Estimated reinstatement cost assessment

We have considered the extent and nature of the building and an estimated reinstatement cost assessment has been undertaken as part of our normal valuation exercise. We have not carried out a formal reinstatement cost assessment through our Building Consultancy Division. Our assessment should be treated as a guide only and should not be relied upon. It should be used for comparative purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, a formal reinstatement cost assessment should be commissioned.

The figures set out in our Valuation Report are our assessment of the cost of reconstructing the property at the valuation date. They include an allowance for demolition, removal of debris, temporary shoring, statutory and professional fees which are likely to be incurred on reconstruction, but exclude any allowance for VAT. If you are unable to recover VAT, or can recover part only, you should advise your insurers and increase the Base Sum Insured appropriately. The figures make no allowance for loss of rent during the rebuilding period, nor for inflation, nor the cost of dealing with any contamination which may be present and have to be dealt with prior to reconstruction. The assessment does not provide advice in respect of terrorist damage cover and you should consult with your insurers in respect of this.

We have assumed that the reinstated building and its use would be similar to that existing, and the replacement building would be to the original design, in modern materials, using modern techniques to modern standards.

4.1.14. Deduction of notional purchaser's costs

The Market Value which we have attributed to the property is the figure we consider would appear in a contract for sale, subject to the appropriate assumptions for this Basis of Value. Where appropriate, we have made an allowance in respect of stamp duty and purchaser's costs.

4.1.15. Taxation

No adjustment has been made to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

Our valuation figure for each property is that receivable by the willing seller excluding VAT, if applicable.

4.1.16. Landlord and Tenant Act 1987

The Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable, we have made an Assumption that necessary notices have been given to the residential tenants under the provisions of the Act and that such tenants have elected not to acquire the freehold/head leasehold interest, and therefore disposal into the open market is unrestricted.

4.1.17. Building Society Act 1986

We confirm that we are not disqualified under Section 13 of the Building Societies Act 1986 from reporting to you.

4.2. Definitions of bases of valuations

4.2.1. Market value

Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 ("the Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means "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"

The conceptual framework settled by the IVSC is set out in paragraphs 30-34 of the IVS Framework and is reproduced below:-

"30. The definition of *market value* shall be applied in accordance with the following conceptual framework:

- (a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;
- (b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;
- (c) "on the *valuation date*" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;
- (d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";
- (e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

- (f) "in an arm's length transaction" is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;
- (g) "after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonable obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;
- (h) "where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;
- (i) "and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.
31. The concept of *market value* presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paras 16 to 20 above).
32. The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
33. The highest and best use of an asset valued on a stand-alone basis may be different from its *highest and best use* as part of a group, when its contribution to the overall value of the group must be considered.
34. The determination of the highest and best use involves consideration of the following:
- (a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,

- (b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account,
- (e) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use."

4.2.2. Market Rent

Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "Market Rent" means "The estimated amount for which an interest in real property should 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".

Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated.

The commentary from the Red Book is reproduced below.

"1.3.2 The definition of *market rent* is a modified definition of *market value*; IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.

1.3.3 *Market rent* will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the *market rent*. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate.

1.3.4. *Market rent* will normally be used to indicate the amount for which a vacant property may be let, or for which a let property may be relet when the existing lease terminates. *Market rent* is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.

1.3.5 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of *market rent*. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the *market rent* should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."

4.2.3. Existing Use Value

Existing Use Value as defined in UK Valuation Standard 1.3 of the Red Book and applying the conceptual framework of Market Value which is reproduced above together with the supplementary commentary which is included in items 2-5 of UK VS 1.3. Under UK VS 1.3, the term "Existing Use Value" is defined as follows:- "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had 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".

4.3. Equivalent yields

There are references in this Valuation Report to both NEY (Ann in arr) and TEY (Qly in adv). These terms are defined as follows:-

NEY (Ann in arr) = Nominal equivalent yield (annually in arrears). In order to calculate a NEY (Ann in arr) it is assumed that the rental is paid annually in arrears, even though this is not actually the case.

TEY (Qly in adv) = True equivalent yield (quarterly in advance). In order to calculate a TEY the actual timing of the rental payments is reflected, so that if rent is payable quarterly in advance the term TEY (Qly in adv) is used.

4.4. Valuation computer printouts – explanatory notes

Where we have provided copies of computer print outs produced by Argus Valuation - Capitalisation, you should note the following in order to understand the valuations:

Valuation summary print out

Gross rent

The current gross rent represents the total income receivable from the property at the valuation date. In the case where a rent review is outstanding at the valuation date and a reversionary increase is anticipated, the gross rent includes the reversionary increase as if it were payable at the valuation date.

Similarly, if a lease has expired but for the purpose of the valuation it is assumed that the tenant will renew the lease at current rental value, the gross rent includes the rental value of that particular lease.

Net rent

The current net rent represents the current gross rent less any or all of the following:-

- a Ground rent
- b Irrecoverable revenue outgoings
- c Loss of income due to a permanent void allowance.

Running yields

The running yield at any given point in time represents the return generated by the net rent as a percentage of the gross value before deduction of purchaser's costs. Where we have made capital deductions or additions to reflect matters such as the cost of works or letting fees, or premium receipts, yields are calculated against a sum equal to the net value plus purchaser's costs and any such capital deductions or minus any such capital receipts.

Rounding

The initial, running and equivalent yields are calculated against capital values prior to rounding. The variation in yields calculated before rounding compared with those calculated after rounding is not material.

Tenancy details print out

Gross income

The actual contracted gross income received at the valuation date is shown at the foot of the tenancy schedule. This sum ignores potential increases further to outstanding reviews and lease renewals.

Rounded rent

The rounded rent for each tenancy is reflected in the valuation calculation.

4.5. Copyright

Where this report contains public sector information, this is licensed under the Open Government Licence v1.0.

5. Instructions

We have included a copy of your letter of instruction dated 04 June 2015 together with a copy of our reply dated 03 July 2015.

Our Ref: Oceana

For the attention of Richard Houghton

Dear Sirs,

Please accept this letter as our formal instruction to your firm to carry out a valuation for lending purposes on the property 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: Oceana Business Park Limited

PROPERTY: Oceana Business Park, Davey Bank, Wallsend, Tyne & Wear, NE28 6UZ

TENURE: Freehold

USE: Mixed Use

TENANCIES: Multiple (1 main tenant, multiple short term licenses)

ACCESS: For access and further documentation please contact Martin Oliver on 07581 005 142 or martin_oliver@live.co.uk

PROPOSED LOAN FACILITY: A loan of £ 2,197,500 for a period of up to 48 months secured by a 1st charge

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. A valuation of the Property on the assumption that they have vacant possession.
3. Please provide comparable evidence to support your assumptions on values.
4. Please provide an estimated rental value for the Property.
5. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
6. Please provide a full description of the 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

Your fees for this report are to be agreed direct with the Borrower to whom you should account for payment. Proplend Security Limited cannot accept any responsibility in this regard.

Please contact Brian Bartaby on 0203 397 8290 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 with hard copy to the 145-157 St John St, London EC1V 4PW.

Yours faithfully,



Brian Bartaby
Proplend Security Limited
Director



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

Email Richard.Houghton@dtz.com
Direct +44 (0)191 2235784
Mobile +44 (0)7980608691
Fax +44 (0)191 2235799
Your Ref Oceana
Our Ref VG15/68/RH/DG

3 July 2015

Dear Sirs

Valuation Engagement letter for Commercial Property

We refer to the discussions between Julie Pavlick for DTZ to provide an update valuation of the property detailed below. We thank you for your valued instruction and are pleased to confirm the basis on which we propose to carry out the Services.

The Scope of the Engagement

Our Engagement is summarised below:-

Client: Proplend Security Limited
Applicant: Oceana Business Park Limited
Property: Oceana Business Park, Davy Bank, Wallsend, Tyne & Wear, NE28 6UZ
Type of property: Mixed Industrial/Office
Tenure: Freehold
Valuation date: Date of Issue of Valuation Report or Specified Date
Purpose of Valuation: Secured Lending

DTZ
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NE1 3PJ
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Fax +44(0)191 2235799
www.dtz.com



100% recycled paper

A list of directors' names is open to inspection at address opposite
DTZ Debenham Tie Leung Limited Registered in England No 2757768
Registered office 125 Old Broad Street London EC2N 1AR

1. **Compliance with RICS Valuation – Professional Standards 2014**

DTZ confirms that the valuation will be prepared in accordance with the appropriate sections of the RICS Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGA") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation – Professional Standards 2014 (the "Red Book"). It follows that the valuation is compliant with International Valuation Standards ("IVS").

