

REGIONAL COVERAGE - LOCAL EXPERTISE

REPORT AND VALUATION

in respect of

**GLADSTONE HOUSE
102 HOSPITAL STREET
WALSALL
WEST MIDLANDS
WS2 8BW**

made for the sole purposes of

**PROPLEND SECURITY LIMITED
20-22 WENLOCK ROAD
LONDON
N1 7GU**

Applicant: Harpar Group Limited

required for

MORTGAGE SECURITY PURPOSES

JUNE 2017

Prepared by:

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on behalf of
TOWLER SHAW ROBERTS LLP
Chartered Surveyors

SHREWSBURY • TELFORD • WOLVERHAMPTON

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EXECUTIVE SUMMARY

Address: Gladstone House, 102 Hospital Street, Walsall, West Midlands, WS2 8BW

Dates of Inspections: 12 September 2016 and 13 March 2017

Location: Situated in a residential area, on the corner of Hospital Street and Gladstone Street, approximately ¼ mile to the north of Walsall town centre.

Description: The property comprises 21 residential units within a two storey brick and panelled building with a flat roof. 18 of the units have two bedrooms and three have a single bedroom; the accommodation, therefore, has a total of 39 bed spaces.

Each bedroom includes cooking facilities and a shower and lavatory.

To the rear there is a surfaced car park and a small lock-up garage.

Accommodation:	Living accommodation/ancillary	759.76 square metres	8,176 square feet
	Garage	11.85 square metres	128 square feet
	Total Gross Internal Floor Area	771.61 square metres	8,304 square feet

Tenure: Freehold

Tenancies: The property is to be let to DCB Accommodation on a new full repairing and insuring lease for a term of 15 years, from a date to be confirmed, at a rent of £113,100 per annum, subject to 5 yearly upwards only rent reviews.

Valuations:

Market Value, on the Special Assumption of a proposed lease to DCB Accommodation at a rent of £113,100 per annum:

£1,400,000 (One Million, Four Hundred Thousand Pounds)

Market Value on the Special Assumption of full vacant possession:

£900,000 (Nine Hundred Thousand Pounds)

Market Rent:

£113,100 (One Hundred and Thirteen Thousand, One Hundred Pounds) per annum

Estimated Reinstatement Cost for Insurance Purposes:

£1,800,000 (One Million, Eight Hundred Thousand Pounds)

Inspecting Surveyor: Andrew Oliver MRICS

Gladstone House, 102 Hospital Street,
Walsall, West Midlands, WS2 8BW



Front elevation to Hospital Street



Front elevation and entrance to car park



Elevations to Hospital Street
and Gladstone Street



Side elevation to Gladstone Street



Rear elevations and car park



Communal sitting room



Ground floor office



Unit 3

1.0 INSTRUCTIONS

We are instructed by Proplend Security Limited to prepare valuations in respect of residential bed-sitting rooms at Gladstone House, 102 Hospital Street, Walsall, West Midlands, WS2 8BW, as at the present day, which we understand are for mortgage security purposes.

The valuations required are as follows:

- Market Value, on the Special Assumption of a proposed lease to DCB Accommodation at a rent of £113,100 per annum;
- Market Value, on the Special Assumption of full vacant possession;
- Market Rent;
- Estimated reinstatement cost for insurance purposes.

A copy of your instructing letter is attached hereto.

We confirm that we satisfy the requirements for competence and independence as set out in the RICS Valuation – Professional Standards.

As you are aware, we have previously carried out valuations of this property for lending purposes, for the following organisations:

- Method, on behalf of Lancashire Mortgage Corporation t/a Together, in October 2016;
- Lendy Finance, in March 2017.

However, we confirm that we do not believe that this creates a conflict with our duty to provide you with an objective and independent valuation. We also confirm that we have received written confirmation from both the previous instructing parties that their involvement with the property has terminated.

1.1 Schedule of Assumptions and Basis of Valuation

This report and valuation has been prepared in accordance with the Schedule of Assumptions, Limitations, Caveats and Basis of Valuation which is appended to the rear of this report, and the Royal Institution of Chartered Surveyors Valuation - Professional Standards.

In accordance with your instructions, we are to undertake valuations adopting the following Special Assumptions:

- (1) that the property is to be let to DCB Accommodation for a term of 15 years at a rent of £113,100 per annum, subject to 5 yearly upwards only rent reviews;
- (2) that the property is to be sold with full vacant possession.

1.2 Date of Inspection

Our last inspection of the property was carried out on 13 March 2017 by Andrew Oliver MRICS, who is an RICS Registered Valuer with the appropriate experience in valuing this type of property in this location. You have confirmed that, for the purposes of this valuation, we may rely on this inspection and that a further inspection is not required. We have, therefore, assumed that all details relating to the property, including its layout and condition, remain unchanged and this has been verbally confirmed to us by the Applicant. Should this assumption not be correct, we reserve the right to amend our valuation.

The valuer previously carried out a full measured inspection on 12 September 2016 in connection with the original instructions received from Method. We can confirm that, following our most recent inspection in connection with this instruction, the layout of the property remained the same as at the time when we carried out our measured survey.

At the time of our most recent inspection in March 2017 the weather was sunny.

2.0 LOCATION

Walsall is situated on the north eastern edge of the West Midlands conurbation, approximately 9 miles to the north west of Birmingham city centre and about 6 miles to the east of Wolverhampton.

The town has historically been an important manufacturing centre for the leather industry, although this has declined to some extent and Walsall now supports a mixture of industries.

Road communications are excellent with Junctions 9 and 10 of the M6 motorway lying within 1¼ miles to the south west and north west of the town centre respectively. Junction 8 of the M6 motorway, which forms the intersection with the start of the M5 motorway, is about 2 miles to the south. The main A34 trunk road also passes through the town and this has a direct link with Junction 7 of the M6 motorway about 3½ miles to the south east.

There is a regular local railway service to Birmingham New Street and Wolverhampton.

A location plan is attached hereto at Appendix I.

2.1 Situation

The property is situated in a residential district approximately ¾ mile to the north of Walsall town centre. Hospital Street provides a link between the A34 Green Lane and the B4210 Bloxwich Road, both of which have junctions with the Walsall Ring Road a short distance to the south.

The area is characterised predominantly by older, terraced housing although there is some modern residential development to both the west and the east along Hospital Street.

The majority of the nearby residencies appear to be owner-occupied and the style of the property and its use as bed-sitting rooms is, therefore, non-conforming to the immediate area. However, its residential use is appropriate.

The property is on the corner of Hospital Street and Gladstone Street and is set back from both road frontages behind a lawned area.

A site plan is attached hereto at Appendix II.

3.0 DESCRIPTION

The property comprises a detached "L" shaped two storey concrete framed residential building with brick elevations which incorporate panel and double glazed features and a flat roof.

The property, which we estimate dates from the 1960s, comprises 21 residential bed-sitting room units, 18 of which have two bedrooms and 3 having a single bedroom, thus providing a total of 39 beds. The property is currently used for accommodating vulnerable people.

The internal accommodation has plastered ceilings and walls and the corridors have laminate timber floors with tiled ceilings to the ground floor.

Each of the units includes a principal bedroom, furnished with a single bed, a wardrobe, chest of drawers and small bedside cabinet. Each of the bedrooms also has a built-in electric cooker and sink. The majority of the units has a small entrance lobby and a small second, unfurnished bedroom, although three units on the first floor have a single bed-sitting room. Each unit has its own shower and WC.

There is an office to the front at ground floor level and also on the ground floor there is a communal sitting room: both these areas have kitchen and shower/lavatory facilities and could, therefore, be used as two additional bed-sitting rooms.

The property also includes ancillary storage accommodation, one area of which on the first floor appears to have been previously used as a gym. There is a laundry room, also at first floor level.

There are two sets of stairs within the building, but no lift.

To the rear of the building there is a tarmac surfaced car park providing spaces for approximately eight vehicles. There is also a single garage to the rear of the car park.

