

The Abertawe Grand Hotel

Ivey Place, 197-201 High Street
Swansea
Abertawe
SA1 1NG



Client: Proplend Security Limited

Branch: Richmond

Proposed Borrower(s): The Abertawe Grand Ltd - Cornelius Moloney

Valuation Date: 21 February 2019

Reference: 259094

Purpose and Limitations of Report

This report is provided to assist the instructing Client in consideration of the subject business/property in relation to the purpose stated opposite. Pinders accepts liability only to the Client and no other party, however involved.

The report comprises a Business Appraisal & Valuation and expressly does not, in any way, constitute a building (structural) survey or a due diligence assessment. It remains the responsibility of the Client and, where appropriate, the borrower(s), to confirm the accuracy and validity of the information provided.

Pinders accepts no liability to the Client, or any other party, should information relied upon in arriving at our opinions of value prove to be misrepresented, either fraudulently or otherwise.

Whilst reference may be made within the report to aspects of tenure, title, planning and other statutory obligations, all such aspects should be verified by solicitors acting on behalf of the Client and/or the proposed borrower(s). The report is not intended as a substitute for the searches which would be expected in relation to any property/business acquisition or investment.

We can confirm that neither the valuer nor Pinders has any known conflict of interest in accepting your instructions, nor any previous knowledge of the business or the potential borrower other than as specifically stated within the report.

Unless specified elsewhere, this report has been prepared in accordance with our Conditions of Engagement and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards, for the sole purpose of assisting the Client and Proposed Borrower indicated above, in consideration of the subject business. The Explanatory Notes appended to this report also refer.

Whilst the valuations contained within this report are expressed in a way which is suitable for lending purposes, any party, other than the Client shown above, wishing to rely upon the contents of the report for such purposes, will need to instruct Pinders to prepare and provide a further report, which addresses the party's specific requirements.

We can confirm that Pinders has in place appropriate Professional Indemnity Insurance in respect of this valuation. A copy certificate to this effect can be provided to the Client upon request.

Terms of Reference

Client:	Proplend Security Limited, Richmond
Proposed Borrower(s):	The Abertawe Grand Ltd - Cornelius Moloney
Purpose of Report:	Loan security purposes in relation to re-financing
Business Owner(s):	Celtic Hospitality Limited - Cornelius Moloney
Person(s) Interviewed:	Cornelius Moloney & Michelle O'Rourke
Previous Visits:	We have made previous visits to this property and business, the most recent in June 2017.
Inspection Date:	13 December 2018
Valuation Date:	21 February 2019

Undertaken by:	Stephen Greenhill MRICS (0056307) <i>Registered Valuer</i>	
Approved for Issue by:	Malcolm Kidby MRICS (1117803) <i>Director</i>	

We appreciate that there may be many parties involved in consideration of this proposal and this report (inclusive of photographs, maps and site plans) will be provided by electronic mail in pdf file format (requires Acrobat Reader software) to facilitate easy transfer of information. However, we recommend that our lending clients rely only upon an authenticated hard copy of the report, which has the Pinders' security seal attached below.



If you wish to discuss any aspect of this report, please contact our Operations team at:-

Pinder House
Central Milton Keynes MK9 1DS
Telephone: 01908 350500
Email: info@pinders.co.uk

Executive Summary

Introduction

In accordance with your instructions, we have visited the subject long leasehold and freehold property and business in order to provide an Appraisal and Valuation Report for loan security purposes in relation to re-financing.

This Executive Summary should be read in conjunction with our entire report and should not be relied upon in isolation.

Property Summary

- ❖ Hotel
- ❖ Original building - Long Leasehold - 125 years from Sep 2003; with a fixed ground rent of £2,000 per annum
- ❖ No's 197 – 201 High Street and adjoining former health studio building - freehold
- ❖ Located within an urban inner-city area of Swansea in South Wales
- ❖ Circa 1930s six storey stone clad and rendered brick steel framed original building, attached three storey former shops with accommodation above and more recent single storey addition integrated into hotel
- ❖ Reception lounge (28), Moloney's Sports Bar (100), restaurant (70), conference/banqueting suite - 240 theatre, 180 banquet styles, two other function/meeting rooms and 53 en suite letting rooms
- ❖ Building generally well presented externally following external refurbishment of dual frontages and eastern side elevations, but rear elevation to main building remains outstanding pending proposed scheme to demolish adjoining former health studio to make way for a six-storey extension

Business Summary

- ❖ City centre Art-deco style hotel in prominent trading position immediately opposite Swansea Station
- ❖ Acquired by borrowers in 1999, with investment to date £3.7m - £3.75m, with the business in recent years having been in trade development mode.
- ❖ Custom mid-week predominantly corporate and contractors, with weekend leisure break visitors and party goers
- ❖ Income Mix assessed as; 26% wet sales; 17% dry sales; 54% letting income; 3% room hire; 1% sundry income
- ❖ Competition considered to be reasonably strong, with several corporate hotel operators serving the city
- ❖ Pricing policy competitive for city and location; average room rate £79 mid-week, £94 weekends, per room, per night
- ❖ Business operated under leadership of experienced general manager, supported by a full complement of staff

Accounts and Trade Assessments

- ❖ Unaudited accounts provided for borrower's trading companies Ivey Place Hotels Limited and Celtic Hospitality Limited, which relate only to the subject concern, record year on year increases in overall turnover since March 2011.
- ❖ Whilst financial statements year end February 2016 wholly accorded with VAT Return information of the corresponding period, those for the seven most recent quarters require some adjustment, due to various anomalies having latterly been identified.
- ❖ The hotel has a relatively consistent stock of 53 letting bedrooms, open plan reception lobby with recently enlarged lounge seating areas, a fully licensed bar upgraded in January 2019 with a view to attracting more female customers and couples; a yet to be fully exploited restaurant open to non-residents and a popular conference/function suite.
- ❖ General Manager, Michelle O'Rourke, appointed January 2014, has since repositioned hotel in local market from an accommodation and function venue point of view, but now seeks to improve the average room rate and food sales.
- ❖ Our Current Trade Assessment has regard to these historic trading records, average tariff of £85.43 per room, per night and 76% occupancy, the latter comparing with Visit Wales' latest statistics of 73% for East Wales, where the City and County of Swansea are located.
- ❖ In order to ensure a consistent approach to valuation with the comparable evidence held, we have adopted a fully managed scenario within our FMT assessment.

	Accounts Year End 29/02/2016	Accounts Year End 28/02/2017	Accounts Year End 28/02/2018	Current Trade Assessment	Fair Maintainable Trade
Total Turnover (£)	1,190,460	1,446,077	1,659,673	1,750,000	1,750,000
Gross Profit (£)	991,861	1,235,087	1,412,514	1,485,000	1,485,000
Gross Profit Margin	83.3%	85.4%	85.1%	84.9%	84.9%
Net Profit (£)	292,115	398,821	448,998	460,000	460,000
Net Profit Margin	24.5%	27.6%	27.1%	26.3%	26.3%

Executive Summary

Market Commentary

- ❖ Hotels in regional locations that are performing well and can clearly demonstrate a robust cash flow and potential uplift are attracting a good level of interest and are often achieving premium prices. This demonstrates the two-tier market that currently exists in the regional hotel sector.
- ❖ Presently the market is said by hotel agents to be reasonably strong, with a number of sales of high value hotels occurring, albeit mostly on confidential terms, principally from group owners to individuals or to smaller group owners, and with these units requiring varying degrees of works.
- ❖ The subject concern is now a well-established and regarded hotel amongst the local and business communities, with year on year growth in net sales since March 2011.
- ❖ Whilst room occupancy is now higher than the average for the South East Wales Region, the achieve average room rate continues to disappoint, seemingly due a high proportion of single occupancy corporate business Monday to Thursday, but scope for this to be improved with a greater number of tourists following the recent contract arrangements with Ryanair and the Hertz car rental agency concession now operating from the hotel's reception lobby.
- ❖ The conference and function suite is now trading well, with a similar number of weddings to last year booked for 2019, but there should be an opportunity to increase food sales through the Peco-One Restaurant that now opens at lunchtimes and the change in the target custom for the recently refurbished Moloney's Bar, towards encouraging more couples and female customers.
- ❖ We consider that there would be reasonably strong demand for the subject concern if it were offered on the open market, but due to the size and scale of business, we would consider it more suitable for experienced owner operators or group purchasers, rather than first time buyers.
- ❖ However, any purchaser would be aware of the need for some capital expenditure in the future; to reopen the leisure facilities at basement level, as well as bringing the former health studio building into productive use and reflect this into their purchasing decision.

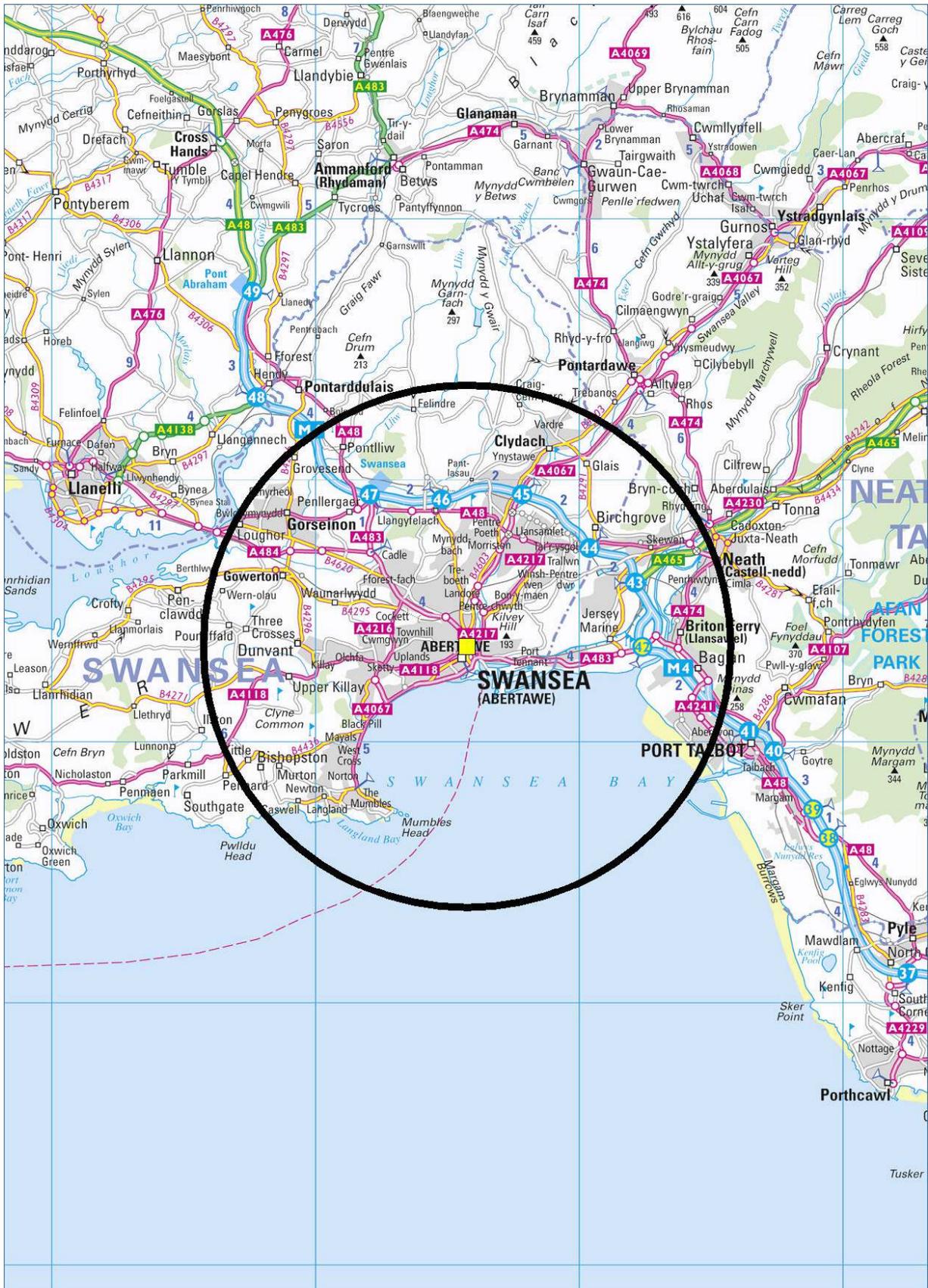
Methodology

- ❖ We have adopted the 'profits' method of valuation in this instance, whilst also having regard to an analysis of comparable market information.
- ❖ Based on our experience of valuing in this sector and the comparable evidence summarised towards the end of this report, we have adopted a multiplier of circa 7.0 (YP), which has been applied to our assessment of FMOP, to effectively produce a freehold trading entity, thereby according with the majority of comparable evidence held.
- ❖ We have then made a deduction in respect of the capitalisation of the fixed ground rent on the original building, to provide the Market Value as existing of the mixed tenure trading entity.
- ❖ We have included an allowance for the former health studio building that extends to 72.8 m² (785 ft²) GIA, pending either conversion into two double/twin zip link double letting bedrooms and a furniture store, or demolition to make way for an extension to the original hotel to enlarge Moloney's Bar and create a larger number of letting bedrooms.
- ❖ We refer to the Methodology and Comparable Evidence section towards the end of this report for further commentary.

	Current		Proposed	
Base Value	£3,200,000		n/a	
<i>equating to: Assessed Fair Maintainable Operating Profit</i>	<i>£460,000</i>	<i>7.0yp</i>	<i>n/a</i>	<i>n/a</i>
Value of Former Health Studio Building	£50,000		n/a	
Capitalisation of the Ground Rent	-£50,000		n/a	
Market Value	£3,200,000		n/a	

Valuations Summary	Existing
Market Value	£3,200,000
Market Value <i>with assumptions</i>	£2,700,000 <i>(6 months to sell)</i>
Market Value <i>with assumptions</i>	£2,100,000 <i>(Business closed)</i>

Location Map



The circle above is of 10km (6 mile) radius centred on the subject business/property.

Digital Map Data © Bartholomew (2017)

Local Environment

Location

Swansea is Wales' second-largest city, with a population of approximately 230,000. Its location on Swansea Bay gives it a strong maritime character, which has been reinvigorated in recent years by the wholesale renovation of the old docklands and waterfront. The maritime quarter is now a haven for yachts, high-quality housing, and leisure related businesses.

The City of Swansea is situated on the south Wales coast, overlooking Swansea Bay and next to the Gower peninsular. The M4 motorway passes north of Swansea, which is served by junctions 42 to 47, and there are links via other road communications to the rest of Wales. The City is also served by a fast rail link, and there is a vehicle passenger ferry service to Ireland.

Swansea has a large university and is a popular holiday and day trip destination. The surrounding area has a number of attractive beaches, and the neighbouring Gower Peninsula is a popular tourist destination and was Britain's first Area of Outstanding Natural Beauty.

The City is West Wales' premier shopping centre and provides good facilities for arts and culture, which are being encouraged to locate into the secondary retail space within High Street. Employment is concentrated in the service sector, but there are some large industrial estates around the City's outskirts, with major employers including the DVLA and 3M.

The subject property is located in the city centre, immediately opposite Swansea Station and within close proximity to the castle ruins, Liberty Stadium and Swansea University

The property does not have on-site parking facilities for customers and there are double yellow lines on either side of High Street and on the junction with Ivey Place. However, there is a dropping off point in front of the hotel, three parking spaces for disabled driver's immediate opposite and a large multi-storey car park next to the station, which is used by customers and overnight guests of the hotel.

Whilst the surface municipal Mariner Street Car Park diagonally opposite the hotel to the west of the station, currently has a surface pay and display facility, planning permission was granted in October 2018 for that site to be redeveloped with a 17-storey building for 780 student flats above a ground floor complex of shops, a restaurant and café. The major project referred to as 'Icon 21' and costing £50M is being undertaken by developer RDE Silex in conjunction with partner Fusion Students and support from Swansea City Council.

Construction work is due to start early in 2019 and is anticipated to be completed readiness for the intake of students for the 2021-2022 academic year, thereby complementing the £35M transformation of Alexandra House and The Oldway Centre immediately opposite the subject property in High Street, which from September 2019, is due to house more than 550 students.

Collectively these developments are anticipated to improve the look and feel of this part of the city, building on the work already undertaken by Coastal Housing Group's urban village scheme, in regenerating the northern end of High Street. The latter is referred as being a key gateway to the city centre, which seeks to transform the leisure, recreational and retail offering by significantly increasing the number of people who live and work there.

Signage for the subject concern includes lettering for the Grand Hotel at high level on the apex of the art-deco northern facing elevation, larger such letters to the original veranda on the corner of the building over the main entrance and in the front of the building over the entrance to the fully licensed bar.

There is a vertical illuminated box sign for the Grand Hotel on the north-western corner of the building, together with others for both the hotel and Peco-One Restaurant on the High Street frontage.

Environmental Matters

From our limited inspection of the property and using information available in the public domain, we have identified not unexpectedly for South Wales that the property is in a coal mining area.

The area is one historically associated with mining and The Coal Authority recommends a mining report is obtained. Our valuations assume that this will not highlight any major issues affecting the site. Should this prove not to be the case then we reserve the right to amend our opinions of value accordingly.