The Client hereby notes that the valuation report to be provided by DTZ shall include valuations by other valuers. DTZ confirms that we understand that the valuations of others have been prepared in accordance with the RICS Valuation – Professional Standards 2014.

2. **Status of valuer and conflicts of interest**

DTZ confirms that the valuation shall be undertaken by a suitably qualified valuer, or valuers, who have the knowledge, skills and understanding to undertake the valuation competently and will act as an External Valuer (as defined in the RICS Valuation – Professional Standards 2014) qualified for the purpose of the valuation. DTZ and any affiliate do not act as External Valuer as defined under the Alternative Investment Fund Managers Directive (AIFMD) legislation, or its equivalent under local law. DTZ expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing by DTZ.

Other than our previous valuation advice of which you are aware, DTZ further confirm that we have had no previous recent or current involvement with the property or where relevant in the case of a valuation for secured lending with the parties to the transaction for which the loan is required and we do not anticipate any future fee earning relationship with the property, the borrower or a party connected to the transaction. Therefore, we do not consider that any conflict arises in preparing the advice requested.

3. **Bases of valuations**

In accordance with your instructions, we will undertake our valuations on the following bases:-

Market Value

Market Rent / Estimated Rental Value

The definitions of Market Value and Market Rent are set out in Schedule 1 attached. Our Estimated Rental Value will reflect the provisions of the rent review clauses in the leases.

Assumptions

Valuations carried out by DTZ for the purposes of the services identified above will be prepared on the basis that the Assumptions set out in the Valuation Conditions and Assumptions are correct. Your countersignature of this letter represents your confirmation that all of these Assumptions are correct. You must promptly notify DTZ in writing if any of the Assumptions are incorrect. Should any amendment to the Assumptions set out in the Valuation Conditions and Assumptions result in an increase in the scope

of the Engagement this may result in an appropriate increase in DTZ's fees and expenses due under the Terms of the Engagement.

Special Assumptions

In addition, you have requested that we provide an additional valuation on the following basis:-

Market Value assuming vacant possession throughout

In preparing our valuation on this basis it will be necessary for us to prepare a valuation on a "Special Assumption". A Special Assumption is referred to in the Glossary in the Red Book as an Assumption "that either assumes facts that differ from the actual facts existing at the *valuation date*, or that would not be made by a typical market participant in a transaction on the *valuation date*".

In the circumstances of this instruction, we consider the above Special Assumption may be regarded as realistic, relevant and valid.

In addition we will also provide an estimated reinstatement cost assessment, the definition of which is set out in paragraph 13 of the Valuation Conditions and Assumptions.

4. Other matters

Purpose

Our Valuation Report will be provided solely for the purpose referred to in the section "The Scope of the Engagement".

Addressee

Our Report will be addressed to the addressee of this letter.

Staffing

John Cooke will be responsible for our work on this assignment. He will be assisted by Richard Houghton of the Newcastle Valuation team who will be responsible for the day-to-day conduct of the project.

Fees

Our fee for undertaking the Services shall be £2,000. This fee excludes VAT and expenses which shall also be payable pursuant to Clause 3.2 of the DTZ Terms and Conditions. This fee includes the provision of 2 copies of the Valuation Report. Where additional copies are required, a charge may be made reflecting the time spent and costs incurred.

Where we undertake to read reports prepared by third parties as part of the Engagement, such as Reports on Title or Structural Surveys, if these reports are provided some time after we have submitted our Valuation Report, and we have to review and change our Valuation and/or advice in the light of the contents of these reports, we reserve the right to charge an additional fee appropriate in relation to the time involved.

Invoices for fees and, where appropriate, expenses shall be issued upon completion of the Valuation Report.

We acknowledge that Clause 4.1 of the DTZ Terms and Conditions shall be varied for this Engagement as Oceana Business Park Limited is to be responsible for the direct payment of our fees.

Limitation of Liability

The cap on liability in Clause 12.3 of the DTZ Terms and Conditions shall be modified in relation to valuation so that DTZ's aggregate liability arising out of, under or in connection with this Engagement shall be the lesser of £25 million and 25% of the Market Value of the Engagement Property.

Disclosure and Syndication

Publication or disclosure of our Valuation Report shall not be permitted by DTZ unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation – Professional Standards 2014 referred to in the Engagement.

Clause 8.1 of the DTZ Terms and Conditions states that the provision of the services is for the Client's benefit only. If we are subsequently asked to extend responsibility to other parties, then there will be an additional fee payable, to be agreed, to cover our additional time costs, indemnity and insurance liabilities subject to a minimum of £500, plus VAT.

Terms and Conditions

The terms and Conditions governing this Engagement shall be the DTZ Terms and Conditions (attached for your ease of reference), and this Engagement Letter (including the attached Valuation Conditions and Assumptions).

I would be grateful if you would sign and date the enclosed copy of this letter and return the same to me by way of confirmation of your company's acceptance of the above terms and conditions.

Yours faithfully



Richard Houghton MRICS
Director
RICS Registered Valuer
For and on behalf of
DTZ Debenham Tie Leung Limited

Acceptance of DTZ Engagement Letter and the DTZ Terms and Conditions

I have read the DTZ Engagement Letter, the Valuation Conditions and Assumptions and the DTZ Terms and Conditions and hereby confirm this Engagement on the basis of the Terms of Business.

Signature



Name

B. BARTLEY

Position & Company

DIRECTOR PROPLEND SECURITY LTD

Date

3. JULY 15

SCHEDULE 1:

DTZ Commercial/Industrial Property Valuation Engagement Letter

Definitions of the Bases of Valuation

Market value

Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 ("the Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means "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"

The conceptual framework settled by the IVSC is set out in paragraphs 30-34 of the IVS Framework and is reproduced below:-

- "30. The definition of *market value* shall be applied in accordance with the following conceptual framework:
- (a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;
 - (b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;
 - (c) "on the *valuation date*" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;
 - (d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";
 - (e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;
 - (f) "in an arm's length transaction" is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price

level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

- (g) "after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonable obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;
- (h) "where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;
- (i) "and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

- 31. The concept of *market value* presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paras 16 to 20 above).
- 32. The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
- 33. The highest and best use of an asset valued on a stand-alone basis may be different from its *highest and best use* as part of a group, when its contribution to the overall value of the group must be considered.
- 34. The determination of the highest and best use involves consideration of the following:
 - (a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
 - (b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account,
 - (e) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use."

Market Rent

Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "Market Rent" means "The estimated amount for which an interest in real property should 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".

Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated.

The commentary from the Red Book is reproduced below.

"1.3.2 The definition of *market rent* is a modified definition of *market value*; IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.

1.3.3 *Market rent* will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the *market rent*. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate.

1.3.4. *Market rent* will normally be used to indicate the amount for which a vacant property may be let, or for which a let property may be relet when the existing lease terminates. *Market rent* is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.

1.3.5 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of *market rent*. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the *market rent* should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."



Valuation Conditions and Assumptions

These are the conditions and Assumptions upon which our valuations and reports are normally prepared and form an integral part of our appointment together with our related Engagement Letter and DTZ Terms and Conditions. These conditions and Assumptions apply to the valuations that will be the subject of this instruction. We shall make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, our valuations that we will not verify as part of the valuation process but rather, as per the Glossary to the RICS Valuation – Professional Standards 2014 (Red Book), will treat as "a supposition taken to be true". In the event that any of these Assumptions prove to be incorrect then our valuations will need to be reviewed.

1. Basis/Bases of Valuation

The property will be valued on the bases set out in the Engagement Letter as those terms are defined in the Schedule attached thereto.

2. Title

We will not have access to the title deeds of the property. Unless specifically advised to the contrary by you or your legal adviser, we shall make the Assumption that titles are good and marketable and are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We shall also make the Assumption that the property is free from mortgages, charges or other encumbrances.

Where a Certificate of Title is available, we will reflect its contents in our valuations. Save as disclosed either in any such Certificate of Title or as referred to in our Report, we will make the Assumption that there is good and marketable title and that the property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We will also make the Assumption that the property is free from mortgages, charges or other encumbrances.

Where a Valuation Report is required to contain site plans these will be based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, our understanding of the extent of title based on site inspections or copy title plans supplied to us. If verification of the accuracy of these plans is required, the matter must be referred by you to your solicitors.