There is an area of overgrown, part paved garden separating the building from the car park and there are grassed areas to the road frontages.

4.0 ACCOMMODATION

4.1 Floor Areas (Gross Internal)

Floor	Description	Square Metres	Square Feet	
Ground	Unit 1	29.41	317	
	Unit 2	32.67	349	
	Unit 3	29.39	317	
	Unit 4	30.18	325	
	Office (incl kitchen and shower/lavatory)	41.01	441	
	Store (inaccessible – estimated area)	2.63	28	
	Communal sitting room (incl kitchen and shower/lavatory) (Unit 23)	41.89	451	
	Unit 22	38.21	411	
	Electrics room	4.10	44	
	Store (bedroom)	11.56	124	
	Unit 5	30.35	326	
	Unit 6	30.57	329	
	Unit 7	30.49	329	
	Unit 8	29.58	318	
	First	Unit 9	29.76	321
		Unit 10	30.71	331
		Unit 11	30.13	325
Unit 12		29.90	322	
Unit 13 (one bedroom)		26.20	282	
Unit 14 (one bedroom)		26.71	287	
Unit 15 (one bedroom)		26.62	286	
Unit 16		39.40	425	
Laundry room		4.10	44	
Former lavatory		1.88	20	
Store (former gym)	11.49	124		
Unit 17	30.24	325		

	Unit 18	30.37	327
	Unit 19	30.53	329
	Unit 20	29.68	319
	Garage	11.85	128
Total Floor Area (excluding corridors, stairs etc)		771.61	8,304

Floor areas were measured on 12 September 2016 in accordance with the RICS Code of Measuring Practice. We have assumed that the layout and floor areas remain unchanged since our previous inspections.

4.2 Site Area

The site is broadly rectangular in shape and is understood to extend to an area approximately edged red on the attached Site Plan.

By reference to the Ordnance Survey extract, we calculate that the site extends to approximately 0.19 hectares (0.47 acres)

5.0 SERVICES

We have assumed that mains water and electricity are available to the property and that drainage is to the mains sewer. We are informed that mains gas is not connected.

Heating is by way of electric night storage units.

Lavatory and shower facilities are provided to each of the units.

We have not tested any of the services and have assumed them to be in good working order. Should you require specific commentary on the condition and life expectancy of the services then we would recommend that you appoint a suitably qualified Mechanical & Electrical engineer to comment as appropriate.

6.0 COUNCIL TAX

Each of the residential units is assessed for Council Tax under Band A.

7.0 TENURE

We are advised by the Applicant that the interest in the property to be valued is freehold.

We have not been supplied with any report on title and have therefore assumed the property is not subject to any onerous encumbrances, adverse restrictive covenants, onerous wayleaves, easements, rights of way or other unfavourable dominant rights. We have not inspected the title deeds.

We will be pleased to comment further upon receipt of a report on title.

7.1 Tenancies

We are verbally informed by the Applicant that the property is currently being operated by a company owned by him, DCB Accommodation, which was previously occupying under a lease at a rent of £113,100 per annum. We are further informed that no rent is currently being paid on account of a dispute between the Applicant and the Mortgagee in Possession. We have not seen a copy of the former lease or any documentation relating to the current occupation.

On completion of the purchase the Applicant has informed us that the property is to be let by him to DCB Accommodation, on a new, full repairing and insuring lease for a term of 15 years from a date to be agreed at a rent of £113,100 per annum, subject to 5 yearly upwards only rent reviews and with no break options.

Our valuation is based on the Special Assumption that this lease will be completed on the terms outlined to us and that, further, the lease will be drawn on institutionally acceptable terms and will not contain any onerous covenants. We recommend your solicitors confirm our understanding formally and should there be any variations our valuations would be subject to review.

8.0 PLANNING

Local policy for the Planning Authority is now documented within the Walsall Council Unitary Development Plan, which was adopted in 2005. This was intended to cover the period up to 2011 although most of the policies and plans have been saved until they are replaced by policies from the emerging Local Plan.

The property is identified on the Proposals Map of the Walsall UDP as being situated within a Core Employment Area. As far as we can establish:

- The property is not subject to outstanding planning enforcement action and there is none pending;
- The property is not situated within a Conservation Area;
- The property is not a listed building; and,
- There are no current planning applications with regard to the property and no outstanding consents exist.

We have not been able to identify a planning application in respect of the original construction or the current use of the property. However, we have previously identified the following planning permissions which we have obtained from the Walsall Council Planning Department website:

Address	Date	Application No.	Proposal	Decision/Comments
Gladstone House Hospital Street Walsall	29/09/1995	BC44282P	Certificate of proposed lawful use: Continued use as single person accommodation and amend layout of WC to include shower within bedsits.	Granted: Certificate of Lawful proposed use or development

Gladstone House Hospital Street Walsall	23/02/2001	BC56596P	External alterations, proposed new pitched roof, two storey front extension, first floor extension at rear and erection of new boundary treatment and gates.	Granted
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We have assumed that the property is being used in full accordance with valid planning consents and that it has a Class C3 (dwellinghouses) planning use. We have not been able to confirm this formally with the Local Planning Authority.

The Local Authority refuses to advise whether there are any outstanding Statutory Notices without a formal search.

Should you wish us to make formal enquiry to clarify the planning position we will be pleased to receive your instructions. We recommend that the planning position is formally checked in due course although this can only be ratified by an official search.

9.0 HIGHWAYS

The property has frontages to Hospital Street and Gladstone Street, both of which are adopted public highways. The principal access to the property is from Hospital Street.

The Local Authority refuses to advise without formal enquiry whether or not the property is affected by any road improvement works. Our valuation assumes it is not affected but a formal enquiry should be made to confirm this.

10.0 CONDITION

We have not carried out any formal building survey, however following our superficial inspections for valuation purposes, the property appeared to be in a reasonable state of repair having regard to its age, use and type of construction. During the course of our inspections in September 2016 and March 2017 we did, however, note the following:

- Areas of the external panelling and boarding to the entrance porch are showing signs of rotting and required re-painting;
- A timber window frame adjoining the front entrance was rotten;
- There was chipped surround to the sink in Unit 3;
- There was evidence of damp penetration to the shower/lavatory in Unit 23;
- There was evidence of damp penetration to the lobby of Unit 12;
- There was evidence of damp penetration to the entrance of Unit 15;
- The lavatory seats in Units 13 and 16 were disconnected;
- The wall to the northern boundary, between the garage and the principal building, was out of alignment.

The shower units generally appeared to be ageing, although we have assumed these are all serviceable.

At the time of our most recent inspection in March of this year some of the units were not in use, on account of new furnishings being supplied and redecoration works being carried out. Most of this work appeared to have been completed, although some outstanding works of a minor nature appear to be still required. For example, some of the curtains were still awaiting hanging.

As we have not carried out a further inspection in connection with this instruction we have assumed that the property is in similar condition to that at the time of our previous inspections. Therefore, for the purposes of this valuation, we have assumed that the premises can be considered to be in good repair and that should a survey be carried out it would not reveal any defects which would materially affect the price that the property would achieve on the open market.

NB. Fitted carpets and trade fixtures and fittings and furnishings and stored goods severely impeded our inspection. No inspection of the roof voids was possible.

Equality Act 2010 - We have not been supplied with an Access Audit and in the absence of such, our valuation assumes that the property complies with the Equality Act. This encompasses the Disability Discrimination Act 1995 which requires equal treatment of all, regardless of protected characteristics, including disability. If one has not been obtained, an Access Audit may need to be carried out, and the results of this may give cause to amend our valuations. We will be pleased to assist further here if required.

It should be noted, however, that there is no lift within the building, and, therefore, the first floor accommodation is not accessible to disabled people.

Fire Risk Assessment - We have not been provided with a copy of the current owner's fire risk assessment. This may need to be supplied and the contents referred to your insurers. Our valuations make no allowance for physical alterations to the premises pending supply of the fire risk assessment.

