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Valuation Report

Address	Smart Start Nursery, 236 A & 236 B Greenacres Road, Oldham OL4 3ET
Lender	Proplend Security Limited
Lender Address	20-22 Wenlock Road, London, N1 7GU
Applicant Name	MiChild Propco Limited
Date	17 September 2019
Valuation Company	Bruton Knowles LLP
Valuer	Jennifer Gill MRICS, Associate of Bruton Knowles LLP

PROPERTY DETAILS			
Property Address:	Smart Start Nursery, Oberlin Cottage, Oberlin Street, Greenacres, Oldham, OL4 3HS		
Lender:	Proplend Security Limited	Date of Valuation:	10 September 2019
Purpose of Valuation:	Loan Security	Valuation Method:	Profits Method



VALUATION	
<i>(please carefully read the lenders instruction letter and make sure that valuations are provided on the required basis)</i>	
Market Value	£430,000
MV2	£375,000
MV3	£215,000
Market Rent (MR)	£30,000
Insurance Reinstatement Estimate:	£540,000

VALUATION ISSUES: Tenure of the cabin Ofsted registration at another property not the subject Kitchen located in another property – license to occupy needs to be agreed. No EPC	Estimated Sales period:	Six to nine months as a going concern
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LOCATION / DESCRIPTION	
Location Summary:	The Property is located on the outskirts of Oldham Town Centre, which is in the Greater Manchester region and amid the Pennines. The town lies between the Rivers Irk and Medlock and is situated 5.3 miles south east of Rochdale and 6.9 miles north east of Manchester. The improvement of the town centre is the focus of a project for transforming Oldham into a centre for further education and performing arts however, it is distinguished architecturally by the surviving cotton mills and other building associated with that industry.
Description Summary:	The Property comprises two former semi-detached residential dwellings which have been knocked through and converted into children's day nursery accommodation. The post-war properties are of brick construction with a concrete tiled roof and uPVC fenestration. The Property is accessed via a rear entrance point off Oberlin Street, this access is through the Operators other title for Oberlin Cottage and at

	present we are unaware if there is a Right of Way across this land to access the front two properties.		
Condition Summary:	During the course of our inspection we noted that the Property generally appeared to have been satisfactorily maintained having regard to its age, use and construction. In our opinion the Property would benefit from redecoration and some modernisation, however, it is currently functional.		
Floor Area:	NIA of 145.8 sq m (1,569 sq ft).	Site Area:	Approx. 0.05 hectares / 0.12 acres

TENURE / TENANCY

Tenure:	Freehold in owner occupation and operation.	Tenancy:	
Passing Rent:		Market Rent:	

SWOT ANALYSIS

<p>Strengths:</p> <ul style="list-style-type: none"> • Good external play areas • Ofsted rated Good 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Declining trade • High percentage of term time only children in attendance • No formal kitchen within the current curtilage of the Property
<p>Opportunities:</p> <ul style="list-style-type: none"> • Improve full year attendance • Improve configuration and style of nursery 	<p>Threats:</p> <ul style="list-style-type: none"> • Change of registration • A neighbouring D1 property located to the south of the site which is owned by the operator could be used to establish direct competition

DEFECTS & SPECIALIST REPORTS

(Please identify any structural, legal or environmental issues from the drop-down lists. Please confirm the status of the defect and provide further commentary below if you have recommended that a specialist report is required)

Legal Issues	Report Required / Issue Identified	Structural Issues	Report Required / Issue Identified	Environmental Issues	Report Required / Issue Identified
Title	Issue Flagged	Choose an item.	Choose an item.	Radon	Report Required
Right of Way/Access	Issue Flagged	Choose an item.	Choose an item.	Mining/ Brine	Report Required

Comments: There are issues associated with the title in regard to its tenure and this includes the tenure the cabin is to be purchased on. Rights of way need to be agreed to access the Property from its current access points too. There are high levels of radon in the local area and a potential risk from coal mining. We recommend an environmental report is commissioned. We also recommend an EPC is commissioned.

RECOMMENDED ACTION POINTS / SUITABILITY FOR LOAN SECURITY

<p>We would recommend the following action points:</p>	<ul style="list-style-type: none"> • Tenure investigations • Environmental report • EPC commissioned • Investigate Ofsted Registration
<p>Is the property suitable for loan security?</p>	<p>YES - on the assumption that it will be maintained in a reasonable state of repair, Right of Access is provided and that a freehold or 125 year long lease tenure is provided for cabin building.</p>

Please note that this Executive Summary is merely a summary of the valuation report and should not be read in isolation to the full valuation report provided overleaf.

Valuation Report

Smart Start Nursery

236A & 236B Greenacres Road

Oldham

OL4 3ET

Contact Details

Prepared by:

Bruton Knowles
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and Valuation:**

10 September 2019

Date of Report:

17 September 2019

BK Reference:

524611/JG/KL

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1.1 Executive Summary

Property	Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET (the "Property").
Client	Proplend Security Limited. C/o VAS Team, The Palace Hub, 28-29 Esplanade, Redcar, TS10 3AE (the "Bank").
Operator	Cheryl Connell, Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET (the "Operator").
Bank' Customer	Joel Selvadurai, Mi Child Limited, Northern Assurance Building, Albert Square, 9-21 Princess Street, Manchester, M2 4DN (the "Bank's Customer").
Location	The Property is located to the east of Oldham Town Centre in the Greenacres suburb. The Property is located on Greenacres Road at its junction with Oberlin Street and Walnut Avenue.
Description	Two converted former residential properties which have been knocked through to create children's day nursery accommodation.
Planning Use	D1 – Non-Residential Institution.
Floor Area	NIA of 145.8 sq m (1,569 sq ft).
Site Area	The site extends to approximately 0.05 hectares (0.12 acres). There is also a cabin being included as part of the sale, a prefabricated building, this part of the Property sits within a site of approximately 0.01 hectares (0.02 acres) on a separate title.
Tenure	Freehold in owner occupation and operation. We understand from the Land Registry that there are two long leases in place both of which incorporate the Property at 236A and 236B Greenacres. We are unaware of the tenure of the cabin building and note that this Property is not located within the main title. We have valued on the basis that the cabin is purchased on either a freehold or long leasehold basis, of no less than 125 years.
Condition	The Property appeared to be in a reasonable condition commensurate with its age, use and construction.
Specialist Reports	The Property requires an EPC to be commissioned. We recommend an environmental report is commissioned given the Property is located in an area with a maximum radon potential of 5-10% and a historical coal mining area.
Environmental	No obvious sign of contamination upon inspection.