Information in the public domain also suggests that this neighbourhood is in a Radon Affected Area, as defined by the Health Protection Agency. Radon is a naturally occurring gas, which, in some areas, can be in higher concentrations and affect people's health. In this regard, we refer to the Health Protection Agency on the www.hpa.org.uk website for further details.

Subject to the limitations of our inspection we have detected no evidence to suggest that deleterious or hazardous materials or techniques have been used in the construction or subsequent modification of the building.

Local Environment

The borrower since our previous visit, in June 2017, has acquired the freehold interest from Network Rail in a parcel of low lying waste land of an approximate 0.07 of a hectare (0.173 of an acre) to the east of the accessway beside the original hotel building to the former health studio and former burial ground, now collectively forming part of the fire exit route from The Station Room into Ivey Place. The southern boundary of the low-lying land adjoins the former burial ground and commercial premises owned by Coastal Housing Group fronting 'Strand'.

The low-lying land has been disused for many years and previously identified as including vegetation to be Japanese knotweed, but we had not noted it as growing in the accessway on the eastern side of the original hotel, former health studio or former burial ground, at the time of our most recent or during previous visits to the subject property.

Knotweed is non-native invasive plant which has become widespread in the wild causing damage to areas including flora and fauna. It grows up to 3m in height and can have a similar depth root depth and is exceptionally difficult to eradicate, if found near buildings it can have substantial detrimental effect upon foundations. The Wildlife Countryside Act (1981) states 'it is an offence to plant or cause knotweed to grow in the wild'.

The Environmental Protection Act (1990) states 'cut knotweed material and soil containing rhizome materials are classified as controlled waste and must be disposed of safely on a licensed landfill site, if removed from the site of origin'. The law states that landowners can sue for costs and damages if they fail to prevent knotweed from spreading to neighbouring property. Also, failure to dispose of knotweed responsibly can lead to prosecution.

With a view to eradicating this particularly troublesome and pernicious weed, the borrowers with the consent of the previous owners, employed a specialist contractor to have this treated with a selective herbicide in the autumn of 2017, with further such applications having since taken place in the spring and autumn of 2018, a programme costing an advised £5,000.

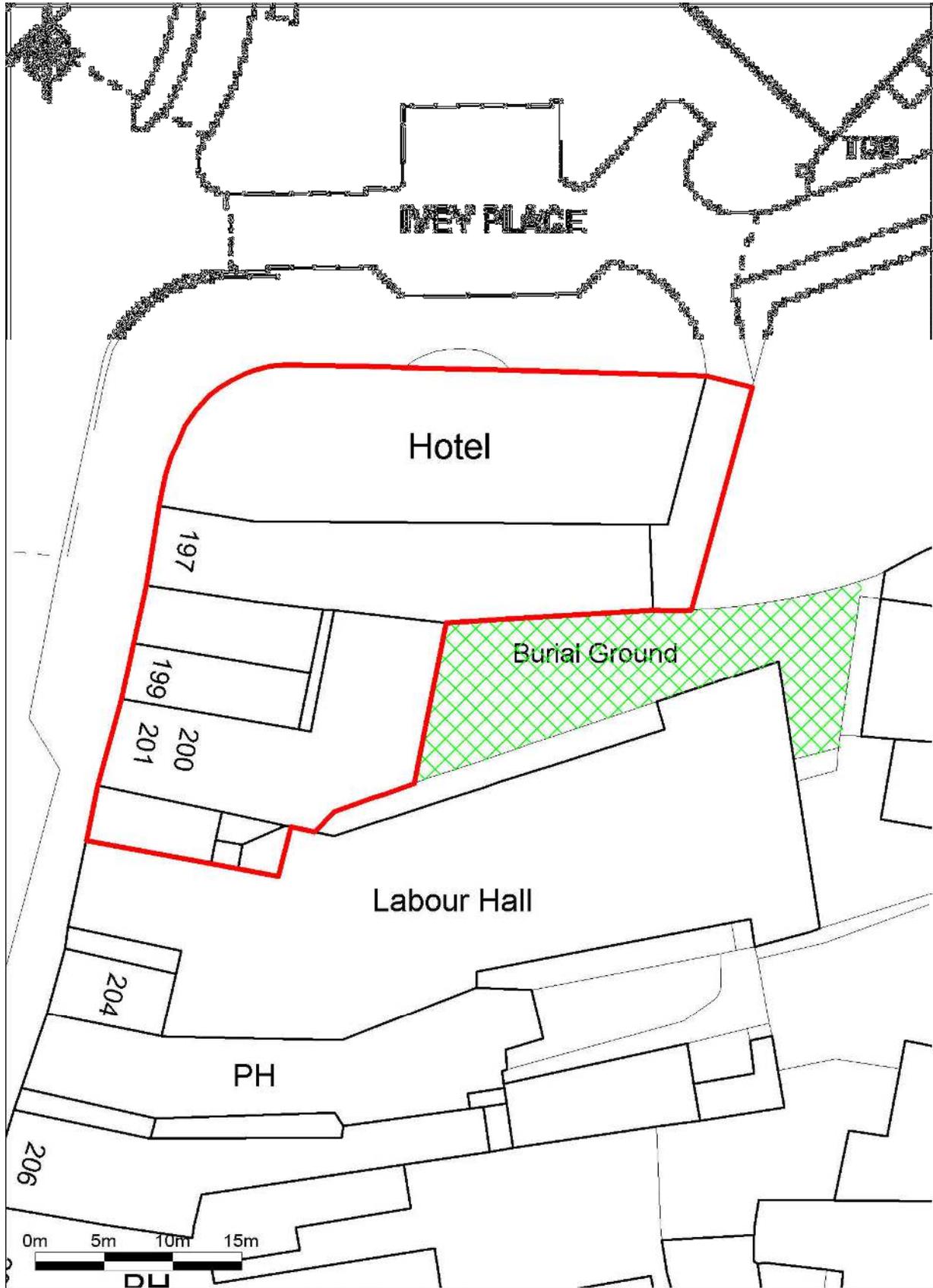
From our informal enquiries, there is no indication that the property or its immediate locality:

- ❖ is on or near landfills;
- ❖ is located within a tin mining area;
- ❖ is in an area that has been identified as having a risk of subsidence or landslide;
- ❖ is located within an area that is at risk of flooding;
- ❖ is subject to water or land pollution;
- ❖ has been used for the manufacture, storage or sale of hazardous/toxic materials such as chemicals, petroleum products, pesticides, fertilisers, acids, asbestos, explosives, paint or radioactive materials;
- ❖ is the site of below-ground storage tanks;
- ❖ is close to incinerators or chimneys giving off heavy emissions.

Subject to the limitations of our inspection we have detected no evidence to suggest that deleterious or hazardous materials or techniques have been used in the construction or subsequent modification of the building.

We refer you to the paragraph headed 'Environmental Matters' within the appended Explanatory Notes.

Site Plan



Ordnance Survey © Crown Copyright 2016. All rights reserved.
Licence number 100022432. Plotted Scale - 1:500

Site & Aspects of Title

Site Plan

The plan shown opposite is taken from the Promap online facility and shows the subject property within its local environs. We advise that the area outlined in red corresponds with the property inspected.

The 'cross hatched area' of the former 'burial ground', relates to Title no's CYM184020 and CYM375704. This land upon which stands a raised timber decked walkway, as part of a fire escape route from the rear of the subject buildings and air conditioning compressors that serve the restaurant and conference suite mounted on concrete bases; has according to the borrower been occupied by the subject concern, with the consent of the previous owners Swansea Quakers, albeit there was seemingly nothing in writing to this effect.

Since our previous visit to the subject property in June 2017, the former burial ground has been purchased by the Coastal Housing Group, who own adjoining commercial buildings to the east fronting 'Strand' and others fronting High Street beyond the neighbouring former Elysium Cinema. The borrower advises that the new owners are aware of the presence of the fire escape from The Station Room and air conditioning compressors standing on the former burial ground, who are similarly providing consent for these to remain.

The remainder of this land Mr Moloney advises is to be astro-turfed, which will also be used in conjunction with the business.

It should be noted that this plan and the markings thereon indicate the approximate extent of the site inspected and no guarantee can be given as to whether this corresponds to that over which title is held. It remains the responsibility of the Client to investigate and confirm the legal boundaries and title applying to the property.

Restrictive Covenants, Rights of Way and Easements

Based on our investigations, we are aware of the following:

Rights of Way	Restrictive Covenant	Easements
✓	✓	✓

We are advised by Mr Moloney that there is a long-established pedestrian right of way in the case of fire from the rear of the building, through the adjoining former graveyard,

The previously referred to informal agreement with former owners Swansea Quakers provided the right of their parishioners, families and friends to visit the former graveyard and view tomb stones now standing against the stone boundary wall with the adjoining former cinema, a right that Mr Moloney advises has been exercised.

H M Land Registry entries, last updated 31 July 2015, refers to the legal title of the original building of The Grand Hotel, as including any legal easements granted by the registered lease, but is subject to rights that it reserves. It also states that "The mines and minerals together with ancillary powers of working are excepted."

Furthermore, H M Land Registry entries refer to an agreement dated 23 February 1955, between H & F Gage Limited and The Grand Hotel (Swansea) Limited, relating to rights of light and air.

Mr Moloney advises that a restrictive covenant in the head lease seeks to prevent the use of the building as a nightclub and it is noted that the original sub-lease between Moloney Properties Limited and the associated initial trading company Ivey Place Hotels Limited, prohibited music that is audible from outside the premises.

We recommend that solicitors confirm the details in respect of the above in due course.

Tenure and Title

We are advised that the property has both freehold and leasehold elements.

The main building of 'The Grand Hotel', the original 'Station Hotel', is held subject to a renegotiated 125-year FRI lease from 24 September 2013, between The Council of the City and County of Swansea and Moloney Properties Limited, the lease having since passed to Abertawe Grand Limited, a property company that is wholly owned by Mr Cornelius Moloney.

We have not been provided with a copy of the lease, but would summarise the main terms as follows:

Landlord:	The Council of the City and County of Swansea
Tenant:	Moloney Properties Limited
Commencement Date:	24 September 2003

Site & Aspects of Title

Term:	125 years
Rent:	£2,000 per annum
Review Pattern:	None during the existing term
Alienation:	Assignment/subletting of the whole assumed to be permitted, with Landlord's consent, which is not to be unreasonably withheld.
Repairing/Insuring Obligations:	Full repairing; Landlord insures with the premium recovered from the tenant
Special Conditions:	We are advised that there are tenant's improvements, in that a fourth floor was added to the original building, as part of the initial approximate £3M refurbishment and remodelling of the property, albeit Mr and Mrs Moloney received a grant of £680,000 from Swansea City Council towards external works, due to the building being of local interest.

It is essential that solicitors inspect the lease to confirm that it provides satisfactory security for bank lending purposes and to confirm the lease terms, as indicated above. Should any of the latter vary from those indicated above, we reserve the right to reconsider our opinion of value.

Our valuations assume that any prospective purchaser would be granted full possession of the property, free of any restrictions on title and that all fixtures, fittings and items of equipment remaining would be provided on a fully unencumbered basis. Unless stated, we have not been provided with a report on title, but we would be pleased to co-operate with solicitors acting for the Client in respect of such a report should this be required.

No's 197 – 201 High Street and the adjoining former studio building are owned by The Abertawe Grand Limited under a consolidated freehold title.

The Abertawe Grand Limited are sub-leasing the buildings to the associated trading company, Celtic Hospitality Limited, on a rental agreement, at a passing rent according to the latest Unaudited Financial Statements for the year ended 28 February 2018 of £169,396 per annum.

We have not been provided with a copy of the rental agreement, but for the purposes of our valuation, we are valuing the remaining 109-year ground leasehold interest of the main building and freehold interest of no's 197 – 201 High Street and former health studio building, on the assumption that the internal rental agreement is of no consequence.

It should be noted that the external seating under the veranda and in front of Moloney's Sports Bar, lies outside the boundary shown on the registered 'Title Plan' for the main building. However, we are advised by the borrower that this is not subject to a 'pavement licence'.

As indicated before, the borrowers have additionally had use of the adjoining parcel of land to the south-east, a former graveyard, with the verbal consent of the previous freeholders' 'Swansea Quakers'. This land is occupied by a raised timber decked walkway, part of a fire escape from the rear of The Station Room function room; and air conditioning compressors mounted on concrete bases.

Whilst Mr Moloney had made an offer of £15,000 to acquire the freehold interest in this parcel of land, it has instead since been purchased by the Coastal Housing Group, who own adjoining land and buildings to the east fronting 'Strand', reputedly earmarked for residential and or office development.

The previously referred to low-lying land that Mr Moloney purchased from Network Rail in April 2018 is presently held on separate deed and is not being offered to the bank as additional security, pending determination of its future use. For The Abertawe Grand Hotel, this might include; a surface or multi-storey car park, a multi-storey building to include an additional much larger ground floor function room, three or four floors of letting bedrooms or apartments above and car parking at lower levels.

Furthermore, Coastal Housing Group have expressed an interest in being involved in such a development. This was on the agenda for a pre-arranged meeting with the borrowers held on 8 February 2019, at which we understand the building company offered to gift the former graveyard to the borrowers, in return for having the opportunity to be included in the proposed development of the low-lying parcel of waste land.

External Property

Front Elevation



Return Elevations Fronting High Street



External Property

Site Description/Potential

The original building that occupies a site of approximately 0.041 of a hectare (0.101 of an acre), fronts directly onto the pavement in Ivey Place and the associated lean-to metal framed veranda, the latter as indicated previously, lies outside the registered title. However, the veranda and pavement in front of Moloney's Sports Bar; provide for tables, benches and chairs, which at the time of our recent visit, were arranged for 54 persons.

Attached to the original building and stretching down High Street are four former shop properties that abut the pavement, which have been integrated in recent years by the borrower for use in conjunction with the hotel. Adjoining the rear of the original building and the conference and banqueting suite that opened in December 2015, is a former health studio. The latter previously formed part of no 197 High Street and was acquired by the borrower in December 2016. Collectively these freehold buildings occupy a site of an approximate 0.069 of a hectare (0.171 of an acre).

On the eastern side of the original building is an access way to the former health studio building, as well as providing part of the fire escape route from the rear of the hotel through the former graveyard now belonging to Coastal Housing Group. The latter that extends to an approximate 0.026 of a hectare (0.064 of an acre), was previously occupied by the borrower with the consent of former owners Swansea Quakers and upon which he constructed a raised timber fire escape walk-way serving the Ivey Conference Suite and concrete bases for the associated air conditioning compressors.

Mr Moloney currently has proposals to create an extra 12 en suite letting bedrooms by adding two further floors to the original buildings fronting High Street and an additional 32/36 en suite letting bedrooms and two resident's lounges, by constructing another three floors over the single storey conference suite.

The borrower subject to planning permission and other statutory consents, also has longer term proposals to demolish the former health studio building to make way for the erection of a six-storey steel framed extension to the original main building. The latter is to include; an enlargement of Moloney's Bar with an open kitchen and dining area; and a furniture store for The Station Room at ground floor level; a linen store on the first floor served by an externally attached goods lift; and nine good-sized en suite letting bedrooms, one at this level and two each on the four floors above.

Each of these schemes this will be subject to planning permission and other statutory consents, which may or may not be granted, but if successfully obtained and constructed would take the overall stock for the hotel to between 106 and 108 letting bedrooms.

In the meantime, the upper part of the former graveyard, with the prior consent of Coastal Housing Group, is to be astro-turfed as a garden and break-out area for use in conjunction with the hotel's conference and banqueting suite.

Buildings Description

The property comprises; an original circa 1930s six storey art-deco stone clad and rendered brick steel framed building, with attached three storey former shop properties to High Street with a recent single storey rear extension having high performance fibreglass and powder coated metal profile sheeted rooves; whereas the attached former studio building is of single storey brick with whitened elevations under a slate roof.

The following table summarises the apparent construction of the major building elements.

Element	Description
Fire Escape	There are two fire exit doors from the Station Suite, which open onto the attached raised timber decked walk-way within the former graveyard, with four steps up to a landing before passing through a gate beside the former health studio and on the eastern side of the building, to reach safety in Ivey Place. There are also three internal fire escape stairwells serving the upper floors of the hotel, which descend to street level. Double doors to the former health studio from the access way are presently the only means of access to and from those premises.
Flat Roofs	The reconstructed fourth floor of the main building and no's 197 - 201 High Street, have GRP high performance fibreglass covered roofs, whereas the ground floor rear extension is powder coated metal profile sheeted.
Pitched Roofs	Eastern portion of main building sheet lead/metal clad. Slate covered former health studio building.
Rainwater Goods	Principally integrated, but sectional black plastic to rear two-storey portion of main building.
Walls	Stone clad front elevation to original building, with rendered and whitened side and rear elevations. Former shops to High Street frontage have stone clad ground floor and colour washed rendered elevations, rendered and whitened at rear. The former health studio building has rendered and whitened elevations.

External Property

Services

We are advised that the property is connected to the following:

Mains Water	Electricity	Mains Drainage	Mains Gas	Central Heating
✓	✓	✓	✓	Gas; Electric; Air conditioning

The property has a three phase electricity supply and air conditioning in the Reception Lounge, Moloney's Sports Bar, Station Conference Room, Ivy Suite Conference Room and six letting bedrooms, served by externally mounted compressors, located either on the roof, or alternatively in the former graveyard.