Building Regulations - The Building Control Department of the Local Authority refuses to confirm without formal enquiry whether or not there are any outstanding notices or works concerning building regulations. In view of the time involved, our valuation assumes there are none and that a satisfactory completion certificate is available relating to the original construction and any extensions and alterations but formal enquiry would be needed to confirm this.

Energy Performance Certificates – We have identified from the Landmark database Energy Performance Certificates (EPCs) in respect of the individual units, as follows:

Unit Number	Energy Efficiency Rating	Environmental Impact (CO2) Rating	Date of Certificate
1	F (35)	E (54)	13 October 2009
2	F (35)	E (54)	13 October 2009
3	F (35)	E (54)	13 October 2009
4	F (35)	E (54)	13 October 2009
5	D (67)	C (76)	13 October 2009
6	F (35)	E (54)	13 October 2009
7	D (67)	C (76)	13 October 2009
8	F (35)	E (54)	13 October 2009
9	F (24)	E (45)	13 October 2009
10	F (24)	E (45)	13 October 2009
11	D (59)	E (52)	15 July 2010
12	E (46)	D (63)	13 October 2009
13	E (46)	D (63)	13 October 2009
14	E (46)	D (63)	13 October 2009
15	E (46)	D (63)	13 October 2009
16	F (24)	E (45)	13 October 2009

17	F (24)	E (45)	13 October 2009
18	F (24)	E (45)	13 October 2009
19	F (24)	E (45)	13 October 2009
20	F (24)	E (45)	13 October 2009
21	F (35)	E (54)	13 October 2009
22	F (35)	E (54)	13 October 2009
23	F (35)	E (54)	13 October 2009

Copies of the Energy Performance Certificates are attached at Appendix VI.

Minimum Energy Efficiency Standards (MEES) have been introduced by Government to make it unlawful to grant new leases or lease renewals (with some exemptions) of domestic property with a "sub-standard" EPC rating of F or G after 1 April 2018. This and the potential raising of the threshold over time may adversely affect the future performance of the property as an investment, and may therefore impact on future values. The effects of this should be monitored in respect of the subject property and appropriate steps taken to improve the energy efficiency rating of those units with an assessment of F in order to protect future values.

At present the banding seems to have little impact on value or letting prospects, but after April 2018, where a property falls within Band F/G improvement works may be needed before it can be let. As this date approaches occupiers may start to factor this potential cost into their negotiations.

Asbestos - We have not been supplied with an asbestos survey and in the absence of such, our valuation assumes that no asbestos is present. To comply with the Control of Asbestos Regulations 2012 however, an appropriate survey should have been obtained and if asbestos is present, a risk management plan implemented. Such a survey may need therefore to be carried out and the results of this may give cause to amend our valuations. We will be pleased to advise further here if required.

10.1 Ground Conditions/Environmental Considerations

Japanese Knotweed - We did not observe any evidence of Japanese Knotweed or other invasive species in the vicinity of the property.

Radon Gas - By reference to the Health Protection Agency (www.hpa.org.uk/radiation) the property may be in an area of low to medium risk to the potential of being affected by radon gas. Formal enquiries made as part of normal legal searches will need to confirm this and if the property is adversely affected, this needs to be referred back to ourselves to comment on the impact in our valuation.

Mining - The property is situated in an old mining area and a Coal Mining Report should be obtained. Our valuation assumes this would prove to be satisfactory and would have no adverse impact on value.

Flooding - By reference to the Environment Agency's website (www.environmentagency.gov.uk) the property is understood not to be in an area susceptible to flooding from natural sources. Formal enquiries as part of normal legal searches would be required to confirm this. If the site is potentially affected, these findings need to be referred back to us, to comment on the impact on our valuation, and the matter referred to your insurer.

Contamination - The Environment Agency and Environmental Health Department of the Local Authority refuse to comment on specific environmental/contamination issues without formal enquiry and at cost. You will appreciate that our investigations are only superficial and a purchaser of this property may require more detailed investigations to be made so as to assess any risks before completing a transaction.

The property is situated in a well-established residential area and our enquiries and superficial inspection have not revealed any contamination or adverse ground conditions affecting the property or neighbouring property which would affect our valuation.

However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, or that ground conditions would result in abnormal development costs, this might reduce the values now reported.

To clarify the full risk assessment, further investigations would need to be undertaken by and on the advice of a suitably qualified and insured specialist firm of environmental consultants.

11.0 GENERAL REMARKS/SUMMARY

The property comprises a two storey building, with a principal frontage to Hospital Street, which has been subdivided to provide 21 residential units, and a total of 39 beds.

We understand that the property is currently occupied on an informal basis at a rent of £113,100 per annum, although the arrangement is to be formalised as a condition of the mortgage approval by the granting of a new full repairing and insuring 15 year lease, without a break option, at a similar rent of £113,100 per annum, exclusive. We have only been provided with brief, verbal details, upon which we have had to rely, and we have not seen a copy of a draft lease. We have, however, specifically assumed that the information with which we have been verbally supplied, as outlined in Section 7.1 of this report, is correct and we recommend that your solicitors confirm accordingly. We have further assumed that the proposed lease will not contain any covenants which could adversely affect the value.

Should our assumptions not be correct, or should there be any variations to the proposed lease terms or rent, we reserve the right to review and amend the valuations. We shall, therefore, be pleased to comment further upon production of a draft lease.

We are verbally advised by the Applicant that the proposed tenant, DCB Accommodation Limited is an Exempt Provider, the relevance of which needs to be clarified, and that the accommodation is let out at a rent of £450 per unit per month, payable by the Local Authority. This equates to a total of £113,400 per annum, which is only £300 more than the rent which will be paid by the tenant under the proposed lease.

We have, however, been supplied by the Applicant with a Rent Schedule for the year commencing 13 January 2016-2017, which details a breakdown of additional sums that are received from the Local Authority in respect of providing services. The Schedule relates to both the subject property and another similarly-run property at Stafford Street, Walsall. The total, identified as Contractual Rent, is £218.48 per week per tenant and we have assumed that these additional sums are sufficient to cover all operating costs, including those for repairs, maintenance and all services and that, there is no shortfall. A copy of the Schedule provided to us is attached at Appendix IV. We have assumed that similar sums will be received by DCB Accommodation on completion of the lease, as a contractual commitment by the Local Authority; this must be formally confirmed and a Schedule showing the costs for the current year must be obtained.

Confirmation of the contractual arrangement with Walsall Council must also be obtained in respect of the term period over which the Council will be committed to provide funding, including the degree to which this funding can be used and varied over that period. In particular, verification as to whether the funding varies according to occupancy levels must be established. Should there be any shortfall or potential shortfall in the future in the expenditure incurred by the prospective tenant and the financial support provided under contract from the Council, our valuation would be subject to review.

The proposed tenant, DCB Accommodation Limited, is, we understand, wholly owned by the Applicant, who is the sole director. We have carried out a Creditsafe search and note that the company has a credit rating of 53, Low Risk, and an International Score of B, also low risk. No financial information is shown, although the Applicant has supplied us with draft Financial Statements for the year ended 31 December 2016, from which we note turnover was £462,915 and pre-tax profit was £175,676. Shareholders' funds are shown as being £391,146.

We have also been provided with copies of accounts for the period from 1 April 2015 to 31 December 2015, which reported turnover over the 9 months of £353,851, pre-tax profit of £71,068 and shareholders' funds of £391,435. We have been advised by the Applicant's accountant that the reduced profit was on account of higher overheads, being repairs and security costs which have now been taken "in house".

The accounts for the year ended 31 March 2015, with which we have also been supplied, reported a turnover of £184,619 and a pre-tax profit of £53,213; shareholders' funds were negative at (£33,031).