Regulation

The Property is registered with Ofsted as providing childcare on none domestic premises; full day care. The Property was last inspected in January 2019 and was given a good rating. We note that the business Smart Start appears to be registered at Oberlin Cottage, Oberlin Street, which is located to the rear of the subject Property and also belongs to the Operator. The nursery was previously operated from this property however moved to the current Property in October 2018. We suggest that investigations are undertaken to ensure that the Property and business is registered in the correct ways with Ofsted at the current address. We reserve the right to re-visit our valuation if the Property is not registered with Ofsted.

SWOT Analysis

Strengths

- Good external play areas.
- Ofsted rated Good.

Opportunities

- Improve full year attendance.
- Improve configuration and style of nursery.

Weaknesses

- Declining trade.
- High percentage of term time only children in attendance.
- No formal kitchen within the current curtilage of the Property.

Threats

- Change of registration.
- A neighbouring D1 property located to the south of the site which is owned by the operator could be used to establish direct competition.

Financial Summary

We have been provided with three years unaudited accounts for the years ending, 31 July 2016, 2017 and 2018 along with informal management information for the year ending 31 July 2019. The accounts are contained within Appendix Five and summarised below.

	YEAR END 31 JULY 2016		YEAR END 31 JULY 2017		YEAR END 31 JULY 2018	
Turnover	£433,222		£455,041		£398,989	
Wages	£252,819	58.4%	£227,742	50.0%	£174,294	43.7%
Other Costs	£197,482	45.6%	£145,699	32.0%	£157,336	39.4%
Net Profit	-£17,079	-3.9%	£81,600	17.9%	£67,359	16.9%
EBITDA	£21,389	4.9%	£113,578	25.0%	£102,079	25.6%

Fair Maintainable Trade

We detail below our opinion of Fair Maintainable Trade in the hands of the Reasonably Efficient Operator in the below table:

Bruton Knowles FMT		
Turnover	333,760	
Wages	190,000	56.9%
Other Costs	48,500	14.5%
Net Profit	95,260	28.5%
EBITDA	95,260	28.5%

Valuations

We detail in the below table, our opinion of the Market Values (as defined herein) of the Property in its existing use and present condition, having regard to trading potential as at the valuation date in the below table:

Market Value	£430,000	Four Hundred and Thirty Thousand Pounds
MV2	£375,000	Three Hundred and Seventy Five Thousand Pounds
MV3	£215,000	Two Hundred and Fifteen Thousand Pounds
Market Rent	£30,000	Thirty Thousand Pounds

Comment

Our valuation is undertaken during a period of uncertainty regarding Brexit. Values are often susceptible to market forces and political unpredictability. Values may be adversely affected if the UK enters a period of further protracted Brexit negotiations and political turmoil.

Note

The above is merely a summary of the valuation Report and reference should be made to the remainder of the document for a more detailed Report of the Property .

Important Notice to Mortgage Applicants

This Report has been prepared to allow the mortgage lender to assess the suitability of the Property as security; it has not been prepared for the benefit of the Mortgage Applicant who is not entitled to rely on the Report. The services have not been tested and a detailed survey has not been carried out and thus defects could exist which are not mentioned in the Report. The Valuer is entitled to make certain assumptions which during subsequent legal or other investigations may prove to be inaccurate. Applicants acquiring Property interests are strongly advised to obtain their own detailed advice from suitably qualified professionals before exchanging contracts.

2.0 Terms of Instruction

- 2.1 In accordance with your letter of instruction dated 4 September 2019 (copy at Appendix Three), the agreed scope and details of which are set out in our letter of confirmation dated 1 September 2019 (copy at Appendix Four), we have inspected the Property in order to advise you of our opinion of the Market Value of the freehold interest in the Property for secured lending purposes.
- 2.2 The Property was inspected by and this Report is prepared by **Jennifer Gill MRICS, Associate of Bruton Knowles LLP** who has sufficient current local and regional knowledge of the particular market and the skills and understanding to undertake this valuation competently.
- 2.3 The Valuation Date is 10 September 2019, being the date of inspection.
- 2.4 We confirm that this valuation is prepared in accordance with the RICS Valuation – Global Standards 2017, which incorporates the International Valuation Standards, published by the Royal Institution of Chartered Surveyors and we are acting as external valuers as defined therein.
- 2.5 We confirm that, to the best of our knowledge and belief, we have had no material involvement with the subject Property however, we note that we have previously provided a valuation for the Bank’s Customer on behalf of the Bank. We therefore consider that we do not have any conflict of interest in providing this Report.
- 2.6 You have also requested that we provide additional valuations on the following Special Assumptions:
- 2.6.1 Market value – In its current use and condition as an operational entity, having regard to trading potential;
- 2.6.2 Market Value 2 – On the special assumption a lease has been granted to the Banks Customer operating company at the current market rent and on standard lease terms.;
- 2.6.3 Market Value 3 - Subject to vacant possession;
- 2.6.4 Market Rent;
- 2.7 We confirm the basis of value as Market Value which is defined by the RICS Valuation – Global Standards 2017 as:
- The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*
- 2.8 We confirm the definition of Market Rent, as defined by the RICS Valuation – Global Standards 2017 as:

The estimated amount for which an interest in real Property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion

- 2.9 A Special Assumption is defined by the RICS Valuation – Global Standards 2017 as:

An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date

- 2.10 We highlight the definition of Market Value with regard to trading potential as:

The estimated amount for which a Property with trading potential, which may include assets other than land or buildings, 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."

- 2.11 VPGA4 within RICS Valuation – Global Standards January 2017 forms an integral part of this definition.

- 2.12 The definition of Market Value, Market Rent and Special Assumptions should be construed in the context of the 2017 International Valuation Standards Framework.

- 2.13 We have considered the aforementioned special assumptions in accordance with Valuation Technical & Performance Standard 4 of the RICS Valuation – Global Standards 2017 and consider that they can reasonably be regarded as realistic, relevant and valid in connection with the particular circumstances of the valuation.

- 2.14 We have valued the Property using information provided to us by the Operator and the Banks Customer including trading accounts, trading information, Asbestos Management Surveys and fire risk assessment information. If any of the information upon which we have relied is subsequently found to be incorrect, this may affect the valuation figure, which would need to be reconsidered.

- 2.15 Our letter confirming instructions, including our Standard Terms and Conditions of Engagement, forms an integral part of this valuation Report. They should be read in full as they contain important caveats and conditions relevant to this valuation including limits of liability, non-publication restrictions, condition and contamination. Full definitions of the basis of valuation are also included.