3. Condition of structure and services, deleterious materials

It is a condition of DTZ or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or give warranties as to, the condition of the structure, foundations, soil and services.

Our valuations will take account of the general condition of the property as observed from the valuation inspection. Where a separate condition or structural survey has been undertaken and made available to us, we shall reflect the contents of the survey report in our valuations, but may need to discuss the report with the originating surveyor.

Due regard will be paid to the apparent state of repair and condition of the property, but a condition survey will not be undertaken, nor will woodwork or other parts of the structure which are covered, unexposed or inaccessible, be inspected. Therefore, we will be unable to report that the property is

structurally sound or is free from any defects. We will make an Assumption that the property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may be mentioned in our Valuation Report.

We will not arrange for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in the construction or any alterations, and therefore we will not be able to confirm that the property is free from risk in this regard. For the purposes of our valuations, we will make an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We will not carry out an asbestos inspection and will not act as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of the Asbestos at Work Regulations 2002. We will not make an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we will make an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations will be undertaken to certify that the site is free from any defect as to foundations. We will make an Assumption that the load bearing qualities of the site of the property are sufficient to support the buildings constructed, or to be constructed thereon. We will also make an Assumption that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the property.

No tests will be carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor will the drains be tested. However, we will make an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

4. Plant and Machinery

No allowance will be made for any items of plant or machinery not forming part of the service installations of the building. We will specifically exclude all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We will also exclude furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

5. Goodwill

No account will be taken in our valuations of any business goodwill that may arise from the present occupation of the properties.

6. Floor areas and inspections

We will physically inspect the property and will either carry out a measured survey or will calculate floor areas from plans provided by the borrower, supported by check measurements on site. Measurement will

be in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

7. Environmental matters, including flooding

We shall make enquiries of the relevant Local Authority website and of the local Environmental Health Officers regarding environmental matters including contamination and flooding. We shall also make enquiries of the environment agency website regarding flooding. We shall have regard to any environmental reports which may be produced. However, we shall not provide a formal environmental assessment.

However, if our enquiries or any reports indicate the existence of environmental problems without providing method statements and costings for remedial works, then we may not be able to issue a Valuation Report except on the Special Assumption that the subject property is assumed NOT to be affected by such environmental matters. In certain circumstances, the making of such a Special Assumption may be unrealistic and our Valuation Report may include a statement that we have made a Departure from the requirements of the RICS Valuation Standards. In these circumstances, our Valuation Report may include a recommendation that an investigation should be undertaken to quantify the costs and that subsequently our valuations should be reviewed.

Where our enquiries lead us to believe that the property is unaffected by contamination or other environmental problems, including the risk of flooding, then, unless you instruct us otherwise, our valuation will be based on an Assumption that no contamination or other adverse environmental matters exist in relation to the property sufficient to affect value.

If the property lies within or close to a flood plain, or has a history of flooding, we shall make the Assumption that building insurance is in place and available to be renewed to the current or any subsequent owner of the property, without payment of an excessive premium or excess.

Depending on the nature of the investigations made, our Valuation Report may include a statement that, in practice, a purchaser might undertake further investigations and that if these revealed contamination or other environmental problems, then this might reduce the value reported.

8. Statutory requirements and planning

We will make verbal or written enquiries of the relevant planning authorities as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We will also seek to ascertain whether any outstanding planning applications exist which may affect the property, and whether it is listed or included in a Conservation Area. We shall also attempt to verify the existing permitted use of the property, and endeavour to have sight of any copies of planning permissions.

Save as disclosed in a Certificate of Title or unless otherwise advised, we shall make the Assumption that the building has been constructed in full compliance with valid town planning and building regulations approvals and that where necessary, it has the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, we shall also make the Assumption that the property is not subject to any outstanding statutory notices as to its construction, use or occupation and that the existing use of the property is duly authorised or established and that no adverse planning conditions or restrictions apply.

We shall make the Assumption that the property complies with all relevant statutory requirements.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates ("EPC") to be made available for all properties, when bought or sold, subject to certain exemptions. If the subject property is not exempt from the requirements of this Directive we shall make an Assumption that an EPC is made available, free of charge, to a purchaser of the interest which is the subject of our valuation.

In addition, the Energy Act 2011 includes a provision whereby from April 2018 it will be unlawful to rent out a premises with an EPC rating which, according to Government proposals issued in February 2015, falls below an E rating. We will ask you or your advisors for information relating to the EPC rating of the property if it is not exempt from these requirements. In the instance where we are not provided with an up to date EPC rating for the property we will make the Assumption that the subject property meets the minimum requirements to enable it to be let after April 2018.

Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We assume that, if you should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

Certain planning authorities will not provide verbal information and require a formal written application for information. Some authorities charge for the information supplied. In such cases we may discuss with you whether to obtain the information and also the extent to which a Valuation Report issued without the receipt of such information or prior to receipt of formal response should be qualified. We would look to you to recompense us for any costs levied upon us by the authority in this matter.

In instances where we are to value property with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, we will make an assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, we must be informed and asked to reconsider our opinion of value. Advice would be required from your lawyer and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which we will reflect in our reconsideration of value.

9. Defective Premises Act 1972

No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972.

10. Leasing

We will read all the leases and related documents provided to us. We will make an Assumption that copies of all relevant documents will be sent to us and that they are complete and up to date.

We will not undertake investigations into the financial strength of any tenant. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we will make an Assumption that:

- i. where a property is occupied under leases then the tenants are financially in a position to meet their obligations, and
- ii. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, our valuations will reflect the market's general perception of the credit worthiness of the type of tenant actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

We will also make an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

11. Legal issues

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the valuation of the property and our Valuation Report will include a statement to this effect.

12. Information

We shall make the Assumption that the information provided by the borrower in respect of the property to be valued is both full and correct and our Valuation Report will contain a statement to this effect. We shall make the Assumption that details of all matters relevant to value within their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

13. Estimated reinstatement cost assessment

We will consider the extent and nature of the building with an estimated reinstatement cost assessment being undertaken as part of our normal valuation exercise. We will not carry out a formal reinstatement cost assessment through our Building Consultancy Division. Our assessment should be treated as a guide only and should not be relied upon. It should be used for comparative purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, a formal reinstatement cost assessment should be commissioned.

The figures set out in our Valuation Report will be our assessment of the cost of reconstructing the property at the valuation date. They will include an allowance for demolition, removal of debris, temporary shoring, statutory and professional fees which are likely to be incurred on reconstruction, but will exclude any allowance for VAT. If you are unable to recover VAT, or can recover part only, you should advise your insurers and increase the Base Sum Insured appropriately. The figures will make no allowance for loss of rent during the rebuilding period, nor for inflation, nor the cost of dealing with any contamination which may be present and have to be dealt with prior to reconstruction. The assessment

will not provide advice in respect of terrorist damage cover and you should consult with your insurers in respect of this.

We will assume that the reinstated building and its use will be similar to that existing, and the replacement building will be to the original design, in modern materials, using modern techniques to modern standards.

14. Deduction of notional purchaser's costs

The Market Value which we will attribute to the property is the figure we consider would appear in a contract for sale, subject to the appropriate assumptions for this Basis of Value. Where appropriate, we will make an allowance in respect of stamp duty and purchaser's costs.

15. Taxation

No adjustment will be made to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance will be made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

Our valuation figure for each property will be that receivable by the willing seller excluding VAT, if applicable.