We are informed that the property is to be reconfigured to provide 16 double rooms and 5 single rooms, providing a total of 37 bed spaces and the Applicant's accountant is anticipating increased profitability of the business. We have assumed that these works have not yet been carried out.

The financial status of the proposed tenant is of the utmost importance and it appears that, based on the financial information with which we have been supplied, the covenant strength of the tenant, would be viewed by an investor as being acceptable. Copies of the financial statements, as supplied to us, are attached at Appendix V.

At the time of our latest inspection in March of this year, some units were unoccupied and the accommodation was being refurbished. We have assumed these works have now been completed to a high standard and we have not reflected any costs in this respect in our valuations.

Although the property is in generally reasonable condition, we did note some wants of repair, as itemised in Section 10.0 above. We have not, however, made an allowance in our valuation for remedying any defects, nor for completing any refurbishment or reconfiguration works.

We noted that a section of the wall to the northern boundary is out of alignment and it appears that this may be caused by some form of impact damage. We have assumed this is the case and that it has not been caused by subsidence and we recommend that this is formally confirmed. Should this assumption not be correct, we reserve the right to review our valuations.

We have identified Energy Performance Certificates relating to the individual units, as summarised within Section 10.0 above. We would draw your attention to the comments relating to Energy Performance Certificates made in this report under Section 10.0, particularly with regard to the 16 units with an Energy Efficiency Rating of F.

We are aware that the Applicant is hoping to acquire the freehold interest of the property out of receivership and that a sum of approximately £750,000 has been mentioned. We have assumed that the purchase price will reflect the fact that the Applicant is, in effect, a sitting tenant.

We recommend that the structure of the loan reflects the institutional use of the property and the uncertainties highlighted in this report.

With regular maintenance and subject to comments contained herein the property should have a useful economic life of 25 years and provide suitable mortgage security.

11.1 Valuation Commentary

The property market was extremely strong up until the summer of 2007, but this was severely compromised by the financial crisis in the banking sector on a scale said to be unprecedented since 1929, and then subsequently with the recession. The market consequently entered a phase of severe fragility, with values dropping significantly since the peak of 2007. Whilst interest rates then became low compared with historic levels, property values remained extremely vulnerable to on-going changes in the general economy and financial markets. Until recently, demand has however been gradually improving with increased enquiry levels from potential purchasers and occupiers.

The availability of housing for owner occupation is likely to remain constrained despite reported plans for the present government to increase the support of affordable home ownership, as a combination of levels of supply and demand in the market, the availability of mortgage credit and the health of the UK Economy.

The outlook for a national improvement in house building could be adversely affected due to construction sector problems, such as labour shortage and strict planning rules such as Greenbelt protections, restricting land availability and increase in land pricing. The additional factors of an ageing population and high net migration are likely to increase stress within the housing market.

There are increasing concerns amongst various financial institutions and economic analysts as regards to the increasing amount of personal debt, both secured and unsecured, as proportion of income being taken on by households and the eventual effects on affordability for both mortgage and rental payments, particularly in the event of increased base and lending interest rate rises and a worsening economic climate.

UK investment volumes fell in the first half of 2016 generally, affecting the main investment markets linked to global economic movements, oil prices and slowdowns in the Chinese and emerging market economies. The effect has not been particularly noted in the secondary and occupier markets in the West Midlands.

Prior to the Referendum on Britain's EU membership, there were some signs nationally of increased caution in the market and as stated, economic forecasters began downgrading forecasts for UK growth, but few predicted the surprise of the "leave" vote, which resulted in highly volatile stock and currency markets and political upheaval in the UK and abroad.

Such circumstances are unprecedented and we are now in a period of significant uncertainty in relation to many factors that affect the property market.

The residential market has been subdued for some months and the latest RICS Residential Market Survey for May 2017 reports that this trend is continuing with a further decline in new sales over the month. Additionally, although price growth is still positive this appears to have lost momentum and further cooling is anticipated in the coming months. The prospect of the General Election was seen as a major factor affecting the market during the month and it remains to be seen how the result will be viewed by the market in general.

Tenant demand rose only marginally in the lettings market and the increase was the most moderate since December 2016.

Where uncertainty could have a material effect on valuation, the Red Book requires a valuer to draw attention to this, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation.

Since the Referendum there has been only limited evidence of market activity upon which to base our opinion of value, resulting in a reduced level of certainty that can be attached to our valuation.

As a result the probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale, is reduced. We would, therefore recommend that the valuation is kept under regular review, and that specific market advice is obtained should you wish to effect a disposal in the future.

Our valuation adopts the Comparable method of valuation, relying upon transactions involving similar properties in the locality and the following provide a useful guide into the market:

Basalt Close, Walsall – situated a short distance to the east of Junction 10 of the M6 motorway, a one bedroom flat was let in March 2017 at a rent of £400 per calendar month (£5,800 per annum).

Southmead Way, Walsall – situated a short distance to the north of the subject property, several two bedroom flats have been let recently, the latest being in early March, at a rent of £475 per calendar month (£5,700 per annum).

Saddlers Reach, Thornbury Road, Walsall – situated a short distance to the north of the subject property, a one bedroom flat with parking was let earlier this year at a rent of £450 per calendar month (£5,400 per annum).

Walker Road, Walsall – situated on the north side of the town, close to Bloxwich, a two bedroom flat was let in early March at a rent of £500 per calendar month (£6,000 per annum).

Sales evidence includes the following:

34 Spring Court, Birmingham Road, Walsall – ground floor, one bedroom flat in need of modernisation, situated approximately 1¼ miles south east of the town centre. Sold by auction in June 2017 for a sum of £55,000.

61 Pommel Close – situated approximately 3 miles south of Walsall town centre, two bedroom maisonette, offered for sale by auction in June 2017 and achieved a sale price of £54,500. The guide price was in excess of £40,000.

Flat 5, Saldavian Court, Slaney Road, Walsall – two bedroom flat in cul-de-sac on the south western side of Walsall. Sold by auction in May 2017 and achieved a sum of £50,000.

52 Harden Close, Walsall – situated approximately 1 mile to the north of the town centre, a freehold, two bedroom flat was sold in March 2017 for a sum of £48,500.

58 Terret Close, Walsall – two bedroom flat within a modern block, close to the town centre. The property achieved a sale price of £85,500 in March 2017.

Flat 24, Regent House, Green Lane, Walsall – two bedroom flat, leasehold, sold in January 2017 for a sum of £53,000. Green Lane forms part of the A34 trunk road leading from the north of Walsall and has a junction with Hospital Street.

Elm Court, Sutton Road, Walsall – situated on the eastern side of Walsall town centre, this two bedroom flat was sold in December 2016 for a sum of £91,500.

23 Grenville Close, Walsall – one bedroom flat sold, also in December 2016, for a sum of £75,000. Situated to the west of the M6 motorway, between Walsall and Willenhall.

Camborne Court, Camborne Road, Walsall – in November 2016 a one bedroom flat achieved a sale price of £88,500. Situated to the east of the town centre.

5 Wareham Close, Walsall – one bedroom flat sold in September 2016 for a sum of £72,000. Situated on the northern side of Walsall, approximately ½ mile from the subject property.

We are aware of the following yield evidence:

16 Wheeleys Lane, Edgbaston, Birmingham – ground floor, one bedroom flat in a reasonably modern purpose-built block, let on an Assured Shorthold Tenancy at a rent of £595 per calendar month (£7,140 per annum). The property was sold by auction in April 2017 and achieved a sale price of £99,000, representing a gross initial yield of 7.21%.

Arcadia Mews, 1a Dale Street, Smethwick, West Midlands – purpose built block of eight self-contained apartments producing a gross income of £44,100 per annum. Sold at auction in February 2017 for a sum of £510,000, equating to a gross initial yield of 8.65%.

18 and 18a Upper Holland Road, Sutton Coldfield – two apartments within a converted house, producing a gross income of £13,740 per annum. Sold by auction in October 2016 for £274,000, equating to a gross initial yield of 5.01%.