- 2.16 Where we are providing one or more valuations of a Property or properties ("the Property"), in circumstances where you have already made a loan secured (whether wholly or partially) against the Property, and you make further loan or loans secured on the Property in reliance of our valuation(s), our liability to you for any loss that you incur arising from our valuation(s) will be limited to the lesser of: (1) the further sum (if any) that you lend in reliance of our valuation(s); or (2) the difference between our valuation(s) and the true value

of the Property at the date of our valuation(s). This limitation of liability applies irrespective of whether, in making a loan based on our valuation(s), you have released the original charge and executed a new charge, or lent additional sums against the original charge. We will not be liable for any loss arising from the original loan (including any extensions to that loan prior to our valuation(s)) that you made, secured by the Property, unless: (1) We carried out the original valuation(s) of the Property; (2) You made the original loan in reliance of our valuation(s); and (3) Our original valuation(s) was negligent

- 2.17 This Report and Valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation. It is provided for the stated purposes and only for the use of the party whom it is addressed. It is confidential to Proplend Security Limited C/o VAS Team and may not be disclosed to any other third party without our prior written consent. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this Report.
- 2.18 Any transferee, successor or assignee relying upon the Report shall be deemed to be bound by the terms of our engagement letter and our liability shall be no greater in either amount or duration as a result of extending reliance to those third parties. The number of assignments shall be no more than two.

3.0 Property Report

3.1 Location

- 3.1.1 The Property is located on the outskirts of Oldham Town Centre, which is in the Greater Manchester region and amid the Pennines. The town lies between the Rivers Irk and Medlock and is situated 5.3 miles south east of Rochdale and 6.9 miles north east of Manchester. The improvement of the town centre is the focus of a project for transforming Oldham into a centre for further education and performing arts however, it is distinguished architecturally by the surviving cotton mills and other building associated with that industry.
- 3.1.2 Oldham is located four miles south of the M62 motorway and is linked by the M60 at Hollingswood, the A627 and the A627. There are major A roads which link the town to Ashton under Lyme, Huddersfield, Manchester and Rochdale from the town centre. Oldham also benefits from services into Manchester City Centre. The Property is located in Greenacres which is to the east of Oldham Town Centre.
- 3.1.3 The Property is situated on Greenacres Road which is accessed via the A62 Huddersfield Road. The Property is situated on Greenacres Road at its Junction with Oberlin Street and Walnut Avenue.
- 3.1.4 Originally the nursery was within Oberlin Cottage, located to the rear of the current site, and is also owned by the current Operator. We understand that the Operator purchased the current Property at separate times and completed the conversions works to create day nursery accommodation of the course of a number of years. The nursery moved into the current Property in October 2018.
- 3.1.5 To the rear of the Property is Oberlin Cottage, a stone built Victorian cottage which now houses a special educational needs school however, within the grounds of this school is a portacabin, prefabricated building, which is used by Smart Start Nursery and we understand it is contained within the sale. We are not aware of the tenure of which this element of the Property is included within the sale and note that there is no direct access from the current Property, to this area of the Property. A Right of Way needs to be granted to allow access. The area is predominantly residential with community facilities and a cemetery located adjacent.
- 3.1.6 A Location Plan and an Ordnance Survey extract are attached at Appendix One. Our understanding of the extent of the Property is outlined in red on the extract which is provided for identification purposes only.

3.2 Description

- 3.2.1 The Property comprises two former semi-detached residential dwellings which have been knocked through and converted into children's day nursery accommodation. The post war properties are of brick construction with a concrete tiled roof and uPVC fenestration. The Property is accessed via a rear entrance point off Oberlin Street, this access is through the Operators other title for Oberlin Cottage and at present we are unaware if there is a Right of Way across this land to access the front two properties.

3.2.2 Access to the Property is through the rear external play area which benefits from two lean-to extensions and a conservatory. There is a conservatory on the side also acts as the nursery office. There is no off road parking with the nursery at present and there is little scope to create off road parking. There is a small front garden which is laid to lawn and a large rear garden which is tarmac covered.

3.3 Accommodation

3.3.1 Internally the Property comprises four main rooms with two staircases, one at either side of the external elevations and we assume would have been in situ when the properties were residential premises. Upon entering the ground floor of the Property from the rear, there is an office contained within a conservatory. The ground floor of the first Property comprises a baby room and milk kitchen. There is a staircase which provides access to first floor, the first floor has been knocked through to create one large room within the first Property and this is used as the toddler room. There is a staircase to a second floor, converted loft space which is used as staff accommodation. We assume the conversion of this area was completed prior to the Operator purchasing the properties and would comment that it is unlikely that the access point meets current building regulations. We advise that this is investigated.

3.3.2 At first floor the toddlers room has a link door into the neighbouring Property which again has been knocked through at first floor to create one large room. We understand that this space is used by the preschool. The loft in this Property has not been converted. There is a staircase which provides access to the ground floor and this room again has been knocked through to create one large room and again is used by the preschool.

3.3.3 There are four low level toilets throughout the Property and one adult toilet. The preschool room has free flow access to the rear gardens and within the rear garden there is an external low level toilet for children. The baby room benefits from a conservatory which is used as a dining room for these children.

3.3.4 Not contained within the current site is a portable prefabricated building which was used as a dining facility and out of school club. This building is accessed through the Oberlin Cottage site. We note that there is no formal kitchen area within the current nursery provision and at present the current Operator uses the kitchen in Oberlin Cottage which is also in her ownership. She appears to be content that the Bank's Customer can continue to use this kitchen space however, we recommend that a licence for access is agreed.

3.3.5 Internally the Property is decorated with painted plastered walls and a mixture of carpet and vinyl floors. In our opinion the Property would benefit from redecoration and some modernisation however it is currently functional.

3.3.6 Images of the external elevations and example accommodation are attached at Appendix Two.

3.3.7 We took internal measurements of the Property at the time of our inspection and can therefore report the following approximate net internal floor areas calculated in accordance with the RICS' Code of Measuring Practice (6th Edition):

N.I.A.
145.8 sq m
1,569 sq ft

3.3.8 Using Land Insight software, we calculate that the site extends to approximately 0.05 hectares (0.12 acres). There is also a cabin being included as part of the sale, a prefabricated building, this part of the Property sits within a site of approximately 0.01 hectares (0.02 acres).

3.3.9 We have been requested to provide an apportionment between residential and commercial uses to assist your own review of whether the proposed loan is regulated for FCA purposes. For the avoidance of doubt, we make no judgement as to the potential status of occupants for regulatory purposes. All of the land and buildings within the curtilage of the Property are designated for commercial use.

3.4 Services

3.4.1 We understand from the Operator that Property is connected to all mains services – gas, electricity, drainage and water but have not carried out any tests in this regard.

3.5 Condition

3.5.1 Your attention is directed to our Standard Terms and Conditions of Engagement contained at Appendix Four. We confirm that we have not carried out a building condition survey.

3.5.2 During the course of our inspection we noted that the Property generally appeared to have been satisfactorily maintained having regard to its age, use and construction.

3.5.3 We have not been provided with any reports relating to the structural condition of the Property nor the condition of the mechanical and electrical equipment. We have assumed within our valuation that there are no structural, mechanical or electrical defects which would impact our valuation. We reserve the right to revisit our valuation should these assumptions be found to be incorrect.