The gas-fired central heating system for the main building, which also supplies domestic hot water to the property as a whole, is served by three wall mounted boilers located in the plant room at lower ground floor level. However, space heating for the 14 letting bedrooms on the first and second floors above no's 197 - 201 High Street, is provided by wall mounted electric convactor heaters.

The main building has two OTIS GN02 hydraulic passenger lifts, the one used by guests connecting all floors, which has a capacity of 13 persons (1,000 kg) and the other by staff; this having a capacity of eight persons (630 kg).

The CCTV surveillance system has 20 internal and five externally mounted digital cameras, linked to split screen monitors in the reception office and IT cupboard, the latter where the computerised recording equipment is to be found.

The former health studio building had a gas-fired central heating and hot water system, but the wall mounted boiler has since been removed as a part of the original proposal to convert it into two additional en suite letting bedrooms for the hotel and a furniture store, works since suspended in favour of the larger such scheme.

Systems and Equipment

Whilst it is beyond the scope of our instructions to undertake tests of services, equipment, fixtures and fittings, we assume that all such items are operating safely and efficiently and are appropriate for the purposes to which they are put.

External Property

Rear South Facing Elevations



Rear East Facing Elevations



External Property

Condition

It should be noted that we have not undertaken any form of survey, structural or otherwise and the following comments are based on our brief inspection of the property. Our valuations have been prepared on the assumption that there are no inherent structural defects associated with the property or any wants of repair which would attract a significant cost.

Generally, the hotel is presented to a good standard and well decorated, with the programme of external refurbishment to the front and eastern side elevations of the original building, in hand at the time of our previous visit in June 2017, having since been finished. This is apart from the replacement of two plate glass panels to the balcony of the fourth floor Executive Bedroom 406, which have been purchased and supplied, but still to be fitted.

Remodelling of first floor of the original main building to create eight en suite letting bedrooms and the management office were completed in June 2016; and eleven PVCu double glazed replacement bedroom windows for the front elevation have since been installed.

The external elevations of the single storey former health studio have been redecorated and internally the building stripped back to the bare floors, walls and roof trusses, pending statutory consent for conversion into two extra hotel letting bedrooms and a furniture store for the adjoining conference/banqueting suite. Whilst a concrete block wall has since been erected at the western end of this building to form a temporary furniture store for the Station Room, the remainder of that scheme has been suspended pending the design of the previously referred to current proposal for a six-storey extension to enlarge Moloney's Bar, create a first-floor linen room served by an external goods lift for the associated trolleys; and nine en suite letting bedrooms, one at that level and the remainder on the four floors above.

Understandably therefore, restoration of the rear elevation of the original main building has been delayed pending the outcome of this revised proposal, for which the borrower's architects are currently in the process of preparing a draft scheme, prior to the borrower's approval and making a formal submission to the Council for planning permission.

As a general comment, flat roof coverings have a more limited lifespan and will require ongoing maintenance, prior to renewal.

Mr Moloney has previously informed us that an asbestos survey was undertaken, prior to remodelling and refurbishment of the main building. This identified building components containing asbestos, which had been used to line lift shafts, which were removed under controlled conditions, costing an advised approximate £30,000.

Our valuations assume that there is now no asbestos on site, or asbestos related issues that would attract a significant cost. Furthermore, we refer you to the information below.

An Energy Performance Certificate (EPC) for was issued for the property on 15 April 2010, entitled Swansea Grand Hotel, which rated the property as having an EP rating of 99, falling within Band 'D' (76 - 100). This was prepared by David Williams of Warmleigh Energy Services Ltd, 36 Llantrisant Road, Pontyclun, Rhondda Cynon Taff, CF72 9DQ.

As Band 'E' or above is generally acceptable to loan sources, no further comment would generally be considered necessary in this instance. The latter is also the MEES minimum requirement for commercial premises in the future being let, a provision that came into effect on 1 April 2018.

However, as EPCs only have a 10-year life, with approximately 14 months remaining, a loan source may ask for a more up-to-date certificate to be prepared, especially as the borrower has since acquired the freehold interest in no 197 High Street, which also included the adjoining former health studio building.

Asbestos

All owners/occupiers of non-domestic properties and communal areas of domestic properties are required, under the Control of Asbestos Regulations (2012), to provide a record of an inspection to verify whether any form of asbestos is present. If asbestos is detected, then an appropriate management plan must be implemented. We have not inspected for asbestos and, unless otherwise stated, our valuations exclude any costs relating to this management plan.

Energy Performance Certificate and Display Energy Certificates

All non-domestic properties over 50m² in size require an EPC when constructed, sold or let. There are certain exemptions, for example, if the building is to be demolished. The certificate includes an energy efficiency rating between A (most efficient) and G. It is valid for a period of 10 years assuming there are no changes to the building or its' use.

From 9 January 2013, a DEC is required to be prominently displayed in all buildings that are occupied in whole or part by a public authority or by institutions frequently visited, providing a public service to a large number of persons, and that have a useable space of 500 m² or more. They are valid for a period of one year. The accompanying advisory report is valid for a period of seven years, or 10 years if the building is less than 1,000 m² in size, assuming no changes to the property or use. If available, for example the building has been constructed, sold or let, the EPC for these buildings also needs to be prominently displayed, although there is currently no requirement to commission an EPC specifically for this purpose. From April 2018, it will become unlawful to let properties with the two lowest ratings of F and G.

Please contact us for further information about arranging an asbestos survey or EPC

External Property

Reinstatement Assessment

It should be appreciated that an assessment of the likely costs of fully reinstating a property is a complex and detailed exercise usually undertaken by a building or quantity surveyor. The following estimate is provided purely for guidance purposes to assist the named client in their consideration of the stated business proposal. It should not be relied upon by either the named client, or any other party, as a basis for assessing levels of insurance cover and Pinders accept no liability in this regard.

Whilst the estimate provided allows for the approximate costs of demolition, debris removal and professional fees, and assumes the use of modern materials, construction techniques and compliance with all current building regulations, it makes no allowance for any alterations to the layout or configuration of the property which may be required for the ongoing operation of the business.

On these specific assumptions, we suggest that the reinstatement figure for the existing structure (exclusive of VAT) should not be less than **£7,200,000**.

Internal Property

Reception Lobby



Maloney's Sports Bar



Station Room Of Conference - Function Suite



Second Floor - Bedroom 209 - Double



Fourth Floor - Bedroom 404 - Zip-link Double Or Twin



Internal Description

Public Areas

Area	Size m ² (Approx)	Description
Reception Lounge	159.4	Laminated oak parquet style floor, chalk blue painted walls and whitened ceiling with reflective high gloss panel and recessed light fittings. Furnished with a combination of leather upholstered settees, chairs and stools - 28 seats.
Reception Counters	-	Two stand-alone hotel reception desks sited centrally equipped with computerised booking and payment systems. Hertz agency car hire desk located adjoining the main entrance doors.
Moloney's Sports Bar	149.2	Strip boarded floor, timber clad walls below dados, otherwise cream painted and to ceiling with recessed light fittings. Equipped with retractable projection screen, wide screen and smaller TVs. Furnished with bar and posing tables, high bar stools, leather upholstered settees, tub chairs and a high-backed booth for groups - 100 seats.
Sports Bar Servery	-	Vinyl floor covering; fitted rear bottle displays, bottle shelving and two wash-ups. Equipped with six double refrigerated bottle display cabinets, an ice maker, commercial coffee machine, two glass washers, a touch screen till, CD player and amplifier. Access to staff lift.
Pico One Restaurant	94.2	Laminated floor covering, cream painted walls with dado rails and whitened ceiling with recessed light fittings. Equipped with an upright refrigerated wine bottle display cabinet, a refrigerated breakfast bar cabinet and furnished with tables and leather upholstered high backed chairs - 70 covers.
Wine Service Counter	-	Non-slip floor covering, cream painted walls and whitened ceiling with drop light fittings. Equipped with a double refrigerated bottle display cabinet, a coffee jug heater, cereal and fruit juice dispensers.
The Station Suite	158.0	Carpet covered floor, cream painted walls with dado rails and whitened ceiling with multi-branch light fittings. Furnished and equipped for banqueting and meetings, including a retractable screen - 120 Banquet, 180 Theatre Styles, but sub-divides into; Station Room 1 - 60 Banquet, 75 Theatre Styles and Station Room 2 - 60 Banquet, 75 Theatre Styles.
Station Suite Bar Servery	-	Non-slip floor covering, cream painted walls, fitted wash hand basin, wash-up, rear bottle displays and glasses shelving. Equipped with five double refrigerated bottle display cabinets, an electric water boiler and a touch screen till.
Ivey Room - 1	27.0	Laminated floor covering, cream painted walls with dado rails and whitened ceiling with recessed light fittings. Furnished and equipped for banqueting and meetings - 20 Theatre, 15 Boardroom Styles.
Ivey Room - 2	51.4	Laminated floor covering, cream painted walls with dado rails and whitened ceiling with recessed light fittings. Furnished and equipped for banqueting and meetings - 40 Banquet, 30 Theatre, 30 Boardroom Style.
Customer Toilets	-	Disabled person's facility approached directly from the reception lounge, with stairs leading down to ladies and gentlemen's toilets. A further set of such facilities on the ground floor serve the restaurant and conference/banqueting rooms.
Entrance Lobby to Former Spa Suit	3.0	Italian marble tiled floor, recessed lights to ceiling and Locker Room 2.25 m ² .
Leisure Area	16.2	Italian marble tiled floor, small format tiled walls, polythene sheeted ceiling, Sauna 4.6m ² - eight-person, Steam Room 5.4 m ² - six person and two open showers.
Spa	39.5	Italian marble tiled floor, small format part tiled walls, polythene sheet ceiling, fitted Jacuzzi hot tub - eight person and hot stone bed.
Solarium	3.7	Vinyl floor covering, white PVCu lined walls and ceiling, fitted vertical tanning unit.

Internal Description

Service Areas

Area	Size m ² (Approx)	Description
Plant Room of Spa Suite	6.6	Approached from solarium with electrical water heating and filtration equipment for Jacuzzi hot tub.
Restaurant Beer Cellar Room	5.7	Approached from restaurant.
Catering Kitchen	53.9	Non-slip floor covering, white PVCu lined walls, but steel clad behind cooking equipment, modern suspended ceiling with recessed strip lighting. Fitted two wash-ups, wash hand basin, fume extraction hood and walk-in cold room. Equipped with a food processor, toaster, potato peeler, double deep fat fryer, six burner and solid topped catering ranges, two microwave ovens, a convection oven, double refrigerated base cabinet, five pot refrigerated salad keeper, a 'pass', an upright deep freeze, a double commercial refrigerator and an in-line dish washer.
Main Beer Cellar	21.3	Located at lower ground floor level, with concrete floor, fitted Belfast sink, refrigerated cellar cooler and metal storage cabinet.
Bottle Store	17.7	Part non-slip concrete floor, equipped with two chest deep freezers.
Cleaning Materials Store	5.8	Laminated floor covering, metal wire and steel framed storage units.
Boiler Room	25.6	With concrete floor.
Maintenance Store	7.5	Laminated floor covering, strip light and timber framed storage racking.
Former Gym	23.1	Used as store and laundry room, equipped with domestic washing machine and tumble dryer.
Dry Goods Store	2.8	Ceramic tiled floor, white PVCu lined walls and two shelving units.
Management Office	23.9	Laminated floor covering, white painted walls and ceiling with recessed strip light fittings.
Staff Room	8.2	Ceramic tiled floor, white painted walls and ceiling with surface mounted light fitting. Access to staff lift.
First Floor Linen Storage Cupboard	1.6	Fitted Shelving.
Sluice Room	1.3	Modern ceramic tiled floor, white painted walls and ceiling. Fitted Belfast sink.
Second Floor Linen Storage Cupboards	1.7	Fitted Shelving.
Housekeeper's Room	7.7	Fitted Shelving.
Third Floor Linen Storage Cupboards	2.4	Fitted Shelving.
Third Floor Linen Storage Cupboard	2.6	Fitted Shelving.

Measurement of Accommodation

We endeavour to measure the accommodation at the time of our inspection but, where this is not possible, we will either rely upon measurements taken from plans provided, schedules of measurements or other information advised to us by the owner of the business.

Internal Description

Letting Accommodation

The hotel is currently offering 53 en suite letting bedrooms with a total of 116 bed spaces. These are arranged over the four upper floors of the main building and first and second floors of the High Street wing; and have the following configuration; 22 Standard Double, three Standard Twin, eight Zip-Link Double/Twin, four Large Double with balcony, 14 Triple, the Penthouse Suite and a Superior Suite.

Each of the letting units have en suite facilities, although recently created Bedrooms 108 and 109 have the bath actually in the room and the Penthouse Suite and both Bedrooms 402 and 406 have a hot tub on the roof-top balcony.

The 31 originally created bedrooms in the main building have a central heating radiator, the 14 bedrooms in the wing wall mounted electric convactor heaters, whereas the eight more recently created first floor bedrooms have air conditioning units.

Room facilities otherwise include; a TV with Freeview channels, a hospitality tray, direct dial telephone a hair dryer and Wi-Fi internet access. Six executive rooms also have a mini bar.

Access

Level access to premises	Level access to public areas	Disabled WC
✓	✓	✓

There is level access to the premises and the public areas, although the designated disabled WC facilities are accessed directly from the reception lounge. Whilst there is no ground floor letting bedrooms, the guest's passenger lift is large enough to accommodate wheelchairs and connects to all floors, albeit at fourth floor level there is a step up to the associated landing to reach Bedrooms 401 - 406.

The Equality Act 2010

The Equality Act came into force on 1 October 2010. The Act consolidates and brings together previous equality laws including the law on disability discrimination. Operators are under a duty to make reasonable adjustments to the provision of their services to accommodate people with disabilities. The duty is anticipatory - so adjustments must be made before a claim for disability discrimination is brought. What will constitute a reasonable adjustment very much depends on the size and nature of the service.

Decoration and Furnishing

We consider the subject hotel to be generally presented to a good standard, with the building and refurbishment works in connection with remodelling the first floor of the original building, to create an additional eight letting bedrooms, furnished and equipped to a high standard, these coming on stream in June 2016.

The general manager advises that 26 of the original 31 bedrooms in the main building have thus far been upgraded, albeit the ongoing programme of refurbishing two bedrooms per calendar month was temporarily suspended over the Christmas and New Year party season due to high occupancy of the remaining five rooms.

The reception lobby, main stairs therefrom and the first-floor landing were reappointed during 2018, at an advised cost of £10,000; when the previous reception counter was removed to provide; additional lounge seating for guests, two stand-alone centrally positioned podium style reception desks and another desk for the recently secured Hertz car hire agency.

Additionally, during January 2019, Moloney's Bar that has thus far had a male dominated trade has been refurbished with a view to attracting more female customers and couples for morning coffee and the associated menus are to be restructured to encourage more food sales. The cost of this project has been an advised approximate £40,000, although a £15,000 contribution to this has come from current wet sales supplier' Molson Coors, together with an agreement with them to allow a further £7,000 of discounts against future invoices on purchasers.

The former spa leisure facility on the lower ground floor closed following vacation by the original licence operator, with the former changing rooms having since been adapted to provide customer's toilets for Moloney's Bar and the former gym as a temporary furniture store/laundry room. The latter would in due course appear suitable for the creation of alternative changing rooms to serve the leisure facility, when this is reopened as the management are in due course intending, with a view to capturing additional room bookings, from guests who might otherwise stay elsewhere, albeit they might not actually use those facilities.

Statutory Authorities

For the purpose of this report and our valuations, we have assumed that there are no matters outstanding or that would be of concern to any of the Statutory Authorities, or any matters that would have a detrimental impact on Market Value.

Planning and Highways

We are advised by Mr Moloney of the following:

Listed Building	Conservation Area	Tree Preservation Orders	Section 106 Agreements	Adopted highway
x	x	x	x	✓

We have accessed the online planning database of the local authority, which revealed the following planning history in relation to the subject property:

Reference	Date	Decision	Proposal
89/1876/03	14/02/1990	Approved	Alterations to form new reception area, removal of existing shop front and change of use of shop to form cocktail bar.
90/0688/03	12/09/1990	Approved	Demolition of fourth floor staff flat + formation of a new fourth floor with 16 new bedrooms with en suite bathroom or shower room.
93/0870	10/03/1994	Approved	New shopfront to corner elevation
2001/0980	09/08/2001	Granted Subject Conditions	Erection of glazed canopy across the frontage of the building between ground and first floor levels, demolition and reconstruction of fourth floor and refurbishment of existing windows
2004/1524	26/10/2004	Granted Subject Conditions	Retention of two externally illuminated entrance canopy signs, one externally illuminated double sided projecting sign and one externally illuminate individually lettered sign with the installation of spot/floodlighting units.
2005/0350	19/05/2005	Granted Subject Conditions	5th Dimension, 201 High Street, Swansea, SA1 Change of use of ground floor from a shop (Class A1) to a conference/meeting room (Class C1)
2004/0212	25/10/2007	Approved	Retention of alterations to ground floor facade, including new shop fronts and doors on front elevation
2008/1839	31/10/2008	Approved	198 High Street Swansea SA1 1NG One internally illuminated fascia sign and one internally illuminated projecting sign
2009/0319	24/03/2010	Granted Subject Conditions	197 - 201 High Street, Swansea SA1 1NG Change of use of first & second floors from part retail/part residential, two first and second floor rear extensions to facilitate enlargement of existing hotel and five new shop fronts.
2014/1244	30/12/2014	Granted Subject Conditions	197 - 201 High Street Swansea SA1 1NG Change of use of ground floor units from retail (Class A1) and tattoo parlour to (Class D2) to facilitate increase in size of hotel's existing conference and banqueting room and new shop front
2018/1879/FUL	09/11/2018	Refused	Ancillary hotel car park with ramped access, spiral staircase link and associated works
2018/0117/REF	07/12/2018	Pending	Appeal to the Planning Inspectorate in connection with Swansea Council's refusal to grant planning permission under application reference number 2018/1879/FUL for an 'Ancillary hotel car park with ramped access, spiral staircase link and associated works'.
2016/1387	29/01/2019		One externally illuminated individual letter sign

Our valuations have been prepared on the specific assumption that planning permission exists for the property's existing use.