30 Grove Hill Road, Handsworth, Birmingham – three flats within a semi-detached building with a total rental income of £14,940 per annum. Sold by auction in October 2016 for a sum of £180,000, equating to a gross initial yield of 8.30%.

Flats 1 – 4 Jolyon Court, Meadow Walk, Cradley Heath, West Midlands – residential investment comprising four apartments, one of which was vacant at the time of the auction in September 2016. The rental income was £13,560 per annum and the sale price of £250,000 equated to a gross initial yield of 5.42%.

Ludgate Court, 191 Lakes Road, Birmingham – situated on the north western side of Birmingham, a block of twelve, two bedroom apartments, all let and producing a gross income of £70,500 per annum. The property was sold at an auction in September 2016 and achieved a sale price of £935,000, equating to a gross initial yield of 7.54%.

Methodology

The rent agreed of £113,100 per annum in respect of the proposed lease broadly corresponds with the rent of £450 per unit per month (£113,400 per annum) that we are verbally advised by the Applicant is received from the Local Authority.

We are of the opinion that the property will be rack-rented at the proposed rent and we have capitalised at a yield of 7.5% and deducted purchasers' costs, in accordance with market practice for investment properties.

We consider a marketing period of at least 9 months may be required to achieve a sale.

Our valuation reflects a gross initial yield of 8.08%.

We have adopted a yield of 10% in arriving at our opinion of value based on the Special Assumption of vacant possession, although we have allowed for an average void period 18 months. The vacant possession value equates to a level of just under £40,000 per unit, assuming the office and communal sitting room are used as living accommodation. We have cross-checked our valuation by applying appropriate capital sums.

NB. Before completing a purchase of this property, full information concerning the transaction must be referred to us so that we may reflect all factors in our valuation.

There is no obvious 'hope' or 'marriage' value that is likely to arise with the property.

Our rental valuation assumes a standard commercial lease for a term of 5 years with a break option after 3 years and the tenant responsible for all repairs (subject to a schedule of condition) and outgoings - such terms being normal for today's market. A short rent free period or other concessions may have to be conceded to achieve such a letting. (**NB.** The granting of any form of tenancy arrangements could affect the reversionary value).

12.0 INSURANCE REINSTATEMENT COST ESTIMATE

You have additionally asked for advice on the cost of reinstating the building for insurance purposes. We have not undertaken a detailed building survey and therefore have provided only an approximate estimate to enable you to judge whether your interest as prospective mortgagee is adequately covered in the policy arranged by the Applicant. An accurate cost assessment will require much more detailed consideration of the construction by a building or quantity surveyor.

We estimate that the approximate cost of reinstating the buildings described in this report is in the region of **£1,800,000 (One Million Eight Hundred Thousand Pounds)**.

This figure is based on current cost information and includes an allowance for professional fees, demolition and debris removal, but excludes VAT. It does not include any allowance for inflation during the period of insurance nor during any further period required for reinstatement following a substantial loss. Neither does it include for loss of rent or consequential losses arising from a loss of the buildings.

13.0 VALUATION OPINIONS

We are of the opinion that, subject to comments contained herein, the Market Value of the freehold interest in the property, on the Special Assumption of a lease to DCB Accommodation for a term of 15 years at a rent of £113,100 per annum, as at the present day is **£1,400,000 (One Million, Four Hundred Thousand Pounds)**.

We are of the opinion that, subject to comments contained herein, the Market Value of the freehold interest in the property, on the Special Assumption of full vacant possession, as at the present day is **£900,000 (Nine Hundred Thousand Pounds)**.

We are further of the view that the Market Rent, assuming terms as described, as at the present day is **£113,100 (One Hundred and Thirteen Thousand, One Hundred Pounds) per annum**.

This Valuation is to be read in conjunction with our attached Schedule of Standard Assumptions, Limitations and Caveats and Basis of Valuation.

14.0 CONFIDENTIALITY

This report is for the use only of the party to whom it is addressed and can only be used within the context of the instructions under which it is prepared. Towler Shaw Roberts LLP accept responsibility to the Client alone that the report will be prepared with the skill, care and diligence to be reasonably expected of a competent Chartered Surveyor, but accept no responsibility whatsoever to any person other than the Client itself. Any such person or body rely upon the report at their own risk.

Neither the whole nor any part of this report or any reference thereto may be included in any published document, circular or statement, nor published in any way without the prior written approval of Towler Shaw Roberts LLP as to the form and context in which it may appear.

For the purposes of this valuation, we state our opinion of the value of the property with no allowance for any grants or tax allowances which may be appropriate under current legislation. In addition the figures do not take account of any present or future taxation liability which could be payable on the disposal of an asset owing to a change of use or development situation.

This valuation report document including plans, photographs, schedules, etc. comprises 113 pages.

Dated the 21st day of June 2017

ANDREW OLIVER MRICS

IAN ROBERTS MRICS, IRRV (Hons)



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**CONSULTANT AND REGISTERED VALUER
FOR TOWLER SHAW ROBERTS LLP
CHARTERED SURVEYORS
INDEPENDENT EXTERNAL VALUERS**



.....
**PARTNER AND REGISTERED VALUER
FOR TOWLER SHAW ROBERTS LLP
CHARTERED SURVEYORS
INDEPENDENT EXTERNAL VALUERS**

TO: Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

SCHEDULE OF STANDARD ASSUMPTIONS, LIMITATIONS, CAVEATS

AND BASIS OF VALUATION

Our Report and Valuation has been prepared in accordance with the assumptions, limitations and caveats set out below. We will be pleased to arrange for more detailed or additional enquiries and/or surveys to be made if requested;

1. Practice Statement

Our report and valuation is prepared in accordance with the Royal Institution of Chartered Surveyors Valuation - Professional Standards, January 2014.

1a. Quality Control

Our valuation file may be subject to confidential monitoring in order to ensure compliance with the RICS conduct and disciplinary regulations.

2. Verification of Information

We rely upon the information provided by those parties referred to in our report and should any of this information prove to be incorrect it is possible that we may have to reconsider our opinion of value.

3. Legal Documentation (Title Deeds and/or Leases etc.)

We do not inspect the Title Deeds and any Leases supplied have only been considered in general terms. We assume that all documentation is satisfactorily drawn and in terms currently prevalent on the type of document and that there are no onerous encumbrances, adverse restrictive covenants, onerous wayleaves, easements, rights of way or other unfavourable dominant rights which would materially affect our opinion.

We assume that the flank walls are party walls and that satisfactory arrangements are in existence for their repair and maintenance.

We assume that access from public roads to development land is not restricted by legal documentation or third party rights except as indicated in our report.

A Solicitor must comment in respect of all legal documentation.

4. Status of Tenants

Unless stated specifically within our Report, we do not make any enquiries as to the financial status of the actual/prospective tenants and we assume for the purpose of the valuation that Tenant(s) are not in breach of any lease covenants, are not in arrears of rent and are fully able to meet all contractual obligations under the lease. We further assume that all Tenants have a good rent payments record, unless information to the contrary is supplied.

5. Measurements and Floor Areas

When taken, measurements are made in accordance with the RICS Property Measurement Professional Statement - 1st Edition May 2015 incorporating International Property Measurement Standards (IPMS) and the RICS Code of Measuring Practice 6th Edition - but must nevertheless be regarded as approximate.

6. Town Planning and Rating Assessments

Oral or internet/on line enquiries are made in respect of Rating Assessments and contingent liabilities such as road widening, road charges, redevelopment proposals, planning consents, etc, and the possible effect of other town planning restrictions. These enquiries must not be treated as the equivalent of full searches which may produce different results. We assume that full Local Searches will be undertaken and advised upon by your solicitor. It is assumed that buildings and any extensions or alterations are constructed in accordance with valid Town Planning Consents and Building Regulation Approvals to the full satisfaction of the Local Authority and that there are no outstanding Statutory or other Notices in connection with the property for its present or intended use.