3.5.4 We have not carried out a building survey nor tested services, nor have we inspected those parts of the Property which are covered, unexposed or inaccessible and as such all parts have been assumed to be in good repair and condition. We cannot express an opinion about, or advise upon, the condition of uninspected parts and our report should not be taken as making any implied representation or statement about such parts. We have not arranged for any investigations to be carried out to determine whether any deleterious or hazardous material has been used in the construction of the Property, or have since been incorporated, and we are therefore unable to report that the Property is free from risk in this respect. For the purpose of our valuation we have assumed that such investigation would not disclose the presence of any such materials to any significant extent.

3.5.5 We are unsure when the conversion works were completed and understand it was a staged process because the Operator owned one of the buildings before the other. We note that

there has been significant work undertaken in opening up the space to provide four large rooms rather than we assume would have been originally eight smaller rooms across the two properties. We noted that RSJs have been installed and assume that this work was all completed and signed off by the Local Authority building inspectors. We recommend that any warranties for this work are provided by the Bank's Customer. We have valued on the assumption that the works undertaken comply with building regulations and that there are no outstanding costs associated with the work that has been completed.

- 3.5.6 Our valuation is based on the assumption that the building and its services are in a good working order and no allowance has been made for any outstanding wants of repair or defects.

3.6 Environmental Matters

- 3.6.1 Your attention is directed to our Standard Terms and Conditions of Engagement contained in Appendix Four.

Contamination

- 3.6.2 We noted no obvious signs of contamination during our inspection, but we are not qualified to give assurances on environmental issues. Our valuation has been undertaken on the basis that the Property is not contaminated. Should it be established subsequently that contamination exists on the subject Property or any neighbouring land, this might reduce the values now reported.

- 3.6.3 To the best of our knowledge, the previous use of the Property was residential.

Flooding

- 3.6.4 We have referred to the Environment Agency flood maps and note that the Property does not appear to be within an area affected by flooding.

Radon

- 3.6.5 The Ionising Radiation Regulations 1999, require employers to take action when radon is present above a defined level in the workplace. Advice may be obtained from your local Health and Safety Executive Area Office or The Environmental Health Department of your local Authority.

- 3.6.6 We have made enquiries of Public Health England's interactive mapping service which details the maximum radon potential for a location. We note that the Property is located in an area with a maximum radon potential of 5%-10%.

- 3.6.7 We did not notice any radon detectors at the Property during our inspection for valuation purposes and therefore assume that the Property is not affected. This should be confirmed by your solicitors.

Made up Ground

- 3.6.8 During the course of our inspection we noted that the land appeared at natural ground level and there were no obvious signs that the Property may have been constructed on made up ground however we are not qualified to give assurances on this matter. Property-specific

reports should be obtained if further verification is required in this regard. We have valued on the assumption that the ground condition of the site carries no abnormal costs.

Coal Mining

- 3.6.9 We have referred to the Coal Authority's interactive map systems and note that the Property appears to be within an area of current or past coal mining activity. This does not necessarily indicate the Property is affected by past coal mining uses however it is used as a guide to see if further verification is required. Our valuation is undertaken that the Property is not affected by past coal mining activity. A coal mining search should be obtained for verification in this regard and your solicitors should confirm in the usual way.

Invasive Species

- 3.6.10 Japanese Knotweed can block footpaths and damage concrete, tarmac, flood defences and the stability of river banks and Giant Hogweed can cause harm to human health. Injurious weeds are native species, which cause problems for farming as they are harmful to livestock and must not be allowed to spread to agricultural land.
- 3.6.11 During the course of our inspection in September 2019 we did not note the presence of any invasive vegetation, however we are not qualified to give such assurances and cannot guarantee that the land is entirely free from the same. For the purpose of this report, we are valuing on the basis that there is no invasive vegetation present including Japanese Knotweed.

Archaeological Remains

- 3.6.12 We are unaware of the presence, or likely presence, of any archaeological remains on or adjacent to the Property and have assumed there are none in arriving at our opinion of value.

3.7 Local Authority & Statutory Enquiries

- 3.7.1 Your attention is directed to our Standard Terms and Conditions of Engagement contained at Appendix Four.
- 3.7.2 We have assumed that the Property and its value are unaffected by any matters which would be revealed by a Local Search and replies to the usual enquiries or statutory notice and that neither the Property, nor its condition, nor its use, nor its intended use is or will be unlawful. It is recommended that verification is obtained from acting solicitors that
- The position is correctly stated in this Report;
 - The Property is not adversely affected by any other decisions made or conditions prescribed by local authorities; and
 - That there are no outstanding statutory notices
 - The valuation is prepared on the basis that the premises comply with all statutory regulations.

Planning

3.7.3 We have reviewed the Local Planning Authority’s website regarding town planning matters that may affect the valuation. The Property lies within the planning jurisdiction of Oldham Council where planning decisions are governed by Oldham Local Plan.

3.7.4 Obtained from the council’s website we summarise the following pertinent planning decisions:

App. Ref	Details	Decision	Date
PA/058191/10	Change of use from dwelling house to day nursery.	Granted permission	2 September 2010
PA/052595/06	Change of use from dwelling house to day nursery providing baby and under 2s unit as part of the adjoining nursery	Granted permission	21 February 2007
PA/34657/18	Retention of portable building.	Granted permission	24 January 2019

3.7.5 In addition to the above planning applications and decisions we have valued on the basis that the works undertaken to convert the Property meet building regulations and have been approved by building control or similar. We recommend that investigations of these works are undertaken and sign-off is confirmed. We also recommend that requests are made for copies of any warranties in place for the works. We assume they were complete within the last ten years and therefore there should be warranties in place.

3.7.6 We highlight that we are unaware of the tenure status of the cabin building within the proposed purchase and note that it is contained within a separate title to those of the Subject. We assume that planning permission is in place for this building.

3.7.7 We have not made specific enquiries to verify this information, which is assumed to be correct. We do not accept liability for either incorrect information or for material omissions in the information obtained, including statutory notices or contraventions of statutory requirements.

Highways

3.7.8 We have been unable to establish whether there are any highway or major development proposals in the immediate area that may impact upon the value of the Property. We assume there are none but your solicitors should confirm as part of their normal Local Search enquiries. Given the nature and surfacing of Greenacres Road and Oberlin Street we have assumed that they are highways adopted and maintainable at public expense. Your solicitors should confirm in the normal way.

3.7.9 At present the Property is accessed through the rear entrance off Oberlin Street across land which belongs to the Operator. We assume that upon completion of the transaction a Right of Access will be granted across this land for the nursery.

3.7.10 We note that we are unaware of the tenure on which the land the portacabin sits on which has to be included within the sale and highlight that this land is separate from the current title have assumed that a Right of Access across this land will be granted at the point of completion.