Rates, Water and Environmental Charges

The Rateable Value of the subject property is £108,000, with a Welsh Uniform Business Rate payable of 51.4p in the pound for 2018/2019 and the business also pays a 'Swansea Bid' marketing and promotion surcharge of £2,000 per annum.

Within our Current Trade Assessment calculations, we have made an allowance of £85,000 per annum for rates, water and environmental services.

Statutory Authorities

Fire Authority

The Fire Authority no longer routinely inspects premises, and it is the responsibility of the occupier to undertake an appropriate Fire Risk Assessment. The Fire Authority no longer routinely inspects premises and it is the responsibility of the occupier to undertake an appropriate Fire Risk Assessment.

We are advised that a Fire Risk Assessment has been prepared and this was updated on completion of the remodelling and refurbishment works on the first floor of the original building in June 2016, which were monitored by the fire officer.

Fire-fighting equipment is serviced and maintained by Hartson Fire from Swansea, whose last visit was in February 2018.

Regulatory Reform (Fire Safety) Order 2005

We have not undertaken any form of Fire Risk Assessment for the premises, nor can we confirm the adequacy, or otherwise of any Risk Assessments seen. We recommend that business proprietors fully acquaint themselves with the requirements of the Regulatory Reform (Fire Safety) Order 2005, which cover statutory fire prevention in almost every commercial property.

Environmental Health Authority

We understand that the subject concern is registered under the provisions of the Food Safety Act 1990 and it is assumed that the business meets fully with the requirements of this legislation.

The premises were last inspected by the Environmental Health Officer of Swansea Council on 4 February 2019, when the business received a 5 out of 5 rating under the Food Hygiene Rating System, after 'Food Hygiene and Safety' had been graded as 'Very Good' and both 'Structure Compliance' and 'Confidence in Management' as 'Good'.

Food Safety Act 1990

We recommend that business proprietors fully acquaint themselves with the terms and conditions of the Food Safety Act 1990 and its various subordinate regulations. These include the introduction of a scheme for compulsory registration of all food premises under The Food Premises (Registration) Regulations 1991, the latter relating to England, Scotland and Wales, and applying to most types of businesses, with few exemptions.

Licensing

The property operates with the benefit of a Premise License, originally issued by Swansea City and Borough Council on 5 October 2015, to Ivey Place Hotels Limited, under licence number SJ067648, albeit the latter is now held in the name of the replacement trading company, Celtic Hospitality Limited.

The licence permits the following activities;

- ❖ Sale of alcohol on the premises - Daily - 07:00 hrs to 02:00 hrs
- ❖ Sale of alcohol off the premises - Daily - 07:00 hrs to 02:00 hrs
- ❖ Late Night Refreshments - Daily - 23:00 hrs to 02:00 hrs
- ❖ Dancing - Daily - 07:00 hrs to 02:00 hrs
- ❖ Live Music - Daily - 07:00 hrs to 02:00 hrs
- ❖ Making of Music - Daily - 07:00 hrs to 02:00 hrs
- ❖ Recorded Music - Daily - 07:00 hrs to 02:00 hrs

General Manager' Michelle O'Rourke is the Designated Premises Supervisor, who holds a Personal Licence no 00ND-IND-02354.

In addition, the following licences are also held:

- ❖ Performing Right Society Licence
- ❖ Phonographic Performance Limited Licence
- ❖ Wedding Licence, the marriage rooms - Station Suite 120 persons, Ivy Suite 80 persons.

The Licensing Act 2003

The Licensing Act 2003 provides that premises where a licensable activity takes place require a Premises Licence. For the purpose of this report and our valuations, we have assumed that the business will have the necessary licences in place to continue to trade as existing and/or proposed.

Local Sector Profile

	Census	(Sub National Population Projections)		
	2011	2018	2023	2028
Overall Population	265,638	275,331	280,776	284,110
<i>Percentage change on 2018</i>	-	-	+2.0%	+1.2%
❖ age between 18 and 24 yrs		23,244	21,942	22,280
❖ age between 25 and 44 yrs		69,475	72,943	73,094
❖ age between 45 and 64 yrs		68,717	67,696	66,143
❖ of pensionable age		53,531	57,452	61,936

Customer Profile

The local demographic information available shows a population within a 10km radius of around 266,000 at the time of the previous census. Of these, there are 2.25% in the 18 to 24-year old bracket and 1.32% of pensionable age, which are more than the UK average, whereas there are respectively 1.71% and 0.26% less of those between 25 and 44 years and in the 45 to 64-year old bracket.

In terms of social class distribution, there are about 5.4% and 0.9% respectively fewer within the Classes A/B and C2, when compared to the rest of the UK, whereas in contrast, there are 1.5% and 4.84% more in Classes C1 and D/E.

The trading pattern of the concern, Monday to Thursday, is principally from the corporate and tourist sectors, whereas at weekends, it tends to be more leisure break and function orientated, with the approximate income mix; 60% corporate and business; 40% leisure.

Competition

We consider competition in the city to be relatively strong, this principally from the larger corporate hotels, which are said to include;

The Dragon Hotel in The Kingsway is a former Holiday Inn with a 4 Star rating, having 106 letting bedrooms, an AA Rosette for its restaurant and a leisure club.

The Village Hotel in Fabian Way, opposite Kings Dock, has 114 letting bedrooms, a Starbucks Coffee shop, Verve Grill or traditional pub food,

The Mercure Hotel at Enterprise Park in a lakeside location has 119 letting bedrooms, a brasserie restaurant for 120 and a 'Feel Good' health club.

Furthermore, other corporate units, but not exclusively, include;

The Ibis in Swansea Way in the SA1 Waterfront Development that has 99 letting bedrooms, this understood to have opened in 2004 at about the same time as The Grand Hotel was re-launched with 31 letting bedrooms, following its initial refurbishment;

Premier Inn – Swansea City Centre in Wind Street with 116 letting bedrooms, has a breakfast buffet restaurant, whereas this corporate provider has a further such unit; Premier Inn – Swansea adjacent to the Marina, that is operated in conjunction with an associated Beefeater Grill restaurant.

Travelodge Swansea Centre, opposite Bar 6 in Princess Way has 70 letting bedrooms; with this corporate budget operator having a further unit with about 100 letting bedrooms off Junction 47 of the M4 motorway.

Local Sector Profile

Using information available in the public domain we have identified the following applications and developments that are understood to be in the pipeline:

Reference	Date	Decision	Proposal
2017/0757/FUL	13/11/2017	Granted	FAIRY HILL COUNTRY HOUSE - WEDDING VENUE Address: Fairy Hill Country House, Reynoldston, Swansea, West Glamorgan, SA3 1BS. Two storey extension and new entrance works to existing building.
P2015/0890	23/02/2018	Granted	PREMIER INN HOTEL - 26 BEDROOM EXTENSION Address: Premier Inn Hotel, Pentwyn Baglan Road, Port Talbot, West Glamorgan, SA12 8ES. Two storey detached extension to the existing hotel to provide an additional 27 bedrooms with associated plant room, linen store and landscaping.
2017/0648/OUT	12/04/2018	Granted	SWANSEA CENTRAL Address: Oystermouth Road, Swansea, West Glamorgan, SA1 3UH. Mixed used development to provide retail, commercial, offices, housing, arena, hotel, bars, restaurants, library and church with associated access, parking and landscaping following demolition.
2016/1148	29/06/2018	Granted	OLDWALLS GOWER HOTEL - HEALTH SPA, RESTAURANT & BEDROOMS Address: Llwynbywch Farm, Llanrhidian, Swansea, West Glamorgan, SA3 1HA. 2 storey building to provide health spa , gym, kitchen and 14 bedroom hotel with associated parking and access following demolition of existing storage barn.
2016/0182	20/08/2018	Granted	PREMIER INN, SWANSEA NORTH - 47 BEDROOM ANNEX Address: Premier Inn, Upper Forest Way, Swansea Enterprise Park, Swansea, West Glamorgan, SA6 8WB. 47 bedroom annex with associated parking.
2018/1466/FUL	01/11/2018	Pending	CAMBRIAN PLACE - HOTEL & RESTAURANT Address: 14 Cambrian Place, Maritime Quarter, Swansea, West Glamorgan, SA1 1PQ. Conversion and extension of existing building to provide a 20-bedroom hotel, restaurant and wine bar with associated works.
2018/0916/RES	05/11/2018	Pending	MUMBLES PIER PROJECT Address: Mumbles Pier, Mumbles Swansea Bay, Swansea, West Glamorgan, SA3 4EN. Mumbles Pier Project with partial demolition of existing buildings and comprehensive redevelopment of land at Mumbles Headland and foreshore/coastal strip (extending to Knab Rock) comprising Headland building (up to 6 storeys) to accommodate up to 57 apartments, retail units (250m ²), restaurant/cafe space (1569m ²), industrial and storage space (151m ²), hotel (1,000m ²) and an amusement arcade (735m ²). Siteworks: demolition;
2016/1681	12/11/2018	Granted	MORGANS HOTEL LIMITED - HOTEL & BAR Address: 2 - 3 Prospect Place, Swansea, West Glamorgan, SA1 1QP. Alterations and conversion works to the existing office building to form a ground floor bar and 15 bedroom hotel on the first and second floor.

The Premier Inn at Swansea North is approximately four miles from the city centre on the Swansea Enterprise Park, convenient for Junction 45 of the M4 motorway, whereas this corporate provider's budget hotel at Port Talbot is seven miles away, hence Ms O'Rourke does not consider either of them as providing particular competition for the subject concern.

Additionally, both Old Walls Gower and Fairy Hill Country House at Gower are wedding only venues; and whilst Morgans Hotel is in the city centre, as a 5 Star establishment, it therefore operates at a different level of the market to that of The Abertawe Grand Hotel.

The Business

Business History

The main building of the subject property appears to have been erected during the 1930s, in the art-deco style, as the Station Hotel. The remaining 33-year ground leasehold interest from Swansea City Council was acquired by the borrowers Mr C J and Mrs S Moloney in 1999, for an advised consideration of £220,000, after it had been offered for sale by tender.

Following purchase, the new owners renegotiated the existing 125-year lease with the Council, in exchange for an increased fixed ground rent of £2,000 per annum, prior to investing a further advised approximate £3m in a comprehensive refurbishment and remodelling of the building's interior, albeit a £680,000 grant was received against the cost of external works, due to the building being listed as a 'Key Building' of local historic interest. This resulted in the initial creation of 31 en suite letting bedrooms, the fully licensed Moloney's Sports Bar, a Piano Bar, high class first floor restaurant, together with a spa leisure facility at lower ground floor level.

At the time of acquisition, the premises were subject to a 'brewer's tie' and the new owners therefore decided to allow this previous supply agreement with the former lessee operator to lapse, before commencing trading. The premises in their revised trading concept opened in July 2004, after a 16-month conversion period.

Two years later, Mr and Mrs Moloney acquired no's 198 – 201 as a freehold mixed commercial and residential investment for an advised consideration of £400,000. At the time of purchase, this included three ground floor shop units, which were occupied by a Co-operative pharmacy, a tattoo parlour and a discount retailer, whereas the upper floors were arranged as two residential maisonettes and some offices.

Following negotiation of a lease for no 197 High Street in 2012, sited between the original hotel building and the couple's previous freehold acquisition, they obtained vacant possession of the upper floors before converting these to 14 en suite letting bedrooms, costing a further £80,000 - £100,000. These came on stream in April 2013, thereby taking the stock to 45 bedrooms.

As the leases of the respective lock-up shop units 'fell in', the last being in December 2014, the borrowers took the opportunity to gain vacant possession. In the following year they remodelled the ground floor of these buildings and extended to the rear with a single storey addition.

The building works for this scheme cost an advised £187,000 using a direct labour force, with a further approximate £200,000 spent on trade fixtures, fittings, furnishings and equipment. This has created the 'Peco One' 70-cover restaurant, conference/banqueting suite, catering kitchen and customer's toilets, which became operational in mid- November 2015, thereby taking advantage of some late organised pre-Christmas parties and has since led to additional business generated from conference and banqueting, including wedding receptions.

That scheme also enabled the closure of the former first floor poorly patronised high-class restaurant, associated kitchens and customer's toilets in the main building, with the space they occupied remodelled to provide a centralised management office and a further eight en suite letting bedrooms, thereby taking the hotel's overall stock to the existing 53 bedrooms. Those works, costing an advised £70,000, were completed and came on stream by the end of June 2016.

The lower ground floor former Spa leisure facility, which included a gym, treatment rooms, sauna, steam room, hot tub and changing rooms, was initially let to a third-party licensee, but with the hotel then only having 31 letting bedrooms, the leisure facility was deemed uneconomical to run and closed after four years. This space has largely since been un-utilised, although the former gym has been used as a furniture store and the changing rooms adapted as customer toilets for Moloney's Sports Bar.

In June 2016, Mr Moloney was approached by the owners of no 197 High Street, Rossgold Limited' to see whether he would be interested in acquiring their freehold investment interest. This not only included the former shop unit and accommodation above, since integrated into the hotel, but also the adjoining single storey building occupied by a tenant who had run a health studio from those premises. Following negotiation of a £235,000 purchase price for the freehold vacant possession of the property as a whole; the sale completed on 8 December 2016.

The borrower stripped out the former health studio building, initially with a view to its conversion, subject to statutory consents, into two en suite letting bedrooms and a furniture store for the adjoining conference suite. Whilst formation of the latter was undertaken, the remainder of that project was suspended in favour of a larger such scheme to demolish the building to make way for a six-storey extension to the original main building, to provide on the ground floor level, an extension to Moloney's Bar and a furniture store for the Station Room, a first-floor linen room served by an external goods lift and nine additional letting bedrooms.

Any such proposal will be subject to planning permission and other statutory consents, which may or may not be granted.

The above history of the subject property in the current owner's hands appears to suggest an overall investment to date in the order of £3.7M - £3.75M, excluding the previously referred to grant, although the Council subsequently also approved a further £50,000 towards the refurbishment of the original veranda, works for which have now been completed.

In the meantime, following our previous visit in June 2017, the reception lobby of the hotel has been remodelled at an advised cost of £20,000 and following our most recent inspection, Moloney's Bar has been refurbished at a cost of £40,000, although Molson Coors the principal supplier of wet goods is understood to have made a £15,000 contribution towards this.

The Business

The purpose of this report is for refinancing purposes in connection with a first charge loan of £2,000,000 over a 15-year term with capital and interest repayments to be secured against the subject property and a wine bar in Wine Street, Swansea, which we understand has been valued as a freehold investment at an advised £335,000.

Historic Accounts

We had previously been supplied with unaudited financial statements for the borrower's former trading company Ivey Place Hotels Limited for the three years ended 29 February 2016, prepared by Bellamy, Morgan & Westwood, Accountants from Morriston, Swansea.

Subsequently, Ivey Place Hotels Limited was controversially placed into administration on 11 November 2016 by the borrower's previous loan source Lendy Limited, with Resolution Service Management Limited being appointed for this role. Nevertheless, the hotel continued to trade under the present management and staff until the first charge loan secured against the ground leasehold interest in the original building and freehold interests in no's 197 - 201 High Street and the former health studio building, had been repaid.

Whilst financial statements for the trading period of Ivey Place Hotels Limited, either prior to administration from 1 March to 10 November 2016, or during the administration period of 11 November 2016 to 31 March 2017, have not been provided to us, we have been supplied with draft management accounts for the year ended 28 February 2017.

We are advised that the borrower's present operating company for the subject concern, Celtic Hospitality Limited, commenced trading on 1 March 2017 and we been provided with un-audited financial statements for the year ended 28 February 2018, which were also prepared by Bellamy, Morgan & Westwood.

Those for the most recent three-year period are summarised below.

Commenting on the accounts, it was previously firstly noted that the net turnover of the business in the year ended 29 February 2016 at £1,190,460, was 7.0% higher than the previous financial year of £1,112,480 per annum.

Additionally, draft management accounts for the year ended 28 February 2017 recording net sales of £1,446,077 indicated a further 21.5% uplift, this primarily due to the eight newly created first floor bedrooms on the first floor of the original main building having come on stream in June of the previous year. Furthermore, un-audited accounts for the year ended 28 February 2018 recording net sales of £1,659,673, show another 14.8% improvement, not only due to the beneficial effect of the extra letting bedrooms, but also in both wet sales and food sales.