We assume that Town Planning Consents do not contain restrictions which may adversely affect the value of the property. We further assume unless otherwise stated that all necessary licences, permits, etc, either run with the property or are transferable to a new occupier.

Formal enquiries must be undertaken.

7. Building Survey and Condition of Buildings

We inspect the property in accordance with your instructions but do not carry out a Building Survey nor do we inspect woodwork or other parts of the structures which are covered, unexposed or inaccessible. We do not test the various services. We are therefore unable to report that any such part of the property is free from defects.

We do not arrange for any investigation to be carried out to determine whether or not Asbestos, High Alumina Cement Concrete or Calcium Chloride additive or any other deleterious material or permanent wood wool shuttering have been used in the construction of the property. We are therefore unable to report that the property is free from risk in this respect. Also we do not carry out any tests or make any site investigations as to the presence in or on the property of any substances (including living organisms) that might cause harm to man or any other living organisms ("harm" being as defined in s(4) of the Environmental Protection Act 1990). We are unable to confirm whether or not composite panelling has been used in the structure. For the purpose of the valuation we have assumed that no such materials or substances are or might be present.

Specialist reports can be commissioned separately and at further cost, upon your instructions.

Pending supply of a building survey, we have had regard to the general condition of the property as observed by us in the course of our inspection and reflect in our valuation any defects and items of disrepair noted. To fully establish condition, you will need to commission a full building survey, the contents of which could give cause to amend our valuation.

We assume a satisfactory Architect's Certificate is available in respect of building and conversion works.

It is assumed that the property complies with Disability Discrimination Act or will be made compliant at the occupier's expense.

Our inspection is limited by fixtures and fittings, machinery and furnishings.

(Below applicable to occupied property with vacant possession).

Our valuation assumes that all damage caused by the removal of plant, machinery, fixtures and fittings etc. will be made good prior to sale.

8. Ground Conditions

We do not carry out any soil tests or made any other investigations concerning ground conditions and therefore we are not able to offer any opinion as to the suitability of the site for the existing/proposed buildings, or as to the existence or likelihood of any contamination. For the purpose of the valuation therefore, we assume that the ground is suitable for the existing/proposed buildings.

We make enquiries concerning flooding risk where it is perceived to be of relevance. However we are not qualified to definitely assess the risk of flooding and our valuation assumes no problems in this regard.

9. Plans

Plans for identification purposes only and based upon the Ordnance Survey Sheet are attached. The reproduction of the Ordnance Survey Sheet has been sanctioned by the Controller of Her Majesty's Stationery Office Crown Copyright Reserved.

10. Site Areas

The site areas are computed from the Ordnance Survey Sheet where provided and not from a physical site survey and must be regarded as approximate.

11. Fixtures and Fittings

We exclude all items in the nature of tenants' fixtures and fittings, plant and machinery and we include in our valuation the following:

The electric wiring for lighting and power from the distribution board to wall and ceiling points;

The gas/oil supply from the meter/tank to the central heating boiler and other appliances;

Drains for both surface water and foul water and their connection to the sewer;

Boiler and associated plant and machinery including fuel tanks, pipes and fittings (radiators and unit fan heaters that are used primarily for supplying or using steam or hot water for space heating and other non-process purposes);

Hydrants, pumps and main sprinkler systems, smoke detectors and fitted fire and burglar alarm systems;

Rails and supporting gantries for overhead travelling cranes, where they form an integral part of the building.

12. Insurance

Market Values quoted are not appropriate for insurance purposes, which should be calculated on a reinstatement or indemnity basis.

13. Taxation and Costs

Our valuation does not take into account any expense which would be incurred in realisation nor any possible tax liabilities including Capital Gains Tax and Value Added Tax.

14. Statutory Regulations

We assume that the property has, if appropriate, a relevant Fire Certificate, and that it complies with the requirements under the Shops, Offices & Railway Premises Act and Factory Acts as far as they are applicable. In addition, we assume that the property is not affected by any outstanding Statutory Notice or other Contractual Notice which might restrict the use or affect value.

15. Basis of Valuation

• **Market Value**

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.

• **Market Rent**

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and 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.

16. Insurance Reinstatement Cost Estimate

Reinstatement cost for insurance purposes is our opinion of the likely cost of reinstating all the buildings on the following basis:-

That the accommodation provided will be similar in construction, design and area to the existing buildings.

Reinstatement will be in compliance with the conditions imposed by Local Authorities in connection with the construction of the building.

In arriving at the reinstatement cost estimate an allowance has been made to cover the cost of necessary demolition prior to rebuilding.

The reinstatement cost does not include any allowance for:

- i) any loss of rent incurred during rebuilding
- ii) planning restrictions that the Planning Authority might impose

- iii) special foundations, drains and sewers, yard surfaces, private roadways, hard-standing, boundary walls and fences
- iv) all plant, machinery, equipment, tanks, fixtures and fittings, loose tools, office furniture and equipment
- v) any effect of inflation on building costs occurring after the date of valuation

Professional fees which would normally be incurred in connection with the rebuilding operations are included.

In the event of a building being destroyed either wholly or partially, the reconstruction may attract a VAT charge. This liability has not been reflected in our valuation and you are advised to discuss this matter with your Insurance Brokers.

NB. This assessment has been given for guidance only. A formal estimate would necessitate a much more detailed consideration of the construction by a quantity surveyor or equivalent expert.

17. Dwellings

(Houses and Flats)

Our valuation does not take into account any rights, obligations or liabilities whether prospective or accrued under the Defective Premises Act 1972.

18. Contaminated Land

The Environmental Protection Act 1990 as amended by the Environment Act 1995 requires Local Authorities to cause their areas to be inspected for the purposes of identifying contaminated land. We do not investigate whether the site is or has been in the past contaminated or whether it has been identified as contaminated by the Local Authority. Your legal advisers should investigate whether the subject property has been identified as contaminated whilst also commissioning an independent specialist environmental report before you enter into any legal commitment to purchase. Pending supply of these, our valuation assumes that the land is not contaminated and is not subject to any remediation statement, notice or appeal against the statement or notice.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We do not carry out any investigation into past or present uses either of the property or of any neighbouring land to establish whether there is any potential for contamination from these uses or sites to the subject property and have therefore assumed that none exists.

Should it, however, be established subsequently that contamination seepage or pollution exists at the property or any neighbouring land or that the premises have been or are being put to a contaminative use this might reduce the values now reported.

19. Valuation Document

This valuation report document including plans, photographs and schedules, etc. comprises 113 pages.

20. Reproduction and Use

Our report is for the use only of the party to whom it is addressed and should only be used within the context of the instructions under which it is prepared. It may be disclosed to other Professional Advisers assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of its contents. No responsibility is accepted for any use by any party of the whole or any part of the report for a purpose not disclosed to us prior to the report being made available to you.

Neither the whole nor any part of our valuation or report or any reference thereto may be included in any published document, circular or statement or published in any way without prior written approval of Towler Shaw Roberts LLP of the form and context in which it may appear.

This valuation report will only be valid for use once a receipted invoice is supplied in respect of our charges.

21. Valuation Certainty

All valuations are opinions of the price that would be achieved in a transaction at the valuation date based on the stated assumptions or special assumptions. Like all opinions, the degree of certainty and subjectivity involved can vary significantly. Therefore, any variations to the assumptions and known facts stated within the Report must be referred back to us in order that we can properly and fully reflect these amendments in our valuations opinions.

We would, in particular, draw your attention to the comments made within this report regarding the uncertainty of the current market, following the Referendum result to leave the European Union.

22. Currency

All figures quoted are in pounds sterling.

23. Date of Valuation

Unless stated otherwise, all figures in the valuation are to be taken as at the date of the report.

In normal market conditions, values may not change materially in the short term. The property market is however susceptible to changes in circumstances and changes in business confidence. If any such changes occur then further advice must be sought. In any event, the valuation should not be considered valid after a period of three months.