16. Monitoring

The compliance of the valuations undertaken in accordance with RICS Valuation – Professional Standards 2014 may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

DTZ Terms and Conditions

Clause 1 - Definitions

In the DTZ Terms and Conditions and the Engagement Letter the following terms shall have the following meanings:-

- 1.1 "Client": the person, firm or company to whom DTZ is to provide Services in accordance with the Terms of Business.
- 1.2 "DTZ": Debenham Tie Leung Ltd, company number 02757768, whose registered office is at 125 Old Broad Street, London, EC2N 1AR; telephone: +44 (0)20 3296 3000 and, where appropriate, any subsidiary and/or associated company of DTZ Debenham Tie Leung Limited and/or any holding company of DTZ Debenham Tie Leung Limited and/or any subsidiary and/or any associated company of such holding company.
- 1.3 "DTZ Terms and Conditions": these DTZ standard terms and conditions of business.
- 1.4 "Engagement": the Client's appointment of DTZ to provide particular Services pursuant to the Terms of Business.
- 1.5 "Engagement Letter": The DTZ letter for a DTZ business line issued to the Client which identifies particular Services to be provided by it and that sets out other terms and conditions that shall form part of the Engagement contract between DTZ and the Client together with the DTZ Terms and Conditions. Where the context admits, documents cross referenced and/or attached to the DTZ letter shall form part of the Engagement Letter.
- 1.6 "Force Majeure Event": an event falling within the definition set out at Clause 14.1.
- 1.7 "Intellectual Property Rights": all patents, trademarks, copyrights and design rights (whether registered or not and all applications for any of the foregoing), and all rights of information, data, know-how or experience whether patentable or not whensoever and howsoever arising and all renewals and extensions thereof.
- 1.8 "Laws" means all applicable laws, regulations, regulatory requirements and codes of practice of any relevant jurisdiction, as amended and in force from time to time, including without limitation, Proceeds of Crime Act 2002, Money Laundering Regulations 2007, The Bribery Act 2010 and Data Protection Act 1998.
- 1.9 "Party": DTZ or the Client as the case may be.
- 1.10 "Services": services falling within the known areas of expertise and specialisation of DTZ as more particularly identified in an Engagement Letter or, where no Engagement Letter has been issued, that are the subject of a Client instruction to DTZ to proceed to act on the Client's behalf.
- 1.11 "Terms of Business": Subject to 24.7, the DTZ Terms and Conditions and any applicable Engagement Letter.

Clause 2 - Scope of Business

- 2.1 Where the Client appoints DTZ to provide Services, the appointment shall be on the basis of the DTZ Terms and Conditions and any applicable Engagement Letters. The purpose of an Engagement Letter shall be to address business line and project specific issues, including the precise scope of Services, timescales for deliverables and fee levels as well as certain other terms and conditions.
- 2.2 In carrying out the Services, DTZ shall exercise the reasonable care and skill to be expected of a competent provider of services similar in scope, nature and complexity to the Services. No other warranty or representation, express or implied, shall apply under and/or in connection with the Engagement.

Clause 3 - Fees and Expenses

- 3.1 All fees for performance of the Services shall be calculated in accordance with the fee structure set out in the Engagement Letter.
- 3.2 The Client shall reimburse to DTZ all expenses properly incurred by it in the performance of the Services, including without limitation, travel expenses, accommodation, subsistence, telephone, fax, postage, copying, photography, advertising and any other goods and services purchased.
- 3.3 DTZ reserves the right to require payments to be made on account before commencing or completing any Services. In such event, the amount of the on account payment shall be calculated having regard to the programme for performance of the Services and the likely timing and amounts of expenses to be incurred.
- 3.4 Fees stated shall be exclusive of value added tax which, where applicable, shall be charged to the Client at the prevailing rate.

Clause 4 - Payment

- 4.1 Invoices are payable by the client within 14 days of the date of the invoice.
- 4.2 All payments due to be made to DTZ under the Terms of Business shall be made without set-off or counterclaim and free of and without deduction for any taxes, levies or duties of any description. If the Client is required at any time by any applicable Law to make any such deduction from any payment, the sum due in respect of such payment shall be increased such as shall result (notwithstanding such deduction in DTZ's receipt on its due date) in a net sum equal to the sum DTZ would have received had no such deduction been required.
- 4.3 DTZ may charge the Client interest (both before and after any judgment) on the balance of any unpaid invoice, at the rate of 3 % per annum over the Bank of

England base rate. Such interest shall run from the due date for settlement of the invoice until the date payment of the balance is received.

Clause 5 - The Client's Obligations

- 5.1 The Client shall pay to DTZ all fees, expenses and value added tax, as required pursuant to Clauses 3 and 4. DTZ may suspend and/or cease further work on behalf of the Client in the event of none, partial or late payment of any DTZ invoice.
- 5.2 The Client shall provide to DTZ all information reasonably required, and at the necessary times, to enable DTZ to carry out the Services pursuant to the Terms of Business.
- 5.3 The Client acknowledges that DTZ is entitled to rely upon the accuracy, sufficiency and consistency of any information supplied to it by the Client. DTZ shall have no liability for any inaccuracies contained in any information provided by the Client or any third party on behalf of the Client.
- 5.4 The Client authorises DTZ to speak to or meet with any other person it may need to contact in order to provide the Services. DTZ may release to such person for the purpose of the Services any information reasonably necessary to perform the Services and which it has obtained during the Engagement. DTZ shall not be liable for any use subsequently made of that information.

Clause 6 - Intellectual Property

- 6.1 DTZ is the beneficial owner of all Intellectual Property Rights arising out of or in connection with the provision of the Services to the Client.
- 6.2 Subject to all payments due under the Engagement having been paid, the Client shall have an irrevocable, royalty free, non-exclusive licence to copy and use all materials created by or on behalf of DTZ (and in relation to which DTZ is the beneficial owner of the Intellectual Property Rights) for any purpose relating to the Engagement.

Clause 7 – Electronic Communications

- 7.1 DTZ shall not be liable for any loss arising from the Client's receipt of any information, data or communications supplied or sent by DTZ electronically. The Client shall use all reasonable procedures to seek to ensure that any materials sent by any electronic medium and/or by computer disc to DTZ are virus free.
- 7.2 DTZ may communicate with the Client by email.

Clause 8 – Documents

- 8.1 The provision of the Services is for the Client's benefit only. No part of any report or advice produced by DTZ for the Client shall be reproduced, transmitted, copied or disclosed to any third party without the prior written consent of DTZ and DTZ shall not be liable to any third party which relies upon any such report or advice.
- 8.2 After completing an Engagement, DTZ shall be entitled to keep any Client papers and

documents held while payments due under the Engagement are outstanding.

- 8.3 DTZ shall keep its Engagement files for 6 years after issue of DTZ's final invoice, on the basis that DTZ shall have the Client's authority to destroy the files upon the expiry of that period unless the Client has beforehand requested in writing the return of Client papers or documents. DTZ shall not be liable for any loss of documentation after the stated retention date.
- 8.4 The Client shall be responsible for DTZ's charges in producing any documentation which the Client requires in order to comply with a third party request for disclosure under the Freedom of Information Act 2000 (FOIA). For the avoidance of doubt, the Client, not DTZ, shall liaise with such third party.

Clause 9 - Confidentiality

- 9.1 DTZ shall seek the Client's prior consent to DTZ announcing without limitation, through advertising, and by references in proposals or submissions to prospective clients, that they are providing or have provided the Services to the Client. Such consent shall not be unreasonably withheld or delayed.
- 9.2 The Client shall keep confidential and not disclose to any other person (whether before or after termination or expiry of the Engagement): (a) any information received by it in respect of the methodologies and/or technologies used by DTZ in providing the Services; (b) the details of the commercial terms on which DTZ provides the Services; and (c) any other information in respect of DTZ's business activities which comes into its possession as a consequence of DTZ providing the Services and which is not publicly available.
- 9.3 DTZ shall keep confidential and not disclose to any other person (whether before or after termination or expiry of the Engagement) any information in respect of the Client's business activities which comes into its possession as a consequence of DTZ providing the Services and which is not publicly available.
- 9.4 The provisions of Clause 9 shall not apply to either Party to the extent that disclosure is required by Law or regulatory authorities or to the respective professional advisers of the Parties.

Clause 10 – Professional Indemnity Insurance

- 10.1 DTZ shall effect and maintain, for a period of 6 years from completion of any Engagement, professional indemnity insurance with a limit of indemnity of no less than £10 million provided always that such insurance remains available at commercially reasonable rates.