The gross profit margin after food and beverage purchases only having been deducted from net sales, has during the four-year period been particularly consistent, in averaging 84.8% of overall turnover.

With regard to operating expenses, whilst the wage bill in the accounts for the year ended 29 February 2016 is shown as £289,473 per annum, equating to 24.3% of turnover, this did not include Ms O'Rourke's fees as a self-employed consultant, said to have amounted to £37,000 per annum, including an annual bonus, hence the effective wage bill in that financial year was £326,473 per annum, equating to 27.4% of turnover. The general manager has since been an employee of the trading companies and following recruitment of more staff to service the additional throughput of business, wages including employer's NI Contributions have understandably increased; in the year ended 28 February 2017 to £394,032 (27.3%) and the most recent un-audited accounts, £459,730 per annum (27.7%).

The amount devoted to repairs and maintenance in the three years ended 28 February 2018, averaging £52,958 per annum, equated to 3.7% of the turnover for the period. This is a similar proportion to that we generally recommend as being sufficient to adequately repair and maintain a property of this style and its trade furnishings and equipment in the medium to longer term.

It was evident from our recent visit to the property that the areas currently in use by the hotel are generally presented to a good standard and following the above referred to scheme to remodel the first floor of the original building as eight additional letting bedrooms, since June 2016 there has been an ongoing programme of refurbishment, with 26 of the original 31 bedrooms in the main building now having been upgraded. The most recent improvement had been the refurbishment of the reception lobby, with Moloney's Sports Bar having since, in January 2019, been upgraded.

The former leisure suite at basement level has remained largely unproductive since the third-party licence holder vacated, albeit the changing rooms have been adapted for use as customer's toilets and gym as a temporary furniture store/laundry room.

Draft management accounts for the year ended 28 February 2017 indicated the cost of 'heat and light' at £64,750, as compared with £72,278 per annum in the previous financial year, this reduction as a result of switching to an alternative energy supplier, but the latest un-audited accounts show energy costs as having since risen to £77,525 per annum.

The Business

The cost of advertising and marketing in the year ended February 2016 had been £87,356, whereas these aspects are included with 'Booking Fees' in the draft management accounts for the following year at £140,526 per annum, an increase of £53,170 per annum. According to the general manager, breakdown of the latter included; a standing charge of £18,200 per annum to Great National Hotels & Resorts for managing the booking system, commission of £12,000 per annum for the additional room revenue, an average 1% increase to on-line bedroom providers of £8,000 per annum and marketing material of £14,900 per annum, the latter that should have instead been allocated to 'Printing, Postage, Stationery and Telephones. Nevertheless, the latest un-audited accounts for the year ended 28 February 2018 indicate that the amount collectively spent on these aspects was £145,896 per annum.

Although the cost of entertainment in the financial years ended February 2016 and 2017, had been £14,082 and £13,061 respectively, Ms O'Rourke advises that following the creation of letting bedrooms on the first floor of the original main building, live music in Moloney's Sports Bar and 'tribute band nights' were discontinued.

Other expenses are generally as we would expect for such a concern.

Whilst there was an absence of a specific entry in the historic accounts to the end of February 2016, for rents payable by the previous operating company Ivey Place Hotels Limited as sub-lessees of Moloney Properties Limited, owners of the head lease on the original building; former lessees of 197 High Street; and Mr and Mrs Moloney as freeholders of no's 198 – 201 High Street; we were advised that each of these had been included in the annual Management Charge. The latter according to the owner's accountants had been based upon 90% of the net profit, with the remaining 10% for the operating company.

However, draft management accounts for the year ended 28 February 2017, as opposed to a management charge, recorded rents payable by the operating company to Moloney Properties Limited of £176,796 per annum. Additionally, on the basis of Mr Moloney having since acquired the freehold interest of no 197 High Street, inclusive of the former health studio building, budgets going forward had allowed for a rent £161,200 per annum and latest unaudited accounts for the year ended 28 February 2018 records this aspect as £169,396 per annum.

In calculating the reconstituted net profit, we have added back these and other items of a personal, or 'one off', nature, as outlined in the table below.

For the purposes of our analysis of the accounts and trading assessments, we have therefore only allowed for the ground rent of £2,000 per annum on the head lease of the original building.

Accounts Analysis

Accounts Summary

	Accounts Year End 29/02/2016	Accounts Year End 28/02/2017	Accounts Year End 28/02/2018
Total Turnover (£)	1,190,460	1,446,077	1,659,673
Gross Profit (£)	991,861	1,235,087	1,412,514
Gross Profit Margin	83.3%	85.4%	85.1%
Profit/(Loss) as per accounts (£)	28,195	217,489	252,385
Adjustments to Expenses (£)			
Depreciation	2,895	0	8,500
Bank Charges	2,735	0	2,550
Rent	28,000	0	169,396
Hire Of Plant & Machinery	4,536	4,536	13,067
Legal & Professional Fees	0	0	3,100
Management Charge	225,754	176,796	0
Reconstituted Net Profit (£)	292,115	398,821	448,998
Net Profit Margin	24.5%	27.6%	27.1%

VAT Returns

We have been provided with VAT return information for Celtic Hospitality Limited for the seven quarters ended 30 November 2018, from which the information summarised in the table below has been extracted.

Quarter Ended	Net Outputs	Weekly Average
May 2017	221,230	17,018
Aug 2017	393,625	30,279
Nov 2017	298,425	22,956
Feb 2018	271,828	20,910
May 2018	426,651	32,819
Aug 2018	465,212	35,786
Nov 2018	419,312	32,255
Total	2,496,283	27,432

It should firstly be noted that the VAT Return for the quarter ended 31 May 2017 was for a two-month trading period, as opposed to the usual three months, hence those for the four quarters ended 28 February 2018, actually relate to an eleven-month period and record Box 6 entries for the 'Total Value of Sales excluding VAT' totalling £1,185,108, annualising at £1,292,845. However, the latter is at notable variance to the net turnover of £1,659,673 shown in the un-audited accounts for the year ended 28 February 2018, an annualised differential of £366,828 per annum.

Similarly, the three most recent VAT Returns ended 30 November 2018, record Box 6 entries amounting to £1,311,175 excluding VAT, as opposed to actual net takings shown in the management spreadsheet for the corresponding nine-month period of £1,348,150, a differential of £36,975 excluding VAT.

Ms O'Rourke advises that these apparent anomalies appear to relate to a number of discrepancies with reporting, due to the introduction of a new software system; a turnover exemption period following the commencement of trading of Celtic Hospitality Limited as a newly formed company, until the VAT registration threshold of £85,000 for the tax year ended 5 April 2018 had been reached and a large purchase invoice transferred from the borrower's previous trading company for enhancement work on the building. To regularise the position, the accountants are presently investigating these aspects with a view to having the corrections made to VAT return submissions going forward.

In the mean-time the general manager has confirmed that the discrepancies lie within the VAT Return figures, and not the turnover figures shown in the accounts.

Therefore, whilst VAT Returns for the four most recent quarters to 30 November 2018, record Box 6 entries totalling £1,583,003 per annum, for the purposes of our trading assessments and valuations, we have assumed the previously referred to un-audited financial statements and draft management accounts should instead take precedence.

Accounts Analysis

In the latter regard, the latest supplied management spreadsheet entitled 'Sales and Purchases' for the 10 individual months March to December 2018, records actual gross takings of £1,832,677, which after making due allowance for 20% VAT, net sales for this period of £1,527,231, but to annualise this at £1,832,677 may be expected to be overstated due to seasonality.

Indeed, when including the net takings for January 2019 of an advised approximate £90,000 and budget for February 2019 of £110,827, it points to a trading forecast for the company's present financial year 2018/2019 of £1,728,058 excluding VAT, 2.24% higher than the original 12 months budget turnover of £1,690,230 excluding VAT, which is obviously reassuring.

Trading Format

Trading Hours and Seasonality

The business is open seven days per week and Moloney's Sports Bar operates over the following hours:

Days of Week	Opening Hours
Monday to Sunday	10am to 2am and 12 noon to 12 midnight

Hotel guests may book in from 2.00 pm on the day of arrival and are asked to vacate by 11.00 am on the day of departure. Breakfast is served in Peco One Restaurant, daily between 6.30 am and 10.30 am; opens at lunchtimes from 12 noon and depending on demand will trade through the afternoon, with evening meals being available from 5.00 pm and last orders at 9.00 pm.

Pricing Policy

The hotel no longer has a published room tariff, seemingly due to the improving demand for accommodation in the city in recent times and the competitive nature of other local bedroom providers. The management are instead quoting rack rates for bed and breakfast that are pitched 25% above those being achieved.

Sources of Income

Income is derived from a combination of bar sales, food sales, accommodation, room hire and sundry other sales.

- Wet Sales

The bars were fully equipped and stocked at the time of our recent visit, these having a selection of beers, lagers, minerals, wines and spirits, as well as hot drinks.

Selected prices included; Carling lager £3.70 a pint, a bottle of Budweiser £3.85, J2O £2.00, Bells whisky £3.50 for a standard 25 ml measure, Pimms £3.00 for 50 ml and wines by the glass, including a Pinot Grigio at £3.49 for 125 ml.

The 25-bin wine list offers a selection of red, rose' and white wines, as well as sparkling wines and Champagne, with Chardonnay £18.95, Beaujolais £16.95, Prosecco £21.95 and Laurent-Perrier Rose' Champagne £75 a bottle.

Un-audited accounting information for the year ended 28 February 2018, recorded bar sales of £414,293 excluding VAT and a GP margin of 62%, as compared with the Stock Audit and Analysis report for 35 days to 19 November 2018 indicating a 67.2% GP margin having been achieved during that period. However, this was after the stocktaker making a collective allowance of £1,583 for line cleaning, recorded waste, complementary drinks and kitchen transfers, which if ignored instead suggests a 63.9% GP margin during this five-week period.

The latest management spreadsheet of 'Sales & Purchases' for the 10 months March – December 2018 records wet sales of £402,408, which together with the budgeted figures for January and February 2019 of £22,454 and £24,718 respectively, it forecasts £449,580 for the trading company's present financial year, albeit the closure of Moloney's Bar for 10 days during January understandably had an adverse effect on overall beverage sales during that month.

Additionally, whilst the same management spreadsheet might suggest a forecasted gross profit of £310,226 (69%) for 2018/2019, we anticipate this is overstated due to a combination of the usual delay in entering purchases invoices and stock in trade adjustments.

The principal supplier of wet goods is Molson Coors, with wines and spirits also from Booker.

- Dry Sales

The hotel has a selection of menus, including; a Bar & Room Service Menu; with

24/7 Snacks, offering a choice of baguettes & ciabattas, nachos, soup, jacket potatoes and pizzas, such as a Margherita at £9.95.

Lunch Menu, again with a selection of baguettes & ciabattas, jacket potatoes and lunch pots, such as chilli & rice for £4.95.

Main Menu with a choice of nine starters including; prawn cocktail £4.65; sharing boards at £7.95 for nachos; 12 House Favourites including lamb shank with mash and peas £13.95; and five burgers such as; Cajun chicken with melted cheese £9.95.

Vegan & Vegetarian Menu with five starters; such as; a Mediterranean aubergine boat priced at £4.75 and five main meals, including a vegan red Thai curry with lemon basmati rice £7.50.

Desserts from a choice of five options, including; baked apple tart with warm custard £3.95.

Trading Format

The Peco-One Restaurant also offers a three-course table d'hote menu for £22, including; three starters such as grilled goats cheese tart with apple, beetroot and roast maple walnuts; four mains such as char-grilled chicken breast with tarragon mash, smoked pancetta and red wine jus; and three desserts, such as lemon meringue pie with raspberry ice cream.

For functions, there are several food options, including a 'Fork Buffet Menu', inviting organisers to pick three hot or cold counter dishes, five sides and three desserts, from an extensive list of items; priced at £19 per head and a 'Hot & Cold Buffet Menu' offering a selection of sandwiches or wraps, together with a choice of other items, with prices ranging from £12.95 per person for five items, to £16.95 person for 12 items.

Un-audited accounting information for the year ended 28 February 2018, recorded food sales of £263,105 excluding VAT and a GP margin of 65.9%, the latter falling within industry norms and as we would expect for the style of business.

The latest management spreadsheet of 'Sales & Purchases' for the 10 months March – December 2018 records net sales from food of £246,584, which together with the budgeted figures for January and February 2019 of £23,685 and £19,505 respectively, it forecasts £289,774 for the trading company's present financial year, with the refurbishment of Moloney's Bar in January likely to have had a lesser adverse effect on food sales than wet sales.

Similarly, whilst the same management spreadsheet might suggest a forecasted gross profit of £200,592 (69.2%) for 2018/2019, we again anticipate this is overstated due to a combination of the usual delay in entering purchases invoices and stock in trade adjustments.

The principal suppliers of dry goods are Brakes, Chef Choice and Bookers.

- Functions

Special promotions organised by the management for 2018 included a Beaujolais Day in November, with a two-course lunch in Peco-One Restaurant priced at £32 per head, followed by a 'Typical France Party' until 9.00 pm, for £39 per head.

During December, festive lunches are available in the restaurant priced at £16.95 for three courses, an afternoon tea with Prosecco for £16.95, a children's afternoon tea with a visit from Santa, priced at £45 for two adults and two children, as well as pre-Christmas private parties. This programme included; two tribute music nights with a drink on arrival, two-course festive meal and disco for £25; eight Christmas Mistletoe Masquerade 2018 party events; with an arrival cocktail, three course festive menu, a live band and disco, priced at £27.95 for a lunch and £34.95 for a dinner. It was followed by a New Year's Eve Grand Masquerade Ball with four course dinner and live music for £49.00 per person.

Function trade for the hotel includes private parties, Christenings, funeral wakes, 'baby showers' and wedding receptions, with 21 of the latter events hosted during 2018, with actual and provisional advanced bookings of between 20 and 25 in 2019, but where 40 – 50 are anticipated for 2020. The 'Love Me Do' inclusive package, which includes complimentary ceremony room hire in the Station Suite, with drinks on arrival, a three-course set menu with a glass of wine, for a maximum of 40 day-guests and DJ entertainment for an evening buffet for 60, is priced at a competitive £2,019 for the coming year, whereas the average cost to the organisers of a wedding held at the hotel is currently an approximate £5,000.

Un-audited accounting information for the year ended 28 February 2018, recorded room hire as £44,419 excluding VAT and the latest management spreadsheet of 'Sales & Purchases' for the actual 10 months March – December 2018 as £43,102, which together with the budgeted figures for January and February 2019, a forecasted £47,302 per annum from this source for the trading company's 2018/2019 financial year.

- Accommodation Income

The present quoted room tariff for bed and breakfast on a per room, per night, including VAT basis, is currently as follows;

- Double Room: £120
- Family Room: £150
- Large Double Room with Balcony: £130
- Penthouse Suite: £295
- Superior Suite: £220 and £235
- Triple Room: £150
- Twin Room: £120

These rates are often subject to negotiation, which in conjunction with various special promotions and discounted rates during quiet periods, has according to General Manager Ms O'Rourke resulted in achieved room rates for B&B of approximately £79, Monday to Thursday and £94 at weekends, each per room, per night, including VAT, an average £85.43, equating to £71.19 excluding VAT.

Un-audited accounts for the year ended 28 February 2018, recorded accommodation sales at £937,856 excluding VAT, after the retail price of breakfasts having been allocated to food sales, which on the basis of this average achieved B&B room rate, we have calculated this as equating to a 76% average room occupancy.

Trading Format

The latter is notably higher than the occupancy figures shown in the Wales Tourism Accommodation Occupancy Survey 2017 produced by TRS - the research solution for Visit Wales. This refers to hotel room occupancy across the whole of Wales being 67%, this having remained in line with the previous two years; whereas for the South East Wales region that includes the City and County of Swansea, the average was 73%, which was 1% higher than in the previous year, but the same as for 2015.

Additionally, the Wales Tourism Performance Report dated 30 October 2018, refers to the average room occupancy for hotel establishments in Wales during the 12 months to June 2018 as being 67.0%, whereas it had been 67.2% and 66.2% in the previous two years, but does not include those separately for the South East Wales region.

The latest management spreadsheet of 'Sales & Purchases' at The Abertawe Grand Hotel for the 10 months March – December 2018 records net accommodation sales as £827,918, with a further £107,186 from breakfast food, a collective £935,104 excluding VAT, which together with the budgeted figures for January and February 2019 of £61,697 and £69,746 respectively, it forecasts £1,066,547 excluding VAT for the trading company's present financial year.

The same management spreadsheet also suggests a forecasted gross profit for accommodation, after deduction for toiletries, of a calculated £941,120 (99.5%) for 2018/2019.

The Abertawe Grand Hotel is clearly accommodation led, the above referred management spreadsheet analysis of income from the current stock of 53 letting bedrooms during the 10 months to December 2018 of £935,104, indicating an 81% average achieved room occupancy during this period. Additionally, on the basis of the above referred trading forecast for accommodation and breakfast food sales being achieved, this would equate to a calculated 77.4% average room occupancy for the company's 2018/2019 financial year.