Fire Safety Order & Fire Risk Assessment

3.7.11 The Fire Safety Order applies to owners, occupiers, landlords, employers and anyone else with control of the premises, e.g. a facilities manager, building manager and managing agent of a business or other non-domestic premises.

3.7.12 We have been provided with a copy of a fire risk assessment and as such in preparing our valuation have assumed that all necessary measures are in place and that no additional costs would be incurred in order to comply.

3.7.13 We recommend that your solicitor checks that the responsible party has fulfilled their obligations, including:

- carry out a fire risk assessment of the premises and review it regularly;
- tell staff or their representatives about the risks you've identified;
- put in place, and maintain, appropriate fire safety measures;
- plan for an emergency;
- provide staff information, fire safety instruction and training

Equality Act 2010

3.7.14 The Equality Act encompasses the previous Disability Discrimination Act which deals with accessibility of premises and the workplace and seeks to limit discrimination in the terms of race, religion or physical ability. The Act seeks to ensure that disabled persons can access and acquire premises and that they are suitably adapted if for public workplace access. The Act places a Duty of Care on owners and physical changes to premises may be required for compliance purposes.

Control of Asbestos at Work Act

3.7.15 We have been provided with a copy of an asbestos survey completed by JPR Asbestos Services Limited in July 2019. We note that the asbestos management survey states that asbestos materials were identified in the Property. We have valued on this basis and presume there are no outstanding costs in this regard.

Energy Performance Certificates (EPC)

3.7.16 The Energy Act 2011 provides for EPC minimum standards such that from 1 April 2018 it became unlawful to let residential or business premises that do not meet minimum energy

efficiency standards. The minimum threshold will be an EPC rating in Band E (i.e. it is unlawful to let premises with an F or G rating).

- 3.7.17 From April 2020 privately rented residential properties will be affected (including where a lease is already in place and the Property is occupied by a tenant) and from April 2023 all commercial properties let on existing leases will be similarly affected, subject to a number of exemptions.
- 3.7.18 We have consulted the online Non-Domestic Energy Performance Register and note the Property is not registered as having an EPC. As the Property is subject to a transaction it is a Legal requirement for a EPC to be commissioned and available for prospective purchasers to view. We have valued on the assumption that once a Energy Performance Certificate is obtained that it will meet the minimum energy efficiency standard with at least an EPC rating in Band E. We reserve the right to revisit our valuation if our assumptions are found to be incorrect.
- 3.7.19 Given that the properties were previously residential accommodation have also consulted the Domestic Energy Performance Register and again note that no reports exist for this Property. Our comments above still stand.

Sustainability

- 3.7.20 As the property market adjusts to new legislative requirements and the drive for more sustainable property assets, it is possible, in the future, that there will be an increasing divergence of values between those buildings which are considered to be compliant or "sustainable" and those which are not. Property investors and occupiers are becoming increasingly sensitive to a building's environmental and sustainability performance (e.g. BREEAM rating) with consequent implications for both rental and capital values.
- 3.7.21 At present, however, there is little consensus in market evidence or meaningful analysis of investment performance to enable any firm conclusions on to be drawn from the impact on capital and rental values of the various legislative initiatives and "sustainability" generally, but this may change.

Business Rates

- 3.7.22 Our enquiries with <https://www.tax.service.gov.uk/view-my-valuation/search> confirm that, as at the date of this report, the subject Property is not listed within the 2017 list entry. We note that Smart Start is listed as being at Oberlin Cottage, Oberlin Street, Oldham, OL4 3HS, which is the rear premises that the business used to operate from. Within the business rates list entry this Property is listed as a day nursery and premises with a rateable value of £21,500.
- 3.7.23 We did make enquires of the Operator who stated the Property benefits from small business rates relief and as such there are no business rates payable for the current site. This may well be the case however usually premises are still listed within the register and the rateable value will be under £15,000 to meet the requirements for a rate reduction. We recommend that investigations are made to ensure that the Property is registered for business rates and does receive rates relief.

- 3.7.24 We note it is likely that upon purchase of the Property that the Bank's Customer will be liable for business rates at this premises given that he also operates a number of other day nurseries within his nursery group. As such within our assessment of Fair Maintainable Trade we have made an allowance for rates payable however this may be subject to change depending on the decisions made by the valuation office agency
- 3.7.25 In England the standard Uniform Business Rate (UBR) for the rating year 2019/2020 is 50.4 pence per £1.00 of rateable value and 49.1 pence per £1.00 for smaller businesses.
- 3.7.26 The actual rating liability may be subject to upwards/downwards transitional adjustment in accordance with regulations, which are made from time to time. We have not investigated the amount actually payable in respect of the subject Property. In addition some properties may benefit from a lower rate in the Pound if they are in receipt or are eligible for additional rates relief.

3.8 Tenure

- 3.8.1 We have not been provided with any Title documentation however we have obtained copies of the title registers from the Land Registry.
- 3.8.2 We note rather unusually there is a freehold title and two long leasehold titles registered for the Property. The freehold land is owned by Cheryl Maria Connell, the Operator and is subject to three long leases, one of which is not contained within this valuation. One of the two long leases which are party to this valuation is under title number LA35596 and is for 999 years from 27 November 1963 with an annual rent of £10. The Proprietor of this lease is also Cheryl Maria Connell, the Operator. The second lease is under title number LA44120 and is for 999 years from 3 June 1964. Again, the rent is £10 per annum and the proprietor is Cheryl Maria Connell, the Operator. The freehold title is held under LA21561.
- 3.8.3 We have assumed that the titles are unencumbered and free from any unusual or especially onerous or restrictive covenants, easements, restrictions, encumbrances, outgoings or rights of way which could affect value. This should be verified by your solicitors. We have also assumed that upon completion of the transaction the Property would be held on a freehold basis and the two leases currently in place would be collapsed. Again, this should be verified by your solicitors.
- 3.8.4 Again we are unaware of the basis of tenure on which the portacabin building will be purchased and note that this is located within a separate title to those previously mentioned. This Property is located on title number LA21562, a leasehold title of which Cheryl Maria Connell, the Operator is also the proprietor. We note that there is no freehold register associated with this land and therefore cannot confirm who the freeholder of this land is. Again this needs to be confirmed by your solicitors and the tenure of which this Property is being purchased on should also be confirmed.
- 3.8.5 Our valuation is based on the assumption that this land is provided on either freehold or long lease hold title of no less that 125 years at the time of completion. If this is not the case, we reserve the right to revisit our valuation.

3.8.6 In addition to this there is currently no kitchen on site, and we understand that the Operator is happy for the Bank's Customer to use the kitchen located within Oberlin Cottage for the preparation of meals for children within the nursery. We would recommend that a licence is agreed for occupation of this kitchen facility and have valued on the basis that access is provided.