Clause 11 - Non-Solicitation by Client

- 11.1 Subject to Clause 11.2, the Client shall not offer employment to any employee of DTZ working on an Engagement for the Client or induce or solicit any such employee to take up employment with the Client for a period of 6 months following the end of any involvement by that person with any Engagement for the Client.
- 11.2 Nothing in Clause 11.1 will prohibit the Client from offering employment to an employee of DTZ who has responded to a publicly available advertisement.
- 11.3 In the event that the Client breaches Clause 11.1, DTZ shall be entitled to be paid compensation by the Client up to 6 months salary of the employee concerned

Clause 12 - Limitation of Liability

- 12.1 Nothing in the Engagement Letter or DTZ Terms and Conditions will limit or exclude a party's liability for:
- (a) death or personal injury caused by its negligence;
 - (b) fraud or fraudulent misrepresentation; or
 - (c) any other liability which cannot be limited or excluded by applicable Law.
- 12.2 Subject to Clause 12.1, DTZ will not have any liability, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, to the Client or any third party for any loss of profit, whether direct or indirect, or for any indirect or consequential loss arising under or in connection with the Engagement.
- 12.3 Subject to Clause 12.1 and clause 12.2 and notwithstanding anything to the contrary contained in the Engagement, DTZ's total liability to the Client and any third party, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, arising under or in connection with the Engagement will be limited to an aggregate of the fees payable by the Client for the Engagement.
- 12.4 Without prejudice to the other sub-clauses of Clause 12, where the Engagement involves DTZ being appointed as part of a Client project team, liability for loss and/or damage arising under or in connection with the Engagement shall be limited to that proportion of the Client's loss and/or damage which it would be just and equitable to require DTZ to pay having regard to the extent of DTZ's responsibility for the same and on the basis that all other Client consultants and contractors shall be deemed to have provided contractual undertakings on terms no less onerous than this Clause 12.4 to the Client in respect of the performance of their services in connection with the project and that there are no exclusions of or limitation of liability nor joint insurance or co-insurance provisions between the Client and any other party referred to above and on the basis they shall be deemed to have paid to the Client such proportion which would be just

and equitable for them to pay having regard to the extent of their responsibility.

- 12.5 This Clause 12 will survive termination of the Engagement.

Clause 13 – Money Laundering and Anti-Bribery Procedures

- 13.1 The Client shall provide all necessary cooperation so as to ensure that DTZ and its associates are able to discharge their obligations in respect of all Laws, and those specifically relating to money laundering prevention and the avoidance of other financial crimes.
- 13.2 The Client shall itself comply with such obligations.

Clause 14 – Force Majeure

- 14.1 Neither Party shall be deemed to be in default or liable to the other Party for any matter whatsoever for any delays in performance or from failure to perform or to comply with the Terms of Business due to any cause beyond that Party's reasonable control including, without limitation, acts of God, acts of Government or other competent regulatory authority, telecommunications, network operators, war or national emergency, riots, civil commotion, fire, explosion, flood, epidemic, lock-outs, strikes and other industrial disputes (in each case, whether or not relating to that Party's workforce).
- 14.2 Each Party agrees to give notice forthwith to the other upon becoming aware of a Force Majeure Event, such notice to contain details of the circumstances giving rise to the Force Majeure Event.

Clause 15 - Termination

- 15.1 Without prejudice to any other rights or remedies a Party may possess:
- 15.1.1 DTZ may terminate the Engagement by notice immediately if the Client has failed to pay an invoice within 30 days of the final date for payment of that invoice.
 - 15.1.2 Either Party may terminate the Engagement by notice immediately if the other Party becomes insolvent.
 - 15.1.3 Either Party may terminate the Engagement by notice immediately if the other Party is in breach of its obligations and where such breach is capable of remedy the other Party fails to remedy such breach within 30 days of receipt of a notice specifying the breach.
- 15.2 For the purposes of Clause 15.1.2, a Party is insolvent if it enters into an arrangement, compromise or composition in satisfaction of its debts or goes into liquidation (in

either case otherwise than for the purpose of amalgamation or reconstruction), or has a winding up or bankruptcy order made against it, or it has appointed to it an administrator or administrative receiver or any step analogous to any of the foregoing occurs.

- 15.3 Either Party may terminate an Engagement by giving not less than 30 days written notice to the other. In such event DTZ shall be entitled to payment of fees for the Services it has performed, and payment of the expenses it has properly incurred, up to the date of termination. Where the Engagement Letter does not identify how to calculate the fees that shall be payable where termination under this Clause 15.3 occurs, a fair and reasonable pro rata calculation shall apply having regard to the fees payable for the completion of the Engagement, the expected duration of the entire Engagement and the Services performed prior to termination.
- 15.4 The expiration or the termination of an Engagement, however arising, shall not operate to affect such of the provisions of the Engagement as are expressed to operate or continue in effect after then and shall be without prejudice to any rights or liabilities accrued at the date of such expiration or termination.

Clause 16 – No Waiver, Partnership or Joint Venture

- 16.1 No waiver by a Party of any breach by another Party in the performance of any of its obligations under this Agreement shall operate or be construed as a waiver of any other or further breach whether of a like or different character or be effective unless in writing duly executed by an authorised representative of the affected Party.
- 16.2 The failure by a Party to insist on any occasion upon the performance of the terms, conditions and provisions of the Engagement, or time or other indulgence granted by one Party to another shall not thereby act as a waiver of any breach, as acceptance of any variation, or as the relinquishment of any right under the Engagement, which shall remain in full force and effect.
- 16.3 An Engagement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties, or to impose any partnership obligation or liability upon either Party.

Clause 17 – Entire Agreement

- 17.1 The Terms of Business constitute the entire agreement and understanding of the Parties as to the subject matter of the Terms of Business. They supersede any prior agreement or understandings between the Parties and no variation of the DTZ Terms and Conditions or any Engagement Letter shall be binding unless agreed in writing.
- 17.2 The Client expressly acknowledges that it has not been induced to enter into the Terms of Business by any warranty or representation or other assurance not expressly incorporated in the Terms of Business.

Clause 18 – Severability

- 18.1 If any provision of the Terms of Business is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of the Terms of Business shall not be impaired.

Clause 19 – Contracts (Rights of Third Parties) Act 1999

- 19.1 DTZ may perform any of its obligations or exercise any of its rights under the Terms of Business through any subsidiary or associated company of DTZ Debenham Tie Leung Limited or any holding company of DTZ Debenham Tie Leung or any subsidiary or associated company of such holding company but in all other respects no term of the Engagement is intended for the benefit of a third party and the Parties do not intend that any term of the Engagement shall be enforceable by a third party either under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

Clause 20 – Assignment

- 20.1 An Engagement shall not be assigned or transferred by either Party without the prior consent of the other save that DTZ shall be entitled by writing to the Client to assign all or any of its rights under an Engagement to any company in the same group of companies as DTZ or associated with DTZ.

Clause 21 – Notices

- 21.1 Any notice or other information to be given by either Party to the other under the Engagement shall be given by:
- 21.1.1 Delivering the same by hand;
- 21.1.2 Sending the same by pre-paid registered post; or
- 21.1.3 Sending the same by email, facsimile transmission or comparable means of communication;
- to the other Party at the address given in Clause 21.4.
- 21.2 Any notice or information sent by post in the manner provided by Clause 21.1.2 which is not returned to the sender as undelivered shall be deemed to have been given on the second day after the envelope containing it was so posted; and proof that the envelope containing any such notice or information was properly addressed, pre-paid, registered and posted, and that it has not been returned to the sender, shall be sufficient evidence that the notice or information has been duly given.
- 21.3 Any notice or information sent by telex, facsimile transmission or comparable means of communication shall be deemed to have been duly given on the date of transmission, provided that a confirming

copy is sent to the other Party at the address given in Clause 21.4 within 24 hours after transmission.

- 21.4 The address of either Party for service for the purposes of Clause 21 (but excluding legal proceedings) shall be that of its registered or principal office, or such other address as it may last have notified to the other Party in writing from time to time.

Clause 22 – Miscellaneous

- 22.1 Each Party warrants that it has power to enter into the Terms of Business and that it has obtained all necessary consents and/or approvals to do so.
- 22.2 The Engagement shall inure to the benefit of, and be binding upon, the permitted successors and permitted assignees to the Parties.
- 22.3 Where the Client comprises two or more Parties their liability under the Engagement shall be joint and several.
- 22.4 No actions or proceedings arising under or in respect of the Engagement shall be commenced against DTZ after 6 years after the date of completion of the Engagement, or such earlier date as may be prescribed by law.
- 22.5 Nothing in the Terms of Business purports to bind DTZ to and DTZ accepts no other roles and functions unless expressly documented and agreed in the Engagement Letter.
- 22.6 In addition to Clause 22.5, nothing in the Terms of Business appoints or obliges DTZ and any affiliate to act as an External Valuer as defined under the Alternative Investment Fund Managers Directive (AIFMD) legislation, or its equivalent under local law. DTZ expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing by DTZ.

Clause 23 - Dispute Resolution and Governing Law

- 23.1 In the event that the Client is dissatisfied with the provision of the Services by DTZ under the Terms of Business it must refer such complaint in the first instance to the director in charge of the Engagement in accordance with the provisions of DTZ's complaints procedure current at the time of the complaint. DTZ shall supply to the Client a copy of the complaints procedure upon the request of the Client.
- 23.2 The parties irrevocably submit to the exclusive jurisdiction of the English Courts, subject to the rights of either party to enforce a judgement obtained in the English Courts in any other jurisdiction.
- 23.3 The Terms of Business shall be governed by and construed in accordance with English Law.