Weather clearly has an impact upon the level of last minute bookings made by leisure break and destination city visitors, this having included the particularly hot spells of weather in the UK, from mid-April until the end of May, to be followed by the heat wave in June, July and August, which would be expected to have resulted in increased wet sales. Whilst it is recognised that this long period of dry warm weather strongly boosted domestic tourism and the subject hotel is well placed to have picked up an element of this trade, conversely it also resulted in local residents being attracted to the waterfront and beaches, as opposed to spending time in the city centre.

The relative weakness of the pound against other currencies since the majority of voters in the United Kingdom decided to leave the European Union in the referendum held in June 2016, has made foreign holidays more expensive for UK residents, but cheaper for overseas visitors to come here, each therefore tending to be advantageous to domestic tourism.

The subject property has a stock of 53 letting bedrooms and following the introduction of the eight newly created letting bedrooms on the first floor in June 2016, the average B&B room rate in the second half of 2016 increased from the above referred £83.39 including VAT, equating to £69.50 excluding VAT, per room, per night; to £103.85 including VAT, equating to £86.54 excluding VAT, per room per night.

The hotel has had the benefit of these new rooms for 30 months and 26 of the original 31 bedrooms in the main building have since been refurbished or upgraded, but there has seemingly been little appreciable difference in the average room rate, now a calculated £85.48 per night, including VAT, equating to £71.19 per room, per night, excluding VAT.

This is obviously disappointing and suggests some resistance to increased prices in a competitive local market, albeit average room occupancy has in the meantime increased from 69.6% in June 2017, now to a calculated anticipated 77.4% for the company's current financial year ending 28 February 2019.

Entertainment

Apart from TVs with Freeview channels in guest's bedrooms, Sky channels are provided for the two large and six small screen TVs in Moloney's Sports Bar.

Entertainment including live music is occasionally provided by the management for special events, who also promote ticket entry tribute nights as part of their function programme.

Advertising and Promotion

Marketing material is produced for conferences, special events, weddings and other private functions, with local advertising undertaken to promote special events and the pre-Christmas party season.

The hotel operates with a web-site www.thegrandhotelswansea.com, which includes a direct booking system through Avivo, costing an advised £200 per calendar month. This programme is managed by Great National Hotels & Resorts Sales, a marketing consortium of 60 hotels, namely 28 Irish based establishments and 32 now in the UK, after the company recently acquired the previous direct competitor Best British Hotels.

They field all incoming calls and email responses through a centralised call centre in Ireland, as well as making the bookings, with the hotel management providing them with updated information relating to availability, tariff charges and promotional offers, this service involving a further advised £350 per week, including VAT.

Trading Format

The most recent initiative by Great National Hotels & Resorts is having secured a preferential group contract with Ryanair's direct booking OTA – Over the Air platform, whereby their passengers receive an incentivised 10% travel credit from the 13% TTV - Total Transactional Value commission paid by the provider for Ryanair making bookings at hotels within the group

The hotel management also produce a newsletter, as well as taking part in social media, such as facebook, twitter and instagram.

Credit Card Charges

The hotel takes most credit and debit cards as a form of payment, the current provider of those services being Fidelity, the cost of which in the unaudited accounts for the year ended 28 February 2018 was shown as £11,877 per annum. However, draft management accounts for the 10 months ended 31 December 2018 records these costs as £14,337, an annualised £17,204.

Hire Purchase, Leasing and Rental Agreements

As our opinions of valuation assume the business would be sold free of any hire purchase, leasing or rental agreements, these have been excluded, where applicable, from our trade assessments.

Management

Since acquisition, we understand that Mr and Mrs Moloney have not had any direct involvement in the day to day management and operation of the hotel, the business instead run under management with a full complement of staff. The former does however deal with property acquisition and development, utilising a direct workforce through an associated building company.

The present general manager and director of Celtic Hospitality Limited, Michelle O'Rourke, is employed by the company and currently receives a salary as drawings of £36,000 per annum for a 45-hour week.

Staffing

Celtic Hospitality Limited presently employs 29 other members of staff, 26 full time and three part-timers, as well as another housekeeper during the summer season.

Apart from Ms O'Rourke and the duty manager who also receives a salary, the remaining staff working various hours are paid on an hourly rate, namely; duty and front office managers at £8.20 an hour, two receptionists at £7.83 an hour, a reception/bar assistant at £7.05 an hour, a night supervisor and three night assistants at £7.05 - £8.20 an hour, three chefs at £8.50 - £10 an hour, three breakfast assistants at £7.83 an hour, a food & beverage supervisor and three assistants at £7.05 - £8.20 an hour, a housekeeping manager at £9.00 an hour, seven housekeeping assistants at £7.83 an hour and two maintenance persons at £9.00 and £9.50 an hour.

The cost of salaries and wages in the year ended 28 February 2018, were £459,730 including NI Contributions, which excluded Ms O'Rourke's salary, but did include a former sales manager who had been paid £27,500 per annum.

Members of staff over 22 years of age are now eligible for auto-enrolment into the Government imposed compulsory pension provisions and note that Mr Cornelius has previously registered the business for this purpose with 'Nest' and the scheme commenced in May 2017.

The employer's initial minimum contribution from commencement had been 1% of the employee's income, but this has since risen to 2% from April 2018 and is due to increase again to 3% in April 2019.

There are 23 existing or former members of staff on the '2018 – 2019 Pension Summary for Tax' schedule provided for the first eight months of the present financial year, who have previously joined this scheme, with the associated employer's contributions amounting to £2,010, an annualised £3,015. Whilst accepting that a large proportion of the workforce in the hospitality industry in recent years have tended to be from overseas and or inherently transient, we have nevertheless made an allowance of £3,000 per annum for this aspect in our calculations of staffing costs.

Based on the information provided, in our Current Trade Assessment, we have allowed a rounded £505,000 per annum to cover the present staff wage costs, inclusive of the GM's salary and employer's workplace pension payments.

Trading Format

The following table summarises the staffing arrangements for the business.

	Weekly hours	Rate of pay
Deputy Manager	40.00	£24,000 per annum
General Manager/Director - MG	45.00	£36,000 per annum
Bar/Night Porter - J	20.00	£7.05 per hour
Breakfast Assistant - T	20.00	£7.83 per hour
Breakfast Assistant - V	20.00	£7.83 per hour
Breakfast Assistant - Z	20.00	£7.83 per hour
Duty Manager - E	35.00	£8.20 per hour
F&B Assistant - M	37.50	£7.05 per hour
F&B Assistant - N	25.00	£7.05 per hour
F&B Assistant - R	37.50	£7.83 per hour
F&B Supervisor - M	37.50	£8.20 per hour
Front Office Manager	35.00	£8.20 per hour
Head Chef - P	40.00	£10.00 per hour
Head Housekeeper	37.50	£9.00 per hour
Housekeeper - B	20.00	£7.83 per hour
Housekeeper - D	35.00	£7.83 per hour
Housekeeper - La	20.00	£7.83 per hour
Housekeeper - Li	16.00	£7.83 per hour
Housekeeper - M	20.00	£7.83 per hour
Housekeeper - T	35.00	£7.83 per hour
Housekeeper - T	20.00	£7.83 per hour
Maintenance Person - D	35.00	£9.50 per hour
Maintenance Person - M	35.00	£9.00 per hour
Night Porter - Ma	37.00	£8.00 per hour
Night Porter - Mo	16.00	£7.83 per hour
Night Supervisor - M	37.50	£8.20 per hour
Reception/Bar Person	30.00	£7.05 per hour
Receptionist - A	16.00	£7.83 per hour
Receptionist - C	35.00	£7.83 per hour
Seasonal Housekeeper	20.00	£7.83 per hour
Second Chef - G	40.00	£9.00 per hour
Sous Chef - D	40.00	£8.50 per hour

Total Net Weekly Pay	£8,261.39
Total Net Annual Pay	£425,520
Allowance for NI, pension costs, paid holiday & training	£79,480
TOTAL ANNUAL WAGE COST	£505,000

National Living Wage

From April 2018, the National Living Wage (NLW) increased to £7.83 per hour for all employees aged 25 years or over, with this to increase to £8.21 per hour from April 2019. This will be reviewed annually by the Low Pay Commission and is expected to reach £9.00 per hour by 2020. The lower National Minimum Wage (NMW) will continue to apply for employees younger than 25.

Pension Auto-enrolment

It is compulsory for all employers to offer a work-based pension scheme for all employees aged between 22 and normal retirement age who earn more than £10,000 per annum. The introduction is phased, with each employer being advised of their specific 'staging date'. Minimum employer and employee contributions will rise from an initial 1% each, to 2% and 3% respectively from April 2018 and up to 3% and 5% respectively from April 2019 onwards.

Current and Fair Maintainable Trade

Basis for Current Trade Assessment

As mentioned earlier, in view of the apparent differentials between the net turnovers shown in the unaudited accounts for the year ended 28 February 2018 and management spreadsheet of 'Sales & Purchases' for the subsequent nine month period, March – November 2018; when compared with the Box 6 entries in the VAT Returns; and being advised the discrepancies lie within the VAT Return figures, for the purposes of our trading assessments and valuations, the accounts are therefore taking precedence.

In the latter regard, the unaudited accounts for the year ended 28 January 2018 record a net turnover of £1,659,673, which was 14.7% higher than in the trading company's previous financial year and a trade mix of wet sales 25.0%, dry sales 15.8%, accommodation 56.5% and room hire 2.7%.

Additionally, encouraging is that the management spreadsheet of 'Sales & Purchases' for the subsequent 10-month period March – December 2018, showed net sales of £1,527,231, but to annualise these at £1,832,677 may, due to seasonality, be overstated. However, to instead use the management budget sales for January and February 2019 to arrive at a forecast £1,741,169 per annum for the trading company's financial year end, would generally have been more reflective of the trading position at the time of our recent visit and provide a revised trade mix of wet sales 25.8%, dry sales 16.7%, accommodation 54.3% and room hire with sundry sales 3.2%.

However, whilst Moloney's Bar was closed for a 10-day refurbishment in January 2019, which adversely affected wet sales and to a lesser degree the sale of food by a collective approximate £15,000 excluding VAT, thus reducing the end of year forecast to £1,726,169 per annum, we nevertheless consider it appropriate with the prospect of the throughput for the refurbished bar improving during the next few months, to base our Current Trade Assessment on a net turnover of £1,750,000 per annum.

Finally, we refer to our previous comments regarding the relative consistency in the gross profit margin, which in the four years to February 2018 had averaged 84.8% of net sales.

However, should additional trading information become available, which supports a different level of turnover and profitability to that outlined herein, we reserve the right to amend our assessment of trade and opinions of value accordingly.

Basis for Fair Maintainable Trade Assessment

The recommended method of valuation of trading businesses is the profits method of valuation, with an appropriate yield/multiplier applied to the assessed Fair Maintainable Operating Profit (FMOP). The FMOP is the level of profit which can reasonably be expected to be sustained by the business when operated by a normally efficient operator. It should exclude any influence on trade, positive or negative, which may result from an exceptional operator.

We have shown our opinion of Fair Maintainable Trade (FMT) in the table opposite. For the sake of transparency, we have shown a comparison with the levels of income and expenditure which we have assessed as currently being demonstrated by the business. We have commented below on the reasons for any differences between these two trading assessments.

Our Current Trade Assessment seeks to reflect the operating format of the business as at the date of our inspection on an annualised basis. For the purposes of making meaningful valuation comparisons with other similar businesses, we have given consideration as to whether this assessment is a fair reflection of the maintainable trade that might be expected by a REO - Reasonably Efficient Operator.

As indicated previously, the borrower had during the 12 months to June 2016 invested an advised £450,000 - £460,000 in enlarging the ground floor or the hotel to create the Pico-One 70 cover restaurant and a conference/function suite for 240-theatre, 180 banquet styles, followed by conversion of the first floor of the original building to eight en suite letting bedrooms. There has since also been an ongoing programme of bedroom refurbishment, with 26 of the original 31 bedrooms in the main building now upgraded and the most recent improvements being the reappointment of the reception lobby in 2018, to include more lounge seating for residents and refurbishment of Moloney's Bar in January 2019, with a view to encouraging more patronage from couples and female customers.

The subject concern has a relatively consistent stock of 53 en suite letting bedrooms and average room occupancy has in the last 18 months increased from 69.6% to an anticipated 77.4%, as compared with the Visit Wales statistics for East and West Wales from 66% to the latest published 68.5% for 2017, albeit for South East Wales in which the City and County of Swansea falls, it was 73%. However, this higher than average room occupancy appears to have been at the expense of the average room rate, which in the meantime has shown little improvement, from £83.40 per room, per night, including VAT, now to an advised £85.48 per room, per night, including VAT.

This appears to have been due to the management team having strongly promoted the concern to the corporate sector, who 18 months ago were generally prepared to pay a much higher room rate, as compared with contractors, who may in the past have accounted for half of the mid-week occupancy. Whilst the strategy of quoting rack rates 25% higher than that anticipated, had in the six months to December 2016 resulted through negotiation with clients of increasing the achieved average room rate for B&B; from the previously referred £83.40 (£69.50 excluding VAT) per room, per night to £103.85 (£86.54) excluding VAT, per room, per night, towards the desired average £109 (£91 excluding VAT) per room, per night, Ms O'Rourke advises that in the meantime there has since been no appreciable variance, due to a continually uncertain economic and trading environment following UK voter's majority decision to leave the EU.

Current and Fair Maintainable Trade

As an approximate 60% of the business conducted by the hotel continues to be from the corporate sector, with an associated high proportion of single occupancy Monday to Friday, this results in maintaining a good GP margin from accommodation; and increasing the retail price of breakfasts from the previous £10 per person, now to £12.00 per person, has assisted in improving the GP margin derived from food sales. During the coming months the management will be seeking to increase the income from tourists and hence the average room rate, with the recently negotiated preferential contract with Ryanair by Great National Hotels & Resorts and the Hertz car rental agency, hopefully assisting in this aim, but we consider it unrealistic to expect overall room occupancy levels to improve.

In the meantime, a worthwhile throughput of business has been established from conferences and banqueting, with the number of wedding receptions for 2019 anticipated to be similar to that of 2018, but the management seek to make more productive use of Pico-One Restaurant. Whilst, the closure of Moloney's Bar for refurbishment, over a ten-day period in January 2019, understandably adversely affected trade, the management anticipate more than making up the approximate £13,000 shortfall during the forthcoming months, with preparations currently in hand for it being relaunched in its revised trading concept.

At the time of our previous valuation in July 2017, we had been supplied with Budgeted Profit and Loss Accounts for the years ended February 2019 and 2020, these forecasting overall net sales increasing from £1,679,159 to £1,764,435 per annum, hence it is reassuring to see the former has been exceeded by a reasonable margin.

Nevertheless, having regard to the above observations and comments, we have formed the opinion that the property with its current layout and facilities, as for our CTA, also has a FMT - Fair Maintainable Turnover in the region of £1,750,000 per annum, excluding VAT.

Trade Assessments

Current Trade			Fair Maintainable Trade	
1,750,000		Total Turnover	1,750,000	
1,485,000	84.9%	Gross Profit	1,485,000	84.9%
1,485,000		Total Income	1,485,000	
		Less Expenses		
2,000	0.1%	Rent	2,000	0.1%
85,000	4.9%	Rates & Water Charges	85,000	4.9%
75,000	4.3%	Heat & Light	75,000	4.3%
505,000	28.9%	Wages	505,000	28.9%
15,000	0.9%	Print, Post & Phone	15,000	0.9%
145,000	8.3%	Advertising	145,000	8.3%
13,500	0.8%	Insurance	13,500	0.8%
8,500	0.5%	Accountancy	8,500	0.5%
72,500	4.1%	Laundry & Cleaning	72,500	4.1%
60,000	3.4%	Repairs & Maintenance	60,000	3.4%
7,500	0.4%	Transport	7,500	0.4%
8,000	0.5%	Entertainment	8,000	0.5%
17,500	1.0%	Credit Card Commission	17,500	1.0%
4,400	0.3%	Licences	4,400	0.3%
1,750	0.1%	Information Technology	1,750	0.1%
4,350	0.2%	Sundries	4,350	0.2%
1,025,000		Total Expenses	1,025,000	
460,000	26.3%	Operating Profit (£)	460,000	26.3%

Operating Profit is expressed before interest, taxation, depreciation, amortisation and hire purchase and leasing costs

Hertz Agency

The management have recently entered into an initial five-year agreement with Hertz to run the Swansea branch of this car rental company, with the appropriately branded reception office now positioned in the hotel's reception lobby beside the main entrance on the corner of the building, hence strategically located for passengers arriving and departing from the train station opposite.

The agency specifications require amongst other aspects; an office of 9 m² (97 ft²) minimum with signage for passing traffic and footfall; and a secure and safe site with consent to fit in a minimum of 15 cars/vans for rental purposes and the ability to clean vehicles to include a jet wash facility. In this instance, Hertz are to provide 25 cars for rental purposes, but as the hotel has no on-site car parking at present, Mr Cornelius Moloney has negotiated a five-year agreement with Swansea City Council to rent a block of 27 reserved car parking spaces in the nearby High Street Multi-Storey Car Park for an advised £12,250 per annum, which includes consent for the introduction of Hertz rental bollards and banners in their black and yellow livery, which are supplied by them, but paid by the agency holder, in lieu of an initial signing-up fee.