3.9 Occupation

3.9.1 We are valuing on the basis of vacant possession and can confirm that there was no indication of any part of the Property being let out to a third party.

4.0 The Business

4.1 Business Overview

- 4.1.1 The business has been trading for 18 years, with the majority of the trading undertaken in Oberlin Cottage located to the rear. In October 2018 the business was moved into its current location and a reduction in registration took place.
- 4.1.2 The Operator still owns the building to the rear of the site which is now let to a SEN business. Part of the purchase includes a cabin located on this site and accounts for 20 of the 68 place registration. We understand this element of the Property is mainly used as a dining room and out of school club.
- 4.1.3 The Property was originally marketed for sale with Redwoods Dowling Kerr when it was located in the Oberlin Cottage for over £1million. We understand there were eight viewings and no offers. The Property was withdrawn from the market temporarily. The business moved to the new premises and prior to re-marketing the opportunity, the Bank's Customer was shown the proposition and made an off market offer.
- 4.1.4 The business operates with a maximum capacity of 68 although 20 of this registration is included in the cabin located on the Oberlin Cottage title.
- 4.1.5 Unusually the business has a high percentage of children attending the nursery on a term time only basis (38 weeks of the year) and as such a number of the staff are contracted to work 38 weeks of the year. This skews the occupancy information.

4.2 Regulation

- 4.2.1 The Nursery is registered with Ofsted as providing childcare on Non-Domestic premises, full day care. We note that the current registration is associated to the rear Property at Oberlin Cottage, Oberlin Street, Greenacres, Oldham, OL4 3HS. There does not appear to be a registration or inspection report for the current Property, and we recommend that investigations are made to ensure that the current Property has been registered by Ofsted and is registered to provide childcare on a Non-Domestic premises on the same basis as the original registration.
- 4.2.2 The Nursery is regulated by Ofsted and the most recent inspection took place on 15 January 2019 with an overall rating of good, which was an improvement from Requires Improvement which was provided in June 2018. We note that this inspection was undertaken at the new premises and can therefore assume that Ofsted are aware of the change of address and that these premises have been registered by Ofsted to provide day care. The main findings are as follows:
- The management team produce detailed development plans. They listen to the views and opinions of staff, parents and outside agencies and use these to evaluate and improve their nursery. The team demonstrate an ambitious approach and are committed to providing a high-quality provision.

- Staff support children to develop strong communication skills. For example, they regularly assess children's speech and language and put effective measures in place to support their development. This means that all children make good progress, including those children who speak English as an additional language.
- Staff support children to learn about healthy choices. For example, staff use imaginative techniques to encourage children to brush their teeth. They use an egg timer so that children know how long they need to brush for and provide protective gloves and masks and children pretend they are dentists.
- Motivated children work well together to make potions in a wheelbarrow. They work out how to transport different materials from other areas, such as water, sand and mud. They cooperate with each other, share resources, calculate how much water they need in their pots and thoroughly enjoy mixing and pouring their potion.
- While the management team support staff's progression with appraisals, training is not precisely targeted to further improve practice.

4.2.3 From our investigations of the Ofsted Website we note that a complaint was raised on 12 July 2019 with complaint actions taken. We recommend the Banks Customer discusses the implications of the complaint, cause of the complaint and recommendations and actions taken with the current operator.

4.3 Competition

4.3.1 We have reviewed the competition within a one mile radius of the Property and is summarised in the table below.

Property	Distance	Places	Comments
Brooklands Private Day Nursery	0.2 miles	40	Private day nursery which is open all year round. The fee's guide is £140 per week, £34 per day or £20.50 per session.
Ambrose Nook Nursery	0.5 miles	72	Private day nursery which is open all year round. Fees are not disclosed on the website.
The New Village Nursery	0.7 miles	60	Private day nursery which is open all year round. Fees are not disclosed on the website.
Giggle and Grow Goldwick	0.9 miles	105	Private day nursery which is open all year round. Fees are not disclosed on the website.

Kids Planet Day Nurseries – Springhead	1.0 miles	55	Private day nursery which is open all year round. Fees are not disclosed on the website.
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4.4 Fees and Occupancy

4.4.1 The business operates on a 50 week per year basis, however a high percentage of children attending the nursery do so on a term time only basis (38 weeks). This is unusual with the majority of nurseries either operating on a 51 week basis or a 38 week basis.

4.4.2 The current occupancy is lower than usual as the business was subject to a number of school leavers this September. The average occupancy for the 12 months to 31 July 2019 was 35.71% of the 68 registration. This equates to 50.59% on the basis of a lower 48 registration.

4.4.3 The business heavily relies on Local Authority funding for either 15 hours or 30 hours per week, and only offers this on a term time basis between 9 am and 3:30pm. The staff covering this marked increase in occupancy cover the out of school club at either end of the day.

4.4.4 The annual fee income for the 12 months to 31 July 2019 was £278,545. This was split approximately 40.99% private fee income, 44.69% Local Authority fee income and 14.32% afterschool club income.

4.4.5 On the current FTE occupancy basis of 35.71% the current average weekly fee achieved is £196.55. This is in line with our expectations.

4.5 Financial Information

4.5.1 We have been provided with three years unaudited accounts for the years ending 2016, 2017 and 2018.

	YEAR END 31 JULY 2016		YEAR END 31 JULY 2017		YEAR END 31 JULY 2018	
Turnover	£433,222		£455,041		£398,989	
Wages	£252,819	58.4%	£227,742	50.0%	£174,294	43.7%
Other Costs	£197,482	45.6%	£145,699	32.0%	£157,336	39.4%
Net Profit	-£17,079	-3.9%	£81,600	17.9%	£67,359	16.9%
EBITDA	£21,389	4.9%	£113,578	25.0%	£102,079	25.6%

4.5.2 Turnover has been declining year on year with the most recent income for the year ending 31 July 2019 being £278,545. We understand the Operator has moved the business into a smaller premises which has almost halved the registration, although the decline started before this move.

4.5.3 Wages have fluctuated on a percentage of turnover basis however they have steadily declined year on year. We note operating a part 38 week part 50 week year business can be

demanding with regards to understanding staffing and if it is not tracked it can have a detrimental effect on the profit margins.

- 4.5.4 Other costs appear high over all. We understand the business is run as a lifestyle business and as such items as personal weekly grocery shopping, family cars and mobile phones have been run through the business. The Operator expects true costs for the business to be approximately 15% of turnover rather than the 40% experienced.
- 4.5.5 Net profit and EBITDA have fluctuated however the most recent accounts show a strong conversion of profit from turnover at 25.6%. The Operator anticipates an adjusted net profit of £94,281 (33.8%) for the year ending 31 July 2019 accounts.
- 4.5.6 We detail below our opinion of the Fair Maintainable Turnover (FMT) and Fair Maintainable Operating Profit (FMOP), in the hands of the Reasonably Efficient Operator in the below table.