Clause 24 – Interpretation

- 24.1 Words importing the singular also include the plural and vice versa where the context requires.
- 24.2 Words importing persons or parties shall include firms, corporations and any other organisation having legal capacity.

- 24.3 The headings in the Terms of Business are not part of the Terms of Business nor shall they be taken into consideration in its interpretation or construction;

- 24.4 All references in the Terms of Business to Clause numbers are references to Clause numbers in the DTZ Terms and Conditions and not to those in any other documents forming part of the DTZ Terms and Conditions unless the context otherwise indicates.

- 24.5 Reference to a statute or statutory provision includes it as from time to time amended, extended or re-enacted.

- 24.6 These DTZ Terms and Conditions and any applicable Engagement Letter shall be read together as a single document.

- 24.7 If there is any conflict between the provisions of:

24.7.1 The DTZ Terms and Conditions and any applicable Engagement Letter, the Engagement Letter shall have priority;

24.7.2 An Engagement Letter and any documents cross referenced and/or attached to that Engagement Letter, the Engagement Letter shall have priority.

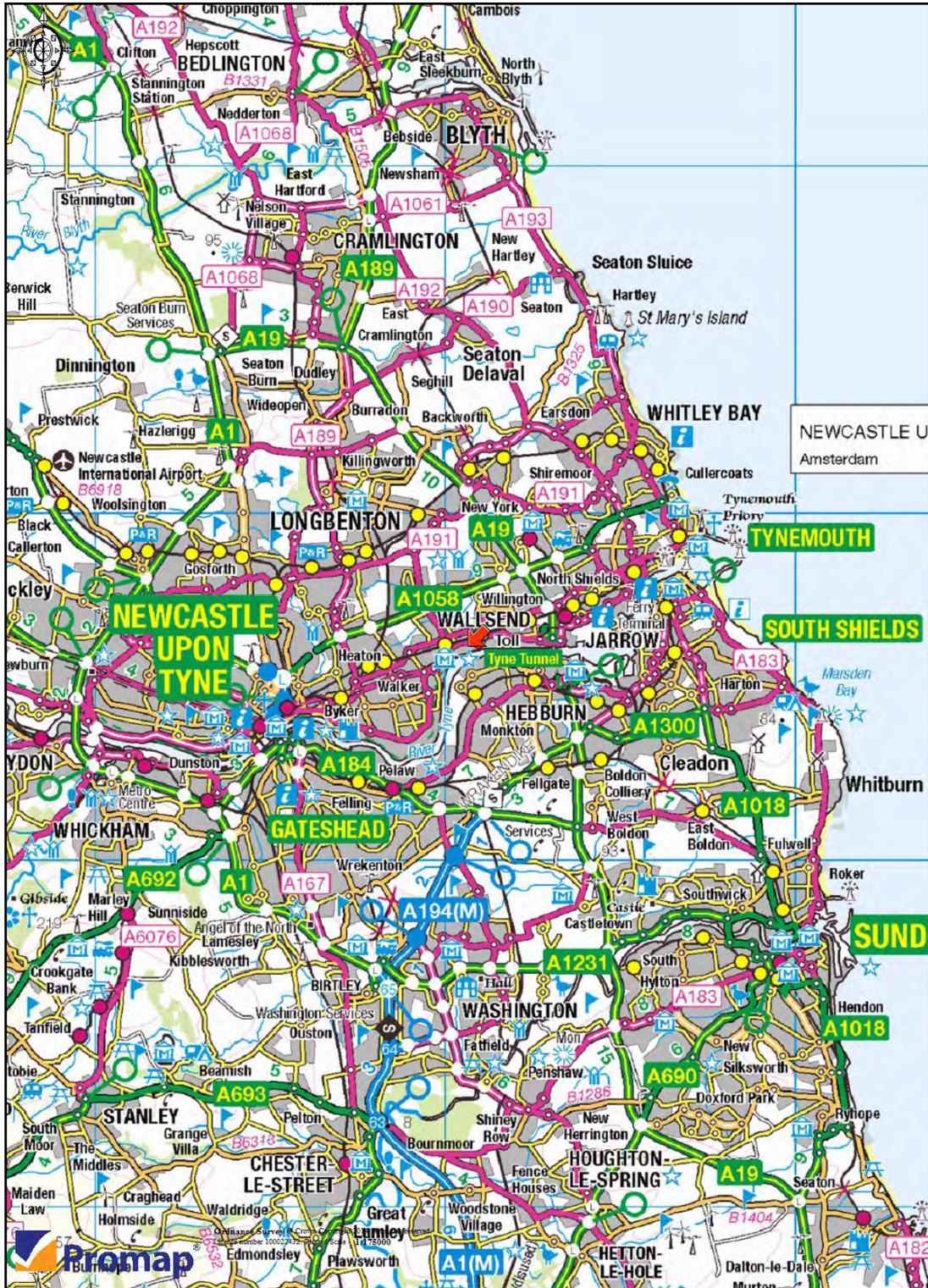
Clause 25 - Data Protection

- 25.1 The Parties will comply fully with the Data Protection Act 1998 in regard to the collection, processing and use of any personal information about in which the parties may obtain through an engagement or otherwise by reason of the Agreement.

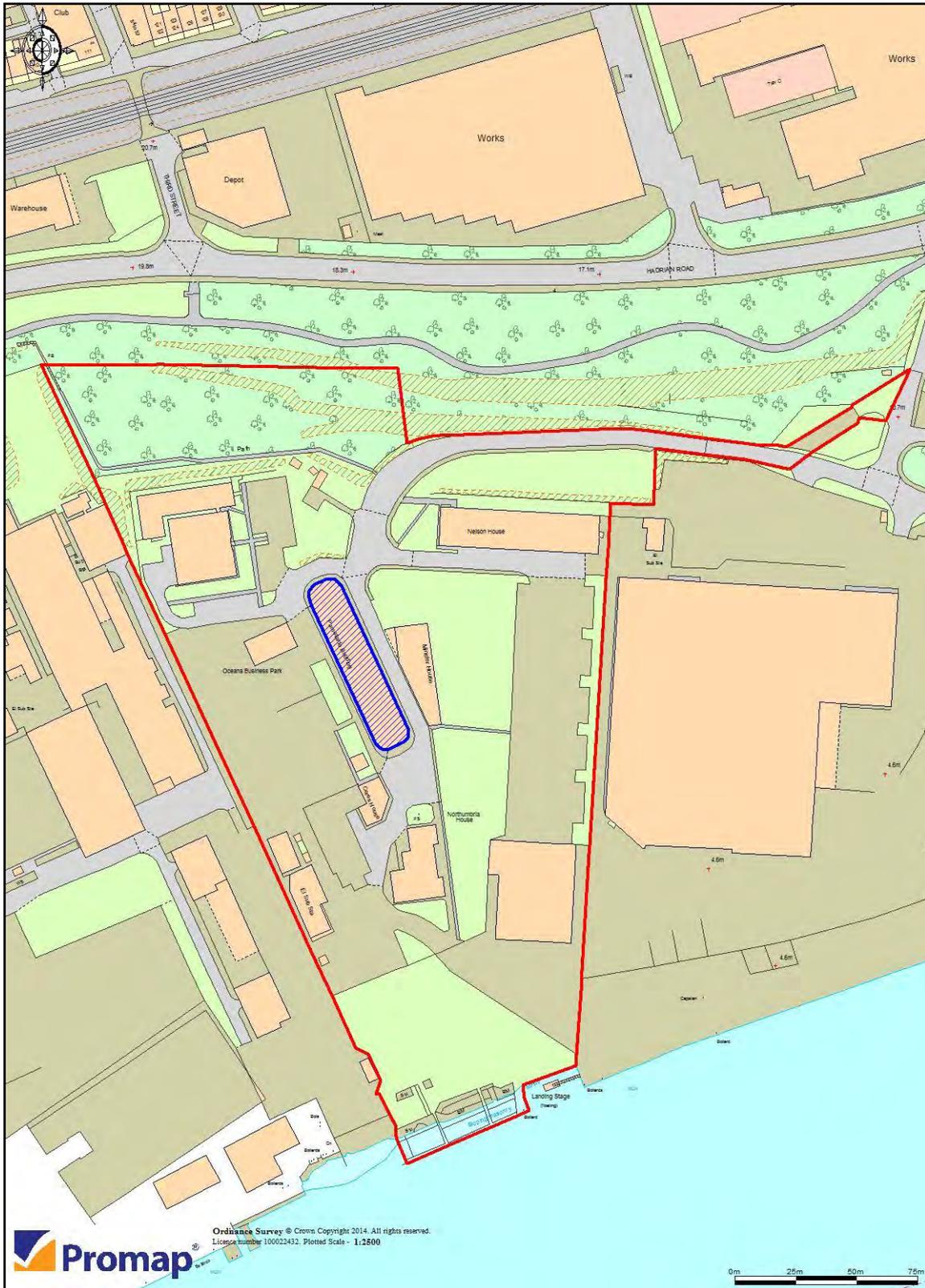
- 25.2 DTZ may search the Client's record at Credit Reference Agencies for the purposes of verifying the Client's identity and to assess whether the Client is able to fulfil its payment obligations under the Engagement.