Ms O'Rourke and the hotel's existing night manager Mark C who has previous experience in vehicle rentals, attended a Hertz branch induction training programme in January 2019. The agency car rental desk in the reception lobby that opened on 1 February 2019, is to be manned Monday to Saturday between 9.00 am and 6.00 pm, a collective 54 hours a week.

Mark C as the appointed sales assistant is currently paid £8.00 an hour in his existing role, with drivers for the collection and returning of vehicles to and from the nearby car park, as well as cleaning and valeting, are being undertaken by other members of the hotel staff.

Hertz insure the vehicles for customers to drive, supply IT equipment, telephones, stationery, internal marketing material and leaflets, give marketing, sales and operational support, with a development manager for the first nine months, on line training for all staff and uniforms.

The agency holder is responsible for; furnishing the booking office, local advertising and marketing, outgoing telephone calls and insuring nominated drivers for the vehicles when not on rent to customers.

The previous Hertz branch in Swansea that had offered 30 vehicles for rent, closed about two years ago, was run from a site in Carmarthen Road, approximately two and a half miles north-west of the railway station. However, despite being in an inferior trading position, it had performed reasonably well, with the rental and revenue figures provided to the borrower by Hertz City Manager for Bristol and South Wales being as follows;

Mth	Rentals			T13	Revenue		
	2014	2015	2016		2014	2015	2016
Jan	262	224	259		29258	22169	29095
Feb	335	299	296		29715	27582	35209
Mar	369	345	346		32216	32395	35094
Apr	416	315	341		34113	32159	35272
May	336	300	293		29946	34413	34651
Jun	400	325	326		38356	31442	38383
Jul	459	403	338		45815	47049	35269
Aug	414	351	347		57690	49183	52535
Sept	359	341	189		31725	27433	25377
Oct	433	329	203		40608	34931	30625
Nov	389	336	209		36266	32707	29252
Dec	352	255	165		44671	29496	23573
Total	4524	3823	3312		£450,379	£400,959	£404,335

The above schedule indicates that the volume of business undertaken by the previous agency had been in decline during the three-year period, but had nevertheless averaged 3,886 car rentals per annum, which produced net sales of £418,558 per annum. Whilst pro-rata reductions for 25 vehicles to be offered by the subject agency, might suggest around 3,250 rentals and net sales of £350,000 per annum, due to the better location for conducting such business from The Abertawe Grand Hotel, following discussions with Hertz representative, Mr Cornelius is initially anticipating net sales of £430,000 per annum.

The operator's commission is structured upon 20% of all revenue streams, although bookings of 28 days or more attract a lower 15% commission, each excluding VAT, road tax and fuel charged to customers, plus 100% of delivery and collection charges.

The borrower is forecasting gross commission of £86,000 per annum excluding VAT, less staffing costs of circa £32,000 per annum and £12,250 per annum for the car parking spaces, leaving net income to be derived from this profit centre of around £40,000 per annum.

However, as this is such a new venture, we have not included the potential income to be derived therefrom in our trading assessments.

Methodology and Comparable Evidence

When preparing our valuations, we have had principal regard to the 'Profits' method of valuation, together with an analysis of comparable market information and regard to our own extensive database.

Comparable Evidence

Relevant comparable evidence includes the following, but due to the confidential basis on which much of our comparable information is obtained and held, we are often only able to divulge information which is already within the public domain:

Comparable Evidence – Business Value

It should be appreciated that the analysis of comparable evidence has limitations, particularly when we have not been directly involved in appraising and valuing the comparable business. In particular, accounting information provided by agents, as part of the sales particulars to a deal, can often be dated and undertaking an assessment of Fair Maintainable Trade (FMT) without fully appraising a business is more subjective.

In addition, adjustments may be required for works, potential or the benefit of other aspects, such as residential accommodation. Whilst we have sought to obtain sufficient information in order to undertake a reasonable analysis of the comparable evidence outlined below, this has also been based on our expectations for such a business and our wider market knowledge.

There have been a number of hotels in Wales that were marketed and sold during the last three years, both in the lead-up to and following the outcome of the vote to leave the European Union in June 2016.

We are aware of the following;

- ❖ The first comparable relates to a modern purpose-built hotel with on-site parking for 150 cars, strategically located on a motorway junction of the M4, five miles from a thriving city centre. Arranged with 95 en suite letting bedrooms, supported by an open plan reception lobby, lounge bar (20) and restaurant – 100 covers, five conference and meeting rooms for a collective 176 boardroom, 350 banquet styles, together with health and wet leisure facilities.

Following refurbishment in 2014, it has since traded with the benefit of franchise agreement with an internationally recognised hotel brand and strong local commercial feeder markets. Latest trading information for the year ended 31 December 2017 are stated to have recorded total revenues of £2.88M.

The property was marketed as a freehold asset with the selling agents asking for offers in excess of £8.5M and was sold in December 2018 for an undisclosed price, equating to an advised 10.5 – 11.0 Years Purchase.

- ❖ The second comparable is in respect of an 18th century three-storey hotel with later modern additions in a town centre position within the County of Carmarthenshire. Occupying an approximate 1.5 acres with gardens, external trading areas and parking for 90 cars, it offered 70 en-suite letting bedrooms and generous public rooms including; a reception, lounge bar (100), restaurant-120 covers, four conference/function rooms for a collective 268 guests and a gym/fitness suite with sauna and changing rooms. The sale also included an attached eight-bedroom staff house.

Latest accounts for the year ended March 2017 had recorded net sales of £1,784,578, and an adjusted net profit before finance and depreciation charges of £362,172 (20.3%) on a fully managed basis, from a trade mix of 14% wet sales, 44% food sales, 37% accommodation and 5% other sales.

The freehold trading entity was marketed at an asking price of £2,700,000 and was sold in August 2018 for an advised consideration of £2,425,000, equating to a 6.7 Years Purchase.

- ❖ The third comparable relates to a 19th century detached heavily timbered country house hotel and sporting estate of 18.3 acres, located in an Area of Outstanding Natural Beauty on the edge of a busy market town in Powys, host to the annual Royal Welsh Show. Former home of Lord Swansea and in the recent ownership for over 30 years, the property offered a 30-seat bar, 40-cover restaurant and a function suite for 100, together with 23 en suite letting bedrooms.

Latest management accounts provided were for the year ended April 2016, which recorded net sales of £714,382, a 78.6% gross profit margin and an adjusted net profit of £73,243, albeit our assessment of the FMOP from the same level of turnover was £150,000 (21.0%). The property was marketed as a freehold trading entity at an asking price of £1.0M and sold in June 2017 for an advised £930,000, equating to £40,434 per letting bedroom, a 1.3 multiple of turnover and 12.7 Years Purchase, but 6.2 YP against the FMOP.

- ❖ The fourth comparable is in respect of two adjacent former family houses of two storey construction, linked at the turn of the 21st century to create a 20-bedroom hotel and restaurant, with two bars, breakfast room, restaurant and conservatory, located in a residential area close to both Llanelli town centre and the Millennium Coastal Park.

Methodology and Comparable Evidence

Trading with a combination of mid-week commercial and weekend leisure-based business, latest management accounts for the year ended April 2016, recorded net sales of £285,750, a 74.2% gross profit margin and an adjusted net profit of £89,380, albeit our assessment of the FMOP from the same level of turnover was £180,000 (28.1%).

The property was marketed as a freehold trading entity at an asking price of £499,950 and sold in June 2017 for an advised £460,000, equating to £23,000 per letting bedroom, a 1.6 multiple of turnover and 5.1 Years Purchase, but 5.75 YP against the FMOP.

- ❖ The fifth comparable relates to a well-established country house hotel near Builth Wells, Powys, with 23 letting rooms, 40-cover restaurant, bar (30 covers), and conference suite for around 100, plus extensive grounds. The agreed sale price at the time of our valuation in September 2016 was close to £850,000, and based upon our assessment of the business, the multiplier equated to around 6.5YP prior to adjustments. We have since been informed that this sale fell through, but another sale at £930,000 was completed to a different party in June 2017, suggesting a 7.1 Years Purchase.
- ❖ The final and still the most relevant comparable is in respect of an AA 4 Star (1 Rosette) modern seven-storey purpose-built hotel with 106 letting bedrooms and leisure club in key landmark position in Swansea City Centre. Public rooms included; ground floor 70 cover brasserie restaurant, conference room (20), boardroom (20), first floor reception, lounge, piano bar (30) and a 120-cover restaurant, together with a conference/banqueting suite for 230.

Operated under a management agreement by MacDonald Hotels prior to the sale, with a 67.5% average room occupancy and achieved average room rate of £61.43 per night, net sales were a reported £2.76M returning an EBITDA of £585,000 (21.2%) in 2014, whereas the forecast for 2015 was £2.717M and an EBITDA of £640,000 (23.6%).

The property was held subject to a 150 year lease at a commencing rent of £75,000 per annum, increasing at five yearly intervals to £100,000 per annum over the term, albeit this was partly offset by rental income from three retail units at that time producing £36,500 per annum. The long leasehold interest in the hotel came to the market as a trading entity in 2014 with a price guide of £4.75M, but there was resistance amongst would-be buyers relating to the structured fixed rental increases over the term and it was reputedly sold for £3.65M in January 2016, equating to £34,434 per letting bedroom, a 1.35 multiple of turnover and a 6.25 Years Purchase.

Methodology

From comparable evidence from the wider area noted above, and from discussions with specialist agents, the range of multiples is seemingly between 5.75 and 11 times Fair Maintainable Operating Profit (FMOP).

Whilst the borrower's current operating company Celtic Hospitality Limited paid a collective 'rack rent' of £169,396 in the year ended 28 February 2018 to Mr Cornelius Moloney's property company The Abertawe Grand Limited, we have not valued the properties as an investment. Our instructions are instead to value the remaining 109-year ground lease of the original building and the freehold interests in no's 197 – 201 High Street and adjoining former health studio building, the latter having since acquisition been consolidated into a single legal title.

The valuation approach to be adopted in this instance is initially to value the property as a whole, assuming it were a freehold trading entity, thereby according with the majority of available comparable evidence, before making adjustments for; capitalisation of the ground rent paid to Swansea City Council in respect of the original building and a 'spot figure' for the value of the adjoining former health studio building.

Based on our experience of valuing in this sector and the comparable evidence summarised above, we have adopted a mid-range multiplier in this instance, which has been applied to our assessment of FMOP, to arrive at a rounded Base Value for the property on the assumption it was a freehold trading entity, of £3.2m.

With regard to the capitalisation of the fixed ground rent of £2,000 per annum, under the remaining 109-year head lease of the original building now owned by The Abertawe Grand Limited; we have applied a 4% gross yield (or 25 Years Purchase), to produce £50,000.

We have included an allowance of £50,000 on the former health suite building that extends to 72.8 m² (785 ft²) GIA, pending either conversion into two double/twin zip link double letting bedrooms and a furniture store as was originally proposed, or demolition to make way for a six-storey extension to the original hotel to provide for an enlargement of Moloney's Bar, a first floor linen store and nine en-suite letting bedrooms.

The result is a reported Market Value of £3.2M for the mixed title of the property as a trading entity.

Methodology and Comparable Evidence

	Current		Proposed	
Base Value	£3,200,000		n/a	
<i>equating to: Assessed Fair Maintainable Operating Profit</i>	<i>£460,000</i>	<i>7.0yp</i>	<i>n/a</i>	<i>n/a</i>
Value of Planning Permissions	£50,000		n/a	
Other Adjustments	-£50,000		n/a	
Market Value	£3,200,000		n/a	

Market Value with specified assumptions

In arriving at our opinions of Market Value with specified assumptions, these being provided in accordance with the client's requirements, we have sought to reflect the anticipated impact each specific assumption could have on value.

We consider the requirement to achieve a sale within a period of six months to have quite an adverse impact on value in the current market, which we have reflected in the reduction of circa 15% applied in this scenario.

Assuming the subject concern were closed, then a purchaser would need to re-establish the trade and the reputation of the business, which would take time and effort. Therefore, in this scenario, a purchaser is likely to require a reasonable discount from the value as a fully operational trading entity, supported by accounts, to reflect the 'risks' and 'reward' of taking on the asset.

Additional Commentary

Market Rent

We would comment that the market for mixed tenure properties and businesses of this nature is limited, with comparable evidence in support of Market Rents being commensurately rare. The subject property is large enough that it could be of interest to a hotel group, who might acquire hotels on a leasehold basis, although the rents agreed most frequently remain confidential.

However, for guidance purposes only, having regard to our assessment of Fair Maintainable Trade for the business, and on the assumption of normal commercial terms, we have assessed Market Rental Value at approximately 40% of FMOP, which provides a reasonable division of profits between the freeholder and operator, namely of £180,000 per annum.

Marketability

We consider that there would be reasonable demand for the subject concern, primarily from those seeking to acquire the business and operate it under management.

The iconic Art-deco style building occupies a prominent location in Swansea, immediately opposite the railway station and in recent years the city has become an increasingly popular commercial and entertainment centre, as well as a tourist destination and for cultural arts.

This is a business having been in trade development mode in recent years, following creation of the ground floor 70 cover restaurant, conference suite, catering kitchens and customer toilets that were completed in November 2015; and conversion of the first floor of the main building previously occupied by a poorly patronised high-class restaurant, associated kitchens and customer toilets, into eight en suite letting bedrooms, which came on stream in June 2016.

The hotel has since been marketed with conference and banqueting facilities in association with 53 en suite letting bedrooms, mid-week bookings primarily from the commercial sector, whereas weekends are a combination of leisure break visitors and private functions, including wedding receptions, thereby creating a more 'rounded' business.

Following acquisition of the freehold interest in no 197 High Street, which included the adjoining former health studio building, the borrower initially had proposals, to convert it into two additional letting bedrooms with en suite bathrooms and a furniture store for the adjoining conference suite. However, whilst formation of the latter was undertaken, the remainder of that project was suspended pending an alternative scheme now to demolish the single storey building, and in its place, erect a six-storey extension to the original main building to provide for an enlargement of Moloney's Bar, a first-floor linen store and nine good sized en suite letting bedrooms.

The property also appears to have scope for further development, Mr Moloney advising that he has proposals to add two additional floors above the High Street facing buildings to create 12 en suite letting bedrooms and four additional floors above the Station Room conference/function room, to include two resident's lounges and another 32/34 en suite letting bedrooms thereby taking the overall stock to between 106 and 108 en suite letting bedrooms.

Any such proposals will of course be subject to planning permission and other statutory consents, which may or may not be granted.

We therefore consider that the property would be welcomed to the market and in future be operated as existing on a fully managed basis. However, at this level of the market, there would understandably be more limited interest from the owner operator sector.

However, any purchaser would be aware of the need for some capital expenditure in the future; to reopen the leisure facilities at basement level, as well as bringing the former health studio building into productive use and reflect this into their purchasing decision.

Loan Security

Clearly, the value of a trading business is subject to fluctuation over time, resulting from the trading performance of the business, changes in local market forces, legislation and national economic conditions. Whilst it is for the lender to assess the risk attached to such fluctuations over the period of any loan, and to determine an appropriate level of security, we are unaware of any foreseeable events or circumstances, other than those detailed within this report, which would suggest that the subject property is unsuitable security for loan purposes and we would expect this business to be able to maintain its value in relation to the general economic and market conditions.

Additionally, we would expect the property to have a useful economic life over a typical loan term for a business of this nature. This assumes that the necessary maintenance and upgrades are made to the property to ensure that it continues to meet legislative and market requirements.

Whilst it is possible for sales to complete quickly, in the current market we would not consider it unusual for a marketing period of 12 months or more to be required. However, if the property were disposed of in the event of foreclosure, or if a restrictive time period were imposed then we would expect a reduction in realisable value. It is impossible to be definitive as to the extent of this as it would be dependent upon the particular circumstances, but the valuations subject to assumptions contained herein provide some illustration of this scenario.

Valuations

Within the opinions of valuation stated:-

- ❖ The term '**asset**' refers to the property and/or business inspected and as described within our report, subject to any stated assumptions. Where appropriate, opinions of Proposed Valuation are provided on the assumption that any changes to the property and/or business, as outlined herein, have been completed, the business is trading in line with our Projection and formal trading information can be made available in support of such.
- ❖ All opinions of valuation provided assume that **full and unrestricted title** would be transferred to a prospective purchaser with the current owner permanently vacating all rights to the property and removing all of their personal belongings ("*chattels*").
- ❖ Where the term '**Trade Inventory**' is used, it is assumed to include all items of relocatable furniture and equipment (beds, chairs, tables, crockery, etc) but not permanently installed fixtures and fittings, sanitary ware, floor-coverings, etc.
- ❖ In view of the unpredictability of the conveyancing process, valuations which are expressed subject to a **specified time restriction** are provided on the basis that a sale has been agreed within that timescale, subject to contract, rather than legally completed.

MARKET VALUE subject to:-

- (i) the asset is a fully equipped and operational entity, valued with regard to trading potential;
- (ii) accounts or records of trade would be available to a prospective purchaser;
- (iii) no time restrictions have been placed on the marketing of the asset.

(a) The Market Value of the current asset subject to the assumptions above is **£3,200,000**
(three million and two hundred thousand pounds)

MARKET VALUE subject to:-

- (i) the asset is a fully equipped and operational entity, valued with regard to trading potential;
- (ii) accounts or records of trade would be available to a prospective purchaser;
- (iii) a sale of the asset has been required within a 6 month period.