24. Limitations

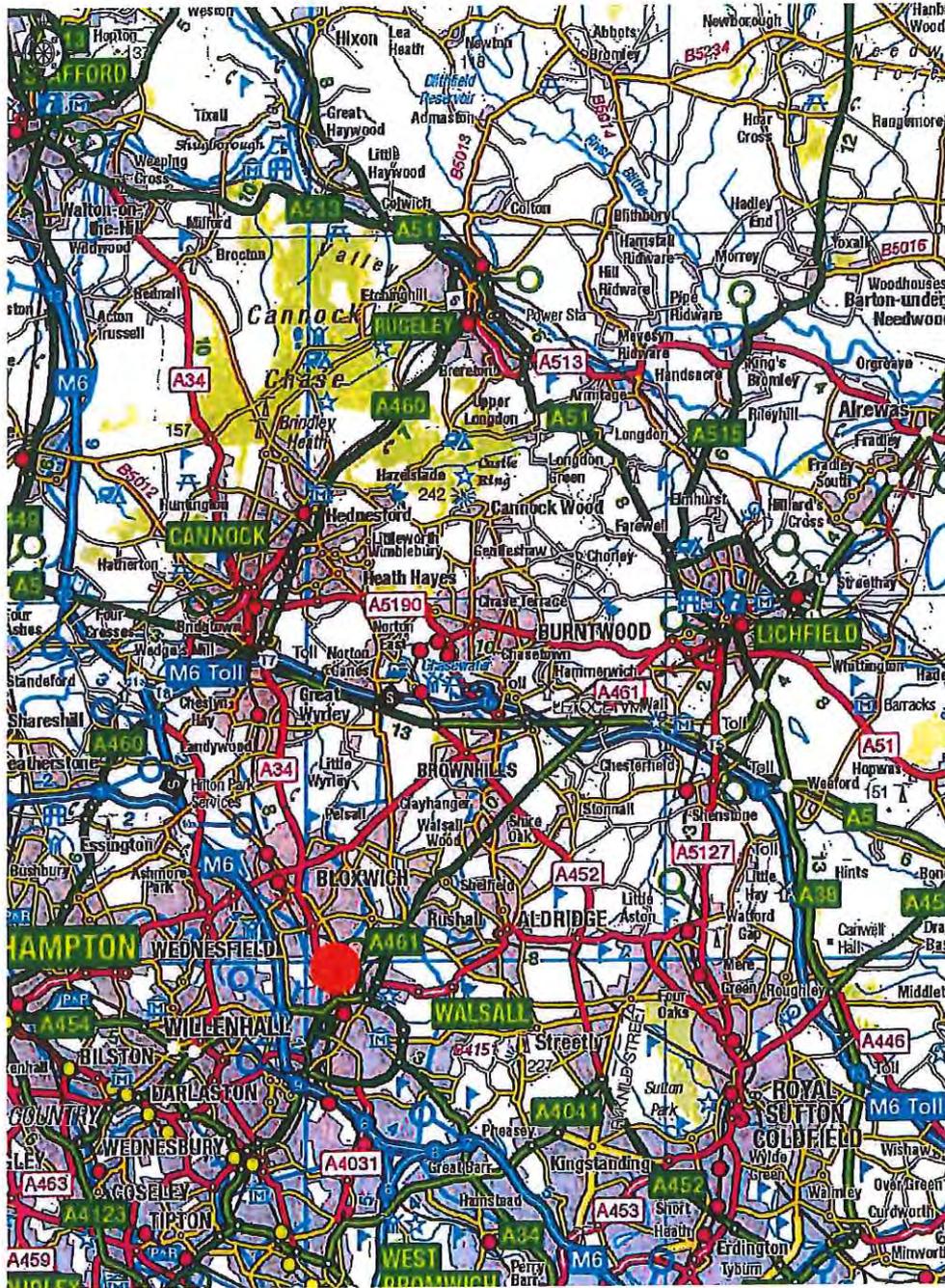
All advice provided is given for and on behalf of Towler Shaw Roberts LLP, and not in an individual capacity. No personal duty of care is owed to you by any individual Member/Partner or Employee of Towler Shaw Roberts LLP. The Members/Partners and Employees of Towler Shaw Roberts LLP are entitled to rely upon this provision under the Contracts (Rights of Third Parties) Act 1999.

Towler Shaw Roberts LLP hold Professional Indemnity Insurance for a sum insured of £5.0 million. This sum may vary from time to time. Our liability in respect of the work we carry out for you will be limited to that amount or such amended level of cover, and we will not be liable for any loss in excess of this figure.

W/17/043

APPENDIX I

LOCATION PLAN



4 Tettenhall Road, Wolverhampton,
West Midlands, WV1 4SA
Tel: (01902) 421216 Fax: (01902) 426234

also at Shrewsbury and Telford

For Reference Only

Scale: Not to Scale

Location: 102 HOSPITAL STREET
WALSALL
WEST MIDLANDS
WS2 8BW

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APPENDIX II

SITE PLAN



4 Tettenhall Road, Wolverhampton,
West Midlands, WV1 4SA
Tel: (01902) 421216 Fax: (01902) 426234

also at Shrewsbury and Telford

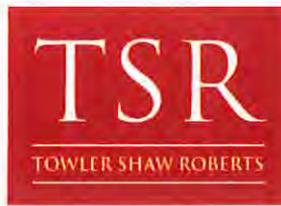
For Reference Only Scale: Not to Scale

Location: 102 HOSPITAL STREET
WALSALL
WEST MIDLANDS
WS2 8BW

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APPENDIX III

**LETTER OF ENGAGEMENT
AND VALUATION INSTRUCTION**



REGIONAL COVERAGE - LOCAL EXPERTISE

Proplend Security Limited
20 – 22 Wenlock Road
London
N1 7GU

Our Ref: AO/KM/GladstoneHouse/Propland

Direct Dial: 01902 390833

Mobile: 07792 523951

Email: andrew.oliver@tsrsurveyors.co.uk

For the attention of Mr Brian Bartaby - Director

15 June 2017

Dear Sirs

Borrower: Harpar Group Limited

Property: Gladstone House, 102 Hospital Street, Walsall, West Midlands, WS2 8BW

We write to acknowledge your letter dated 13 June 2017 and confirm your kind instructions to prepare a report and valuation of the freehold interest in the above-named residential investment property. The valuation is to be carried out for loan security purposes, adopting a valuation date as at the present day.

As instructed, we are to provide valuations as follows:

- Market Value, subject to a proposed lease at a rent of £113,100 per annum. We are to assume a new 15 year full repairing and insuring lease, with no break option and with 5 yearly upward only rent reviews;
- Market Value on the special assumption of full vacant possession;
- Market Rent;
- Estimated reinstatement cost for insurance purposes.

We understand that the lease to DCB Accommodation has not been signed and cannot be drawn up until the purchase has been completed.

The individual responsible for the valuation will be Andrew Oliver as an External Valuer and a Registered Valuer of the Royal Institution of Chartered Surveyors. The valuer has the knowledge, skills and understanding necessary to undertake the valuation required.

We confirm that the valuation will be undertaken in accordance with the current RICS Valuation - Professional Standards (the 'Red Book'). Attached to this letter is our Standard Assumptions, Limitations, Caveats and Basis of Valuation which describes the work we will undertake, the sources of information upon which we shall rely and the limitations that will apply to our investigations and report.

SHREWSBURY • TELFORD • WOLVERHAMPTON

PARTNERS: T. Shaw BSc, MRICS · I. Roberts MRICS, IRRV (Hons)

ASSOCIATES: J. Harrison BSc (Hons), MRICS · A. Price BSc, MRICS · C. Hedley BSc (Hons) MRICS

4 Tettenhall Road · Wolverhampton · West Midlands · WV1 4SA

TEL 01902 421216 · FAX 01902 426234 · EMAIL wolverhampton@tsrsurveyors.co.uk



www.tsrsurveyors.co.uk



We are obliged to confirm our Terms and Conditions of Engagement, which are set out on the reverse hereto.