Appendix A

Location plans and Ordnance Survey extract







Appendix B

Further photographs



External Nelson House



External Nelson House



Internal Ground Floor Nelson House



Internal First Floor Nelson House



External Laurel House



Internal First Floor Laurel House



External Neptune Workshop



Internal Neptune Workshop



External SMD 'Temporary Building'



Internal SMD 'Temporary Building'



External The Studios



Internal The Studios



External The Technology Centre



Internal The Technology Centre



External Northumbria House



Internal Northumbria House



External Ceres House



Internal Ceres House



External Riverside Workshop



Development Land



External SMD Unit



Internal SMD Unit

Appendix C

Title Register

THIS IS A PRINT OF THE VIEW OF THE REGISTER OBTAINED FROM HM LAND REGISTRY SHOWING THE ENTRIES SUBSISTING IN THE REGISTER ON 6 JUL 2015 AT 11:38:12. BUT PLEASE NOTE THAT THIS REGISTER VIEW IS NOT ADMISSIBLE IN A COURT IN THE SAME WAY AS AN OFFICIAL COPY WITHIN THE MEANING OF S.67 LAND REGISTRATION ACT 2002. UNLIKE AN OFFICIAL COPY, IT MAY NOT ENTITLE A PERSON TO BE INDEMNIFIED BY THE REGISTRAR IF HE OR SHE SUFFERS LOSS BY REASON OF A MISTAKE CONTAINED WITHIN IT. THE ENTRIES SHOWN DO NOT TAKE ACCOUNT OF ANY APPLICATIONS PENDING IN THE REGISTRY. FOR SEARCH PURPOSES THE ABOVE DATE SHOULD BE USED AS THE SEARCH FROM DATE.

THIS TITLE IS DEALT WITH BY LAND REGISTRY, DURHAM OFFICE.

TITLE NUMBER: TY317989

There is no application or official search pending against this title.

A: Property Register

This register describes the land and estate comprised in the title.

TYNE AND WEAR : NORTH TYNESIDE

- 1 (01.03.1996) The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being Oceana Business Park, Davy Bank, Wallsend (NE28 6UY).

NOTE: The land tinted green on the title plan is not included in the title.

- 2 (01.03.1996) As to the land tinted pink on the title plan the mines and minerals together with ancillary powers of working are excepted with provision for compensation in the event of damage caused thereby.

- 3 (01.03.1996) As to the land tinted yellow on the title plan the mines and minerals together with ancillary powers of working are excepted.

- 4 (01.03.1996) A Deed of Exchange dated 30 September 1949 made between (1) The Parsons Marine Steam Turbine Company Limited (Company) and (2) The Parsons and Marine Engineering Turbine Research and Development Association (Association) is expressed to grant the following rights. These rights are included in the registration only to the extent that they are legal and not equitable rights.

"together with the right and liberty for the Association and all persons authorised by it to cross the said land coloured brown for the purpose of passing and repassing to and from the parts of the said land hatched yellow lying to the North and South respectively of the said land coloured brown"

NOTE: The land coloured brown referred to has been tinted blue on the title plan..

- 5 (01.03.1996) An Agreement under seal dated 12 March 1951 made between (1) British Electricity Authority and (2) The Parsons and Marine Engineering Turbine and Research Development Association relates to rights of way and the erection of a footbridge.

NOTE: Copy filed.

- 6 (01.03.1996) The land tinted yellow on the title plan has the benefit of the following rights granted by but is subject to the following rights reserved by a Conveyance dated 31 March 1965 made between (1) Parsons Marine Turbine Company Limited (Vendor) and (2) The British Ship Research Association (Purchaser):-

"TOGETHER WITH

.....
..

the right in perpetuity in common with the Vendor and its successors in title to use the existing gas and water mains drains sewers and pipes and electricity cables which now serve the property hereby conveyed in under upon or over the Vendors adjoining land to the east the Vendor

A: Property Register continued

making the necessary arrangements to enable the Purchaser to use the existing services provided that the Purchaser shall pay any expenditure incurred in meeting its requirements including the installation of metering and provided that in exercising the said rights the Purchaser shall not use the said services in such a manner as to overload their existing capacity

EXCEPT AND RESERVING unto the Vendor and its successors in title the owner or owners for the time being of the Vendors adjoining property to the east in common with the Purchaser to use the gas and water mains drains sewers pipes and electricity cables now existing and serving also the said adjoining property of the Vendor or within a period of eighty years from the date hereof to be laid in under upon or over the property hereby conveyed with the right for the Vendor to enter on to the property hereby conveyed for the purpose of replacing repairing and maintaining any of the said services except in the case of an emergency giving previous notice in writing to the Purchaser of its intention so to do and making good all damage occasioned to the surface of the property by reason of the exercise of the said rights"

- 7 (01.03.1996) The Conveyance dated 31 March 1965 referred to above contains the following provision:-

"IT IS HEREBY AGREED AND DECLARED that the Purchaser shall not be entitled to any easement or right of light or air which would restrict or interfere with the free use of the adjoining or neighbouring land of the Vendor for building or other purposes"

- 8 (01.03.1996) For a term of 999 years from 10 March 1967 the land in this title has the benefit of the rights granted by a Deed dated 10 March 1967 made between (1) Pametrada (2) The British Ship Research Association (3) Parsons Marine Turbine Company Limited (4) Henry Moat & Son Limited and (5) George Clark and N.E.M. Limited over the N.E.M road and Pametrada roads as therein mentioned.

NOTE: Copy Deed of Grant filed under TY78766.

- 9 (01.09.2003) The land hatched blue on the land title plan is no longer of any significance and should be ignored since the entry in the register which gave rise to this reference has been cancelled.

- 10 (01.08.2013) The land has the benefit of the rights granted by a Deed of Easement dated 28 June 2013 made between (1) The Council of the Borough of North Tyneside (2) North East Business Park Limited (3) Northern Electric PLC and (4) Northern Powergrid (Northeast) Limited.

NOTE: Copy filed under TY318776.

B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title absolute

- 1 (06.12.2013) PROPRIETOR: OCEANA BUSINESS PARK LIMITED (Co. Regn. No. 08589368) of Ceres House, Oceana Business Park, Davy Bank, Wallsend NE28 6UZ.
- 2 (01.08.2013) RESTRICTION: No Transfer of the registered estate by the proprietor of the registered estate is to be registered without a certificate signed by the Council of the Borough of North Tyneside and the solicitor for Northern Powergrid (Northeast) Limited that the provisions of clause 14.1 of the Deed of Easement dated 28 June 2013 referred to in the Property Register have been complied with.
- 3 (06.12.2013) The price stated to have been paid on 4 October 2013 was £1,400,000.
- 4 (06.12.2013) A Transfer of the land in this title dated 4 October 2013

B: Proprietorship Register continued

made between (1) North East Business Park Limited and (2) Oceana Business Park Limited contains purchaser's personal covenants.

NOTE: Copy filed.

- 5 (06.12.2013) RESTRICTION: No disposition of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the proprietor for the time being of the Charge dated 4 October 2013 in favour of Thincats Loan Syndicates Limited referred to in the Charges Register.

C: Charges Register

This register contains any charges and other matters that affect the land.