Bruton Knowles FMT		
Turnover	333,760	
Wages	190,000	56.9%
Other Costs	48,500	14.5%
Net Profit	95,260	28.5%
EBITDA	95,260	28.5%

- 4.5.7 Our estimate of turnover is based on an occupancy of 60% of 48 registration and an average fee of £200.00 per week. We have also included £40,000 per annum for out of school and holiday club income. We are of the opinion the turnover could be improved if the operation style moves over to a 51 week per annum business rather than 38 weeks.
- 4.5.8 We have undertaken a staff assessment and note that 7.2 staff are required to meet ratio requirements 38 weeks of the year with this dropping out of term time. On this basis and including a manager, deputy and cook/cleaner we have arrived at our opinion of maintainable wage costs.
- 4.5.9 Our cost assessment reflects costs which would be incurred by a reasonably efficient operator and do not have regard to the business being operated as a lifestyle business. As such the resultant EBITDA is in line with expectations on a percentage of turnover basis and is considered sustainable.

5.0 The Valuation

5.1 Valuation Methodology

- 5.1.1 The accepted methodology for the valuation of properties reliant on the inherent business is the Profits Method of Valuation- the Market Value having regard to Trading Potential. We have had regard to Valuation Practice Guidance – Application 4 (VPGA 4) which outlines the principles of this method of valuation.
- 5.1.2 Section 1.3 of VPGA 4 states: Some properties are normally bought and sold on the basis of their trading potential. Examples include hotels, pubs and bars, restaurants, nightclubs, fuel stations, care homes, casinos, cinemas and theatres, and various other forms of leisure Property . The essential characteristic of this type of Property is that it has been designed or adapted for a specific use, and the resulting lack of flexibility usually means that the value of the Property interest is intrinsically linked to the returns that an owner can generate from that use. The value therefore reflects the trading potential of the Property. It can be contrasted with generic Property that can be occupied by a range of different business types, such as standard office, industrial or retail Property .
- 5.1.3 Using this Method, the valuer analyses the trading accounts of the business to determine the Fair Maintainable Turnover (FMT) and Fair Maintainable Profit (FMOP) which should be achievable in the hands of the Reasonably Efficient Operator (REO) and may not concur with the published accounts. The FMOP may also be expressed as EBITDA (earnings before interest, taxation, depreciation and amortisation).
- 5.1.4 To assess the market value of the Property the FMOP is capitalised at an appropriate rate of return, reflecting the risk and rewards of the Property and its trading potential. Evidence of relevant comparable market transactions are analysed and applied.
- 5.1.5 We have also had regard to the Comparable Method of Valuation.
- 5.1.6 The Comparable Method is used to value the most common types of Property , such as houses, shops, offices and warehouses and can be used to value vacant trade related properties. This method focuses on collating multiple comparable transactions, which are then analysed to compare like with like. The evidence allows the Valuer to assess the cost of the Property , sold on the open market at a given date.
- 5.1.7 No allowance has been made for costs of acquisition or realisation of the Property , nor for any liability for taxation which may arise on disposal whether actual or notional, e.g. VAT, Inheritance Tax or Capital Gains Tax. Unless stated to the contrary it is assumed that where there is an imposition or otherwise of VAT on the rent that the lessee will be able to fully reclaim the VAT paid.

5.2 Market Conditions and Demand

- 5.2.1 The provision of day care and nursery accommodation is of political importance, with the Government incentivising childcare to enable parents to return to work. In addition, formal childcare provision is valued at in excess of £5.5 billion to the UK economy.

- 5.2.2 The number of childcare places and total number of nurseries across the UK continues to rise with an estimated 23,500 nurseries, 9,600 pre-school providers, 59,500 childminders and 15,000 out of school providers. It is estimated that day nurseries provide in the region of 200,000 jobs and 1,000,000 childcare places.
- 5.2.3 In England, as in many other countries, central government limits the number of children each member of staff in the nursery can look after through mandatory staff/child ratios. However, ratios in England are lower than comparable European countries. For instance English nurseries can look after up to four two year olds for every member of staff, compared to six two year olds per member of staff in the Netherlands and Ireland, and eight two year olds in France.
- 5.2.4 England's relatively tight staffing rules drive higher costs for parents and lower pay for staff. The Government has stated that low pay undermines the attractiveness of the profession to potential applicants. This was highlighted in their recent publication "More Great Childcare – Raising quality and giving parents more choice". It is proposed that those nurseries with high quality staff will be allowed to have greater flexibility in terms of child ratios. The Government is suggesting that they will free high quality providers to offer more places, thus allowing extra income to pay staff a more desirable wage. These ratios will be maximum legal limits – no nursery will be obliged to use higher ratios..
- 5.2.5 The UK Childcare sector is very fragmented with over 80% of day nurseries being owned by independent operators and while few sizeable portfolio transactions have occurred in recent years there has been considerable activity involving regional groups, alongside single asset transactions.
- 5.2.6 The UK's two largest groups, Busy Bees and Bright Horizons, continue to seek overseas opportunities and overseas operators are increasingly looking at the UK in a bid to identify and acquire a suitable platform to enter the market. Private equity interest also remains strong particularly where businesses are led by long established and experienced management teams.
- 5.2.7 The most notable and potentially far-reaching recent change in the market has been the introduction of the National Living Wage. The market is also engaging with the implementation of 30 hours free childcare. In the spring term of 2019, circa 325,000 children were in 30 hours funded places across England. With regards to the National Living Wage, some providers have passed on these costs to parents through higher fees and others are seeking to employ more younger staff or apprentices. The current rates for NLW are £8.21 for 25 + year olds, £7.70 for 21 to 24 year olds, £6.15 for 18-20 year olds and £4.35 for 16 & 17 year olds.
- 5.2.8 Despite the changing regulatory and funding environment, demand from buyers and confidence amongst banks and investors in the sector remains strong. The drive from Government to encourage parents back into employment is providing some operators with the confidence to predict future capacity issues.

- 5.2.9 The success of a nursery is directly related to its location and reputation, the latter factor given first credence via the Ofsted report. Demand and values of trading nurseries are governed by their income and profit, with multiples of profit being the over-riding method of valuation by operators, valuers and lenders. We note that the capacity of a children's day nursery can have a substantial effect on the profitability of the setting. Most operators are now seeking opportunities which have the capacity for in excess of 60 childcare places to achieve effective economies of scale.
- 5.2.10 Most of the sales in Greenacres over the past year were terraced properties which on average sold for £86,486. Semi-detached properties had an average sold price of £156,931 and detached properties averaged at £240,391. Greenacres, with an overall average price of £116,430 was cheaper than nearby Manchester (£200,530), Oldham (£137,322) and Saddleworth (£228,937). In the past year house prices in Greenacres were similar to the year before and 5% up on 2016 when they averaged at £111,253.
- 5.2.11 Our valuation is undertaken during a period of uncertainty regarding Brexit. Values are often susceptible to market forces and political unpredictability. Values may be adversely affected if the UK enters a period of further protracted Brexit negotiations and political turmoil.