For the avoidance of doubt we are also obliged to ask you to confirm your agreement to our Terms and Conditions and extent of our service by signing the enclosed copy of this letter and returning it to us.

We have agreed a fee of £750 plus VAT and we shall seek settlement of this from the proposed borrower prior to issuing our report.

We confirm that we satisfy the requirements as to competence and independence set out in the RICS Valuation Professional Standards.

You are aware that we have previously valued this property, both for Method, on behalf of Lancashire Mortgage Corporation t/a Together in October 2016 and for Lendy Finance in March 2017. We do not believe, however, that this creates a conflict with our duty to provide you with an objective and independent valuation and we have received written confirmation from both previous instructing parties that their involvement in the property has terminated.

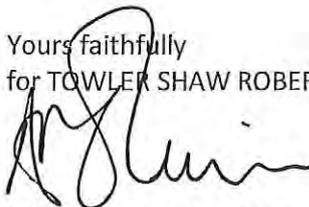
You have agreed that, in view of the fact that we carried out a reinspection of the property on 13 March 2017 you do not require us to carry out a further reinspection in connection with this instruction. We shall, therefore, assume that the layout and condition of the property remains unchanged from our previous inspections.

We confirm that we hold adequate Professional Indemnity Insurance on a per claim basis to adequately undertake this instruction.

Our report will be addressed to Propland Security Limited and is for your use only. No responsibility will be accepted to any other party. Our prior consent in writing will be required if you wish to reproduce the report or refer to it in any published document. Our valuation file may be subject to confidential monitoring in order to ensure compliance with the RICS Conduct and Disciplinary Regulations.

Thank you once again for your instructions in this matter. Should you have any queries please do not hesitate to contact the writer, and in anticipation of your confirmation to proceed we are putting the matter in hand.

Yours faithfully
for TOWLER SHAW ROBERTS LLP



ANDREW OLIVER MRICS
Consultant

Enc

TERMS AND CONDITIONS OF ENGAGEMENT

1. Our fees will amount to £750.00, exclusive of VAT but including disbursements.
2. Fees are payable by your customer prior to supply of the report.
3. In the event of non-payment within twenty one days of the date of our invoice, daily interest becomes payable in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 for the period from the date of our invoice to the date of payment. We also reserve the right to compensation arising from late payment under Section 5A of the Late Payment of Commercial Debts (Interest) Act 1998.
4. Should we be instructed not to conclude our report and valuation a fee will be levied at the rate of 50% of the valuation fee or an hourly rate of £175.00 plus VAT and disbursements, whichever is the higher. We reserve the right to charge an interim fee.
5. Disbursements in respect of car mileage are charged at 70 pence per mile with separate charges relating to such matters as special delivery, photography, plans, photocopying, printing, etc. Unless we are provided with a copy Ordnance Survey/Site Plan, we will obtain an appropriate sized copy at a cost of £40 plus VAT unless otherwise stated. Unless supplied with a copy of the Land Charges Register for the subject property including the registered plan, we will obtain a copy from Land Registry at a cost of £15 plus VAT unless otherwise stated.
6. Fees quoted do not include reference to Arbitration, Experts, Local Valuation Court, Land Tribunal, or representations at any other Courts. Fees in these respects will be charged by agreement.
7. VAT will be charged at 20%. The rate of VAT may vary and so the final amount may also vary accordingly.
8. In the event that you are not satisfied with our service, please do not hesitate to telephone and we will be very happy to discuss. We do however have a complaints handling procedure available for inspection if required.

PLEASE PROCEED ON THE BASIS OUTLINED IN THIS DOCUMENTATION

Signed:

Name:

Position:

Date:

Our Ref: Harper Group – Gladstone House

13th June 2017

TSR Surveyors
Attn. Andrew Oliver
4 Tettenhall Road
Wolverhampton
West Midlands
WV1 4SA

Dear Sirs,

Please accept this letter as our formal instruction to your firm to carry out a valuation, for mortgage purposes, on the addresses 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: Harper Group Limited

PROPERTIES: Gladstone House, 102 Hospital Street, Walsall, West Midlands, WS2 8BW

TENURE: Freehold competent /

USE: Multiple occupied residential

TENANCIES: Please assume a new 15 year, FR&I, lease to DCB Accommodation Limited at a commencing rental of £113,000 p.a. with 5 yearly, upward only reviews.

ACCESS: To be arranged through Jez Hill on Mobile Number 07790 767676

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.

Whilst your report will be addressed to Proplend Security Ltd, it will need to be viewed by its Lending members on the understanding that only Proplend Security Ltd may rely on the report for mortgage purposes. Can you please confirm within your report that this is understood and accepted?

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 proposed tenancy, and sold as a going concern. Please indicate the period of marketing you have assumed in arriving at your valuation.
2. A valuation of the Property on the assumption of Vacant Possession.
3. Please provide an estimated rental value for the Subject Property.
4. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
5. Please provide comparable evidence to support your assumptions on values.
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

We understand that you have agreed a fee of £750 plus VAT for this undertaking. Whilst a receipted invoice for this service should be supplied with your report, and addressed to this company, we ask that you seek settlement of your fee from the proposed Borrowers whose contact details are supplied above. Proplend Security Limited cannot accept any responsibility for non-payment of your fees in this regard.

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

Yours faithfully,



Brian Bartaby
Proplend Security Limited
Director

APPENDIX IV
RENT SCHEDULE 2016-2017

RENT SCHEDULE 2016-2017

DCB Accommodation LTD

**118-119 & 126 Stafford Street/102 Gladstone House
Walsall
WS2 8DX**

prepared by:

DCB Accommodation LTD

Date schedule effective from:

13th January 2016-17

Local Authority:

Walsall

Payment Frequency:

Weekly

CORE RENT

£138.41

SERVICE CHARGES

£68.69

INELIGIBLE CHARGES

£11.39

TOTAL CONTRACTUAL RENT

£218.48

TOTAL ELIGIBLE RENT FOR HB

£207.10

RENT BREAKDOWN

DCB Accommodation LTD
 118-119 & 126 Stafford Street
 102 Galdstone House

CORE RENT

	per week per tenant
Core Rent	£75.00
Property Related Housing Management	£12.10
Management Overhead	£16.48
Planned & Cyclical Repairs & Maintenance	£7.93
Buildings Insurance	£3.53
Sinking Fund	£10.15
Maintenance of common parts	£7.93
Interior Decor	£5.29
TOTAL CORE RENT	£138.41

SERVICE CHARGES

Provision of White goods	£0.00
Provision of communal furnishings	£0.00
Provision of furniture/equipment for tenants own areas	£3.23
Provision of laundry equipment	£1.12
Provision of fire fighting equipment	£0.00
Provision of gardening/grounds equipment	£0.05
Provision of flooring & curtains	£1.81
Total provision of furniture, fixtures, fittings & equipment	£6.22
Contents insurance	£0.00
Maintenance/Compliance contracts on fire fighting equipment	£0.80
Maintenance/Compliance contracts on heating/electrical system	£0.95
Maintenance/Compliance contracts on property equipment	£0.00
Refuse disposal and pest control	£3.38
Gardening & Window Cleaning	£2.82
Door entry & CCTV security systems	£4.94
Communal fuel	£4.56
Cleaning materials & services	£2.55
Night Security	£27.50
Management Overhead	£8.96
TOTAL SERVICE CHARGES	£68.69
TOTAL ELIGIBLE RENT FOR HB	£207.10

INELIGIBLE CHARGES

Non-communal fuel	£5.35
Personal cleaning	£2.99
Provision of food (breakfast)	£3.05
TOTAL INELIGIBLE CHARGES	£11.39

TOTAL CONTRACTUAL RENT	£218.48
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