(b) The Market Value of the current asset subject to the assumptions above is **£2,700,000**
(two million and seven hundred thousand pounds)

MARKET VALUE subject to:-

- (i) the asset is empty but is valued with regard to trading potential;
- (ii) accounts or records of trade would not be available to a prospective purchaser;
- (iii) no time restrictions have been placed on the marketing of the asset;
- (iv) the inventory has been removed;
- (v) the licences have been lost or breached.

(c) The Market Value of the current asset subject to the assumptions above is **£2,100,000**
(two million and one hundred thousand pounds)

Valuations

Basis of Valuation

The bases of value above are as defined by The Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards, and are subject to the qualifications and limitations referred to within this report. Full definitions of the valuations are outlined below.

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 Rental Value - 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.

Market Value – Special Assumptions

Unless otherwise specified, this valuation assumes that the asset is to be offered for sale free of any perceived blight resulting from factors such as the threat of action by statutory authorities or the appointment of Receivers. It should be appreciated that the impact of the specified restricted sale period will be more significant during periods where transactions are prolonged due to uncertain market conditions.

Market Value – Business Closed

We have provided our opinion of the value of the asset should it cease to trade and be offered for sale as an empty unit. Unless otherwise specified, this valuation assumes that the vacant asset is to be offered for sale free of any perceived blight resulting from factors such as the threat of action by statutory authorities or the appointment of Receivers, but it should be appreciated that the value of empty asset may vary considerably depending on the circumstances of the business closure. It is also important to recognise that this valuation assumes continuation of the existing use and excludes the possibility of any change of use being permitted.

Appendix 1 - National Sector Profile

The UK hospitality market covers a huge range of establishments, from 5*+ corporate hotels, through medium quality smaller hotels, to budget hotels and bed-and-breakfast businesses. The British Hospitality Association estimates that there are 45,800 hotels, and over 730,000 bedspaces, in the UK, generating an annual turnover of £40bn, but there are also some 25,000 owner managed B&Bs generating a further £2.4bn per annum, with hospitality and tourism representing the fourth largest employment group in the UK.

The sector suffered in the recession from 2008 to 2013, seeing a revival from early 2014, which continued in 2015 and 2016, albeit at a slower rate in the most recent year. Despite this, there have been between 100 and 150 new hotel openings every year for the last five years, mainly in the corporate budget and mid market sector, which represent around 38% of the UK hotel stock.

Hotels vary dependent on the needs and preferences of the target customer group. Seaside hotels will attract holidaymakers, whilst those in towns and cities will generally service business people in need of overnight or all week accommodation. There are also hotels offering weekend breaks and city breaks, particularly in places of historical or cultural interest. Many 'country house' hotels are located in Areas of Outstanding Natural Beauty, perhaps near to National Parks or other scenic attractions.

The general perception is that the hotel market is dominated either by the big players, such as Travelodge or Premier Inn, or the branded outlets, such as Holiday Inn or marketing groups such as Best Western, and often trading under franchise or management agreements. However, over 60% of hotels in the UK remain independent, especially in the more traditional seaside towns and villages.

Numerous external factors affect the market, including national and global economic fluctuations. Major sporting events, such as the 2012 Olympics and the 2015 Rugby World Cup, provide a positive boost for UK tourism, and the reviving national economy is expected to result in hotels seeing improved occupancy levels and REVPAR (revenue per available room). Weather is another significant factor, although mainly affecting the seaside hotels. The excellent summer of 2014 provided a real boost for stay-at-home holidays, resulting in strong bookings for 2015 and 2016. The EU Referendum in 2016 and General Election in 2017 are both factors for which the long term impact on the economy in general and hospitality trade in particular has yet to be established.

Many buyers of smaller and medium sized leisure businesses fund their deposit through the sale or re-mortgaging of their own residential properties. The revival of the housing market has enabled many purchasers to release the required funds and this has fed through to a more active hotel market from mid 2014. This has been helped by the banks treating the sector much more positively. After several years of falling prices, Christie & Co reported that 2014 saw the highest increase in hotel prices for around ten years, with 2015 and 2016 still showing strong levels of growth in average prices.

Location continues to be a very important factor for hotels, but industry analysts report that the revitalised market has moved beyond the London area, with a demand for units throughout all UK regions. REVPAR and occupancy rates are also still showing small but consistent increases across the country, albeit with London finding both being squeezed slightly, mainly believed to be due to new openings rather than any significant lack of demand. The 'Airbnb' style of room lettings, whilst increasing, has yet to be shown to be a major player in the fully serviced hotel market.

One of the issues facing the sector, in particular potential purchasers, is deferred maintenance. During the recession, many hotel owners did not have the funds to carry out ongoing refurbishment, and in some cases basic maintenance. It will take considerable investment to bring many units up to the required quality, and purchasers are advised to commission specialist reports relating to the condition of the building and infrastructure.

Guest expectations are continually rising. The ubiquitous use of websites such as TripAdvisor quickly highlights shortcomings in a hotel's standards, whether they relate to the accommodation or level of service. Quality is the key to achieving not only best prices in room rates, but also in maximising the eventual sale price. It is also vital that a hotel or guest accommodation provider has a strong digital presence, and links, where appropriate, to on line travel sites such as Late Rooms and Booking.com.

Explanatory Notes

(Effective from 19 May 2014)

This Appendix forms part of the Report, and it is assumed that the Client is fully conversant with its contents.

(a) Definitions

Unless the context otherwise requires, the following terms have the meanings ascribed (where appropriate, references in the singular will also apply in the plural):-

"Pinders"	<i>means Pinders Professional & Consultancy Services Limited whose registered office is at Pinder House, Central Milton Keynes, MK9 1DS.</i>
"the Client"	<i>means the person(s) or body from whom the instructions to prepare the Report have been received. Reference to the Client, who shall be identified on the front page of the Report, shall in all cases be interpreted to mean only this person(s) or body.</i>
"Proposed Borrowers"	<i>means the individual(s) or company whose proposal is the subject of the Report. Any reference to Proposed Borrowers within these Explanatory Notes also applies to alternative forms such as "Proposed Purchasers", "Proposed Vendors", etc.</i>
"the Property"	<i>means all those freehold/leasehold premises which have been inspected by Pinders and reported upon.</i>
"the Business"	<i>means the business trade or profession carried on or to be carried on by the Proposed Borrower in respect of which Pinders has been requested to prepare the Report.</i>
"the Report"	<i>means a Report on the Property and/or Business prepared by Pinders.</i>
"date of Inspection"	<i>the date on which Pinders' representative carried out the inspection of the premises.</i>
"date of Valuation"	<i>the date on which the opinion of value applies.</i>

(b) Limitations of Report

Pinders has prepared this Report for use only by the Client to assist them in the consideration of the proposal stated and in respect of the subject business and/or premises, and for no other purpose whatever. It is confidential to the Client and other than for information purposes it is not for use by the Proposed Borrowers or any other party in any way.

Pinders accepts responsibility to the Client alone that the Report will be prepared with the skill, care and diligence to be expected of a competent business valuer and appraiser, but accepts no responsibility whatsoever to any person other than the Client. No person or body other than the Client may rely on the Report and neither the whole, nor any part of the Report, nor any reference thereto, is to be included in any published document, circular or statement, nor published in any way without the written approval of Pinders as to the form and context in which it may appear.

The Report may include an appraisal of a business concern together with comments as to its trading potential. In making such assessments Pinders accept no responsibility for loss of whatever nature which may result directly or indirectly from:

- ❖ the suppression, deception or falsification of material facts by the Vendor, Proprietor, and/or Proposed Borrowers;
- ❖ any mismanagement of the business;
- ❖ insufficient capitalisation, stock and staffing levels;
- ❖ changes in the financial and market situation compared to those prevailing at the date of the Report;
- ❖ material alterations to the nature, character, extent and pricing structure of the business;
- ❖ failure to maintain all proper and prudent insurance cover.

This Report is not intended to replace any of the investigations or enquiries normally undertaken in connection with the purchase or mortgage of a property/business and we do not accept responsibility for loss of whatever nature directly or indirectly arising out of failure to make such enquiries. Such enquiries include, but are not limited to, the taking of independent professional advice from solicitors and accountants, the entering into of a professionally drawn acquisition agreement with the appropriate warranties being taken from the Vendor or Proprietor, the taking up of all necessary trade and bank references, the inspection of the Vendor's or Proprietor's or Proposed Borrowers' accounts, examinations of all necessary consents, regulations, permissions, licences and bylaws.

Furthermore it is the Client's responsibility to ensure that all trading information provided to Pinders is substantiated by audited/certified accounts and, where appropriate, an Accountant's Certificate. Any discrepancy arising from such documentation should be reported to Pinders as soon as practicable in order that any necessary adjustments may be made to the Report. The Report may point to further enquiries being necessary and failure to make such enquiries will be taken as evidence of non-reliance upon the Report and valuations therein.

It must be remembered that the Report does not contain a decision as to whether the stated proposal should proceed. It should also be noted that we do not supply "investment advice" either for the purposes of the Financial Services Act 1986 or at all. We do not offer advice as to whether shareholdings or debentures should be taken in the case of an incorporated business or equity acquired in the case of an unincorporated business or partnership. Should the Client and/or the Proposed Borrowers require such advice, they should seek assistance from their independent financial adviser.

Unless otherwise stated, the Report is not a Report of a survey, whether "Building Survey", "Structural Survey" or otherwise and no such building or structural survey has been carried out. In making the Report regard will be had to the apparent state of repair, construction and condition of the Property, taking into consideration major defects which are obvious in the course of a visual inspection of so much of the exterior and interior of the Property as is accessible at the time of inspection with safety, and without undue difficulty. The inspection will view those parts of the Property as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which Pinders considers reasonably necessary to provide the service, having regard to its purpose.

Pinders shall be under no duty to examine those parts of the Property which are covered, unexposed or inaccessible, or to raise boards, inspect woodwork, move anything, or use a moisture detecting meter. Neither shall Pinders have a duty to arrange for the testing of electrical, heating or other services which, unless indicated to the contrary, shall be assumed to be in a working and serviceable condition. If Pinders' inspection suggests that there may be material hidden defects Pinders will so advise and may exceptionally defer submitting a final Report until the results of further investigations are available.

It is assumed that those parts of any building erected on the Property which have not been inspected or made available for inspection would not reveal material defects of such a nature as to cause Pinders to alter the Report and Valuation.

In making the Report Pinders has made the following assumptions:

- (i) We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this Report we have assumed that such investigation would not disclose the presence of any such material to any significant extent.*
- (ii) Pinders cannot give any opinion whatsoever regarding the structural design of any construction upon the property nor as to the suitability of any foundations to such constructions.*
- (iii) That the plant, machinery, equipment, fixtures and fittings are in serviceable order, adequate for the effective trading of the business, and will remain so for the foreseeable future.*

(c) Aspects of Title

In making the Report Pinders has made the following assumptions:

- ❖ That the Property is not subject to any unusual or especially onerous covenants, restrictions, encumbrances or outgoing which might affect Pinders' valuation or which might prevent all or part of the Property from being properly used in connection with the Business.
- ❖ That the Title is as described to Pinders and as referred to in this Report and that there is good and marketable Title to the Estate or Interest which Pinders has valued. Unless indicated to the contrary, title deeds and/or lease documents have not been inspected. Any interpretation of leases and other legal documents and legal assumptions given in our capacity as Business Valuers and Appraisers must be verified by a suitably qualified lawyer if it is to be relied upon.
- ❖ That the valuation of the Property/Business is unaffected by any matters which would be revealed by any searches and replies to such enquiries as are raised or should properly be raised by the Client/Proposed Borrower and/or by Solicitors acting on his/their behalf or by any statutory notice, restriction or liability; Pinders must be advised of any variations as to this assumption.
- ❖ That the Property and/or Business, its use or intended use, or its condition is not in any way unlawful or in breach of any provisions of the Town and Country Planning Act, Building Control, Licensing Acts, Registered Homes Act, Environmental Health Acts, or other statutory requirements, and that the Property has direct access from a publicly maintained highway.
- ❖ Pinders' understanding of the boundaries is noted, but Pinders has no knowledge (expressed or implied) of the responsibilities for fencing and legal advice should be sought in this respect, if required. Pinders assumes that such boundaries show the true extent of the property and that there are no potential or existing boundaries or other disputes or claims outstanding. Where indicated site areas are obtained from published plans or as advised to Pinders. They are not derived from a physical site survey and are approximate unless otherwise indicated. Unless otherwise stated, any measurements noted are carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors.

Pinders shall be under no obligation to verify any of these assumptions. It remains the responsibility of the Client to ensure that all appropriate enquiries and investigations are made and the report is not intended to replace any of those enquiries/investigations.

(d) Environmental Matters

Pinders has not carried out, nor has it commissioned, a site investigation, geographical or geophysical survey and therefore can give no opinion or assurance or guarantee that the ground has sufficient load bearing strength to support the existing constructions or any other construction that may be erected upon it in the future. Pinders cannot give any opinion or assurance or guarantee that there are no underground mineral or other workings beneath the site or in the vicinity nor that there is any fault or disability underground. It is not possible for Pinders, therefore, to certify that any land is capable of further development or redevelopment at a reasonable cost for the use for which there is permission.

Unless otherwise stated, we are not aware of the content of any environmental audit or any other environmental investigation or soil survey which may have been carried out on the property and which may draw any attention to contamination or the possibility of any subsequent contamination. In our undertaking we will assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out an investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any potential for contamination to the subject property from these uses or sites, and have therefore assumed that none exist. Should it be established subsequently that any contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminated use, this might reduce the values now reported.

(e) Generally

This Report has been prepared in good faith on the basis of enquiries made and information supplied to us. We reserve the right to claim qualified privilege in respect of any part of this Report should the contents be subsequently challenged by a party claiming to be aggrieved at anything stated herein. Sections 12 to 16 of the Supply of Goods and Services Act 1982 (or any statutory enactment thereof for the time being in force) are hereby excluded.

Valuations may be relied upon for the stated purpose as at the date specified. It is for the Client alone to make judgement as to their reliance upon the contents of the Report thereafter. In normal market conditions the value may not change materially in the short term (approximately 3-6 months). However, the property market is constantly changing and is susceptible to many external factors which can affect investor confidence and corresponding values.

Value added tax, taxation, grants and allowances are not included in capital and rental values as, unless otherwise specified in the report, these are always stated on a basis exclusive of any VAT liability even though VAT will in certain circumstances be payable. Unless otherwise specified no account is taken of any existing or potential liabilities arising for Capital Gains or other taxation or as a result of grants or capital allowances.

In the event of a dispute arising in connection with a valuation or the contents of the Report, unless expressly agreed otherwise in writing, Pinders Professional & Consultancy Services Limited and the Client will submit to the jurisdiction of the British Courts only. This will apply wherever the property or Client is located, or the advice provided.

Pinders are deemed to be "External Valuers" with no other current or presently foreseeable fee earning relationship concerning the subject property and/or business apart from the valuation fee. Pinders will disclose to the best of its knowledge previous inspections undertaken. Pinders is not however able to disclose any present or previous relationship with any of the interested parties, contrary to the requirements of the Valuation - Professional Standards of the Royal Institution of Chartered Surveyors.

None of our employees, partners or consultants individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.

If you suffer loss as a result of our breach of contract or negligence, our liability shall be limited to a just and equitable proportion of your loss having regard to the extent of responsibility of any other party. Our liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an agreement between you and them, your difficulty in enforcement, or any other cause.

Our contract with you for the provision of this valuation is subject to English/Scots Law (as appropriate to the location of the subject property). Any dispute in relation to this contract, or any aspect of the valuation, shall be subject to the exclusive jurisdiction of the Courts of England and Wales/Scotland, and shall be determined by the application of English/Scots Law regardless of who initiates proceedings in relation to the valuation.

(f) Valuations

The valuations provided will be made on the assumptions stated within the Report and/or these Explanatory Notes in respect of the individual subject business/property, unless otherwise agreed, on whichever of the following or other bases as have been agreed between Pinders and the Client, such bases where applicable to be as defined or referred to in the Valuation - Professional Standards of the Royal Institution of Chartered Surveyors.

The valuations provided are for the value of the business/property as described. No account has been taken of any special tax or other inducement or liability which may arise as a result of any transaction in contemplation nor of normal costs involved in the execution of such a transaction. The full definitions of the valuations provided in the Report are set out below: If the Report contains other valuation bases, these are as specifically requested by the Client with our advice identified within the Report to be on a basis not recommended by the Royal Institution of Chartered Surveyors, and provided for guidance purposes only.

DEFINITIONS OF VALUATION

Market Value (MV)	The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Market Value with special assumptions	Opinions of Market Valuation can be provided in accordance with special assumptions which are indicated by the client. These assumptions will be clearly stated within the body of the report.
Market Rental Value (MRV)	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 acted knowledgeably, prudently and without compulsion.

Interpretive Commentary, as published the RICS Valuation – Professional Standards January 2014.

(a) ‘The estimated amount ...’

Refers to a price expressed in terms of money (normally in the local currency) 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 date 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 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 actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

(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 on 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) ‘... 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 reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be the 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) ‘... and where the parties had each acted knowledgeably and 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 which 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.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase, and without offset for any associated taxes.