- 1 (01.03.1996) The parts of the land affected thereby are subject to the leases set out in the schedule of leases hereto.
The leases grant and reserve easements as therein mentioned.
- 2 (01.09.2003) The parts of the land affected thereby are subject to the following rights granted by a Lease of the land edged and numbered 1 in blue on the title plan dated 14 July 2003 referred to in the schedule of leases hereto:-

Rights means each or any of the rights and liberties specified in the Second Schedule

SECOND SCHEDULE

Rights granted by this Lease

1. The right to erect and use the Building as an electrical substation
2. A right of way at all times and for all purposes with or without vehicles plant and equipment to and from the Demised Premises and the Company's apparatus from and to the public highway and over and along the Estate Roads (subject to the provisions of Paragraph 8 of the Fifth Schedule) until the same shall have been taken over and adopted by the highway authority
3. To use maintain inspect repair renew and remove the Company's apparatus
4. For the Company and all persons authorised by it at all times with or without vehicles plant and equipment to enter upon so much of the Estate as may be reasonably necessary for all purposes in connection with the Company's apparatus
5. To lop trim fell or remove any bush or tree (including the roots thereof) which may interfere with or endanger the Company's apparatus or impede the Company's access thereto
6. To open out doors from the north wall of the Demised Premises over the Estate
7. To enjoy the free flow of air to any ventilators in the Building
8. To enter upon so much of the adjoining land of the Lessor as may be reasonably necessary for the purposes of repair and maintenance of the Building

Definitions and Interpretation

1.1 In this Lease the following words and expressions shall where the context so admits be deemed to have the following meanings:

Building means the substation building erected or to be erected on the Demised Premises

Commencement Date means the 14 day of July 2003

C: Charges Register continued

Company means NORTHERN ELECTRIC DISTRIBUTION LIMITED which expression shall include the Company's successors and assigns

Demised Premises means the land of the Lessor as briefly described in the First Schedule

Estate means the Lessor's Estate situate at Wallsend Research Station Davy Bank Wallsend in the County of Tyne and Wear registered at Land Registry under the above mentioned Title Number

Estate Roads means the roads footpaths and ways now made or to be made within the Perpetuity Period on the Estate

Group Company means a company which is a holding company of the Company or a subsidiary of a holding company of the Company (as defined in Section 736 of the Companies Act 1985)

Lessor means BRITISH MARITIME TECHNOLOGY LIMITED which expression shall include the Lessor's successors and assigns

Perpetuity Period means the period of eighty years commencing upon the date of this Lease

The Company and the Lessor agree those matters contained in the Fifth Schedule

FIFTH SCHEDULE

Agreements

1. The Demised Premises may be occupied by and the Rights may be exercised by any Group Company of the Company as well as by the Company

2. Subject to the provisos herein contained if the Lessor shall at any time during the continuance of the Term desire to demolish or alter any existing building or erect any new building on the Estate or to carry out any other works or alterations to existing works on the Estate which would interfere with any of the Company's apparatus (including underground or overhead cables if any) and shall give notice thereof in writing to the Company then the Company will as soon as conveniently may be divert such Company's apparatus (including underground or overhead cables if any) to another position upon or under the Estate if such shall be reasonably available provided that in every such case

(i) in the opinion of the Company it shall be reasonably practicable so to do without interfering with its operations as undertakers for the supply of electrical energy AND

(ii) all costs charges and expenses of any such diversion (other than the cost of any extension or augmentation of service to enable the supply of premises other than premises on the Estate which costs shall be payable by the Company) shall be paid to the Company on demand by the Lessor and the provisions of this Lease shall apply to the diverted apparatus (including underground or overhead cables if any) of the Company until final removal

3. If there shall be any breach or non-observance of any of the covenants by the Company herein contained then in any such case the Lessor may at any time thereafter re-enter upon the Demised Premises and thereupon this demise shall absolutely determine but without prejudice to any right of action or remedy in respect of any antecedent breach of any of the covenants herein contained

4. It shall be lawful for the Company on or before the expiration or sooner determination of the Term or within six months after such expiration or sooner determination to take down and remove for its own benefit all fixed and movable engines machinery cables plant and apparatus (including any underground lines) at any time placed by it on over or under the Demised Premises provided always that if the Company so prefers it may leave such fixed and moveable engines machinery cables plant and apparatus (including any underground lines) or any

C: Charges Register continued

part thereof in situ having made them safe

5. If at any time during the Term the Company shall no longer require the Demised Premises for the purpose of its undertaking then it shall be lawful for the Company to determine this demise by six months previous notice in writing in that behalf to the Lessor expiring at any time provided that such determination shall be without prejudice to the other terms conditions and covenants contained herein and to any action or actions which may arise therefrom

6. Any dispute or difference arising under the Third Schedule of this Lease (other than Paragraph 6 thereof) and the Fourth Schedule of this Lease (other than Paragraph 5 thereof) shall be submitted to arbitration in matter provided by the Arbitration Act 1996 or any statutory modification or re-enactment thereof for the time being in force

7. Nothing contained in this Lease shall prejudice restrict interfere with or otherwise effect any of the statutory or other rights powers obligations and duties for the time being vested in the Company howsoever arising as the statutory undertakers for the supply of electricity for the region in which the Demised Premises is situated or the performance of the Company of any such obligations or duties or the means by which the Company shall in its absolute discretion exercise its rights or powers or fulfil or discharge any such obligations or duties

8. Notwithstanding any other provision of this Lease the Lessor has the right to vary the layout and location of the Estate Roads as it wishes Provided That the Company is afforded reasonable access to the Demised Premises in the terms envisaged by Paragraph 2 of the Second Schedule

9. If any inconsistency shall be found between the Plans the contents of Plan 2 shall prevail over the contents of Plan 1

10. The parties to this Lease do not intend that any terms will be enforceable by virtue of Contract (Rights of Third Parties) Act 1999 by any person not party to it

The Lessor hereby covenants with the Company to observe and perform the covenants contained in the Fourth Schedule

FOURTH SCHEDULE

The Lessor's Covenants

1. Not to alter remove or conceal or suffered to be altered removed or concealed any name plate or inscription intimating that any apparatus of the Company is the property of the Company

2. To indemnify the Company against all actions costs claims and demands in respect of any road or street charges for which the Company may now or hereafter become liable

3. Not at any time during the Term to do or suffer to be done any act or thing which may interfere with damage endanger or cause a leakage of electricity from the Company's apparatus or impede the Company's access thereto

4. Without prejudice to the generality of paragraph 3 above

4.1 Not to bring anything into contact with the Company's apparatus or so near to the Company's apparatus as to cause a leakage of electricity therefrom

4.2 Not to obstruct the flow or air to any ventilators in the Building

5. At all times during the Term to keep the Company indemnified against all actions proceedings claims demands costs charges and expenses arising out of death injury loss or damage occurring to any person or to any property which shall be occasioned by any breach of the foregoing covenants or by the act neglect or default of the Lessor or its tenants or the servants contractors agents licensees or invitees of

C: Charges Register continued

the Lessor or of such tenants and the Lessor will make good to the Company any such loss or damage of or to the property of the Company

6. That the Company observing and performing the several covenants and conditions hereinbefore contained shall and may hold and enjoy the Demised Premises and the Rights during the Term without any interruption or disturbance by the Lessor or any person claiming through under or in trust for it

7. To do all such acts or rightings (if any) which may be necessary to enable notice of the Company's interest and the Rights and the covenants herein contained to be entered in the Register of the Lessor's title and to enable the Company to be registered as the proprietor of the Demised Premises at Land Registry with absolute title.

3 (06.12.2013) REGISTERED CHARGE dated 4 October 2013.

4 (06.12.2013) Proprietor: THINCATS LOAN SYNDICATES LIMITED (Co. Regn. No. 07341131) of The Dovecote, Pimlico Farm, Austrey Lane, Tamworth, Staffs B79 0PF.

5 (16.12.2014) By a Deed dated 10 December 2014 made between (1) Oceana Business Park Limited and (2) Soil Machine Dynamics Limited the terms of the lease dated 9 June 2014 referred to in the schedule of leases hereto were varied.

NOTE: Copy Deed filed.

Schedule of notices of leases

1	01.09.2003 numbered 1 in blue	Electricity substation site at Davy Bank, Wallsend.	14.07.2003 60 years from 14.7.2003	TY404061
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NOTE: See entry in the Charges Register relating to the rights granted by this lease

2	20.06.2014 Edged and numbered 2 in blue	Soil Machine Dynamics Limited	09.06.2014 25 years from 09/06/2014	TY519296
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NOTE: See entry in the Charges Register relating to a Deed of variation dated 10 December 2014

End of register