5.3 Comparable Evidence

- 5.3.1 In our capacity as national property valuers we have access to various internet platforms, and we are able to reflect on recent transactions to help us assess value. We have carried out research of sales of properties similar to the Property, being operational day nurseries in the region.
- 5.3.2 We have also carried out research of sales of non-operational nursery properties, in order to support our valuation of the Property assuming vacant possession.
- 5.3.3 Comparable sales and letting evidence of nursery property transactions is generally limited due to the confidential nature of such sales, as well as the low volume of such properties on the market in general. It is therefore unlikely in most cases that direct comparable evidence will be available for the purposes of the comparable method of valuation, and there will be more variation in the evidence provided than there might be for other property types.

Trading Comparable Evidence

- 5.3.4 **1 Rosebuds Day Nursery, Oldham** this has been purchased by the Bank's Customer at a multiple of 5.75. The business also operates on a similar basis with a high number of 38 week per annum children in attendance. This purchase was completed in August 2019.
- 5.3.5 **2 Jelly Babies Day Nursery, Bolton** was sold on a freehold basis in March 2019 to an established group childcare provider. The property, which is in a densely populated village near Bolton, had an operating capacity at sale of 89. Turnover of the business at sale was £705,000 per annum. The nursery achieved a sale price of £1,650,000 with an EBITDA of £210,000, reflecting a YP of 7.86.

- 5.3.6 **3 Gaskells Day Nursery, Bolton** was sold on a freehold basis in 2018 to an established north-west nursery group. The property comprises a purpose built nursery, with parking and outdoor facilities. At sale the nursery had an operating capacity of 129, and an annual turnover of £555,000. The sale was agreed at £1,450,000, against an EBITDA of £210,000. The sale reflects a YP of 6.90.
- 5.3.7 **4 Educare, Nottingham** sold in 2018 to an individual operator. The business had a maximum capacity of 81 places and operated on an open-plan configuration like the subject. This nursery operated on a term time only basis at the time of sale. The property achieved an EBITDA of £200,000 and sold for £1,125,000 on a freehold basis, achieving a 5.62 YP.
- 5.3.8 **5 Little Brook Children's Day Nursery, Great Harwood** was sold on a leasehold basis in 2018 to an established national nursery group. The property has a large outdoor play area comprising approximately 0.75 acres. At sale the nursery had an operating capacity of 60, with an undisclosed annual turnover. Desktop research suggests the property was initially available for £345,000, sale was agreed at £250,000, with an EBITDA of £89,000, reflecting a YP of 2.81.
- 5.3.9 **6 Stonehouse Day Nursery, Leyland** was sold on a leasehold basis in February 2019 to an established nursery group based in the north-west. The property comprises a detached, two storey former school property, with a substantial outdoors space for the children's activities including a fruit and vegetable patch. The nursery achieved a sale price of £425,000 and is subject to a rent of £47,500. The turnover of the business at sale has been reported as £589,602, reflecting an EBITDA of £160,000. The achieved sale price reflects a YP of 2.66.

Yield Evidence

- 5.3.10 **1 32 Ulverley Green, Solihull** a children's day nursery operated on a leasehold basis by a private individual. The property commanded an annual rent of £24,000 (£15.63 per sq ft). The ten year FRI lease commenced in July 2016 and in September 2018 the freehold interest was sold for £332,000. This equated to a gross yield of 7.23%.
- 5.3.11 **2 30-34 Westgate, Hull** a privately operated children's day nursery with owners' residential areas. The annual rent received was £18,000 per annum (£8.33 per sq ft). Held on a five year lease commencing in March 2016, the freehold interest sold at auction for £200,000 in July 2017. This sale equated to a gross yield of 9.00%.

Closed Comparable Evidence

- 5.3.12 **1 Former Gisburn Nursery, Barnoldswick** was sold on a freehold basis, non-operational at sale. The former nursery building comprises 1,711 sq ft and sold July 2019 for £80,000. Photographs of the property suggest that at sale it was in a very basic shell condition, of an inferior quality to the subject Property. This sale achieved a capital value per sq. m of £503.27 (£46.76 per sq. ft).
- 5.3.13 **2 Former Ticktocks Nursery, Thornton Cleveleys** was sold freehold and comprises a two storey 2,430 sq ft building with an enclosed outside play area. Marketing particulars stipulate

that the property stopped trading as a nursery in May 2016 and was marketed as a retail opportunity at £275,000. Sale was agreed at £270,000 in January 2017. We understand that the purchaser was another nursery operator. The sale equates to a capital value of £1,196.01 per sq. m (£111.11 per sq. ft).

Market Rental Evidence

- 5.3.14 **1 Former Oscar Bears Nursery, Darwen** – This former nursery is currently on the market to let at an asking rent of £2,000 per calendar month, equating to £24,000 per annum. The property comprises a traditional stone build detached property, arranged over two floors, with a conservatory and garden to the rear, and comprising approximately 1,910 sq. ft internally. The property has good road connections, being situated beside both the A666 Blackburn Road and the M65 motorway. The asking rent equates to a rent per sq ft of £12.57.
- 5.3.15 **2 Stone House Nursery School, Preston** – This nursery was let on 1 February 2019 at an annual rent of £42,750. The nursery benefits from 109 places and extends to a NIA of 638 sq. m (6,687 sq. ft). This is the equivalent of £67.01 per sq. m (£6.23 per sq. ft). This also equates to £392 per registration. No trading information was made available to us. We consider this location inferior to the Subject and the rent overall appears low for a setting of this size.
- 5.3.16 **3 New Rainbow House Kindergarten, Thornton Cleveleys** – This business is being acquired for £210,000 with an EBITDAR of £120,000. It is subject to a lease with a rent of £26,000 per annum.

5.4 The Valuation

5.4.1 We detail below our opinion of Market Value including the calculation for arriving at this value. The Market Value of the Freehold Property, as at the date of valuation, having regard to trading potential and considering the contents and comments within this Report is as follows:

Market Value	
Fair Maintainable Turnover	£333,760
Fair Maintainable Operating Profit	£95,260
YP	5.5
Less 1 x EBITDA	-£95,260
Subtotal	£428,670
Market Value say	£430,000 <i>Four Hundred and Thirty Thousand Pounds</i>

5.4.2 The comparable evidence provides a tone for the market however evidence for nurseries operating on a mixed term time and full-time basis are limited. As such we have adopted a multiple in line with the sale completed of Rosebuds Nursery which is a similar operations style to the subject. We have adjusted this multiple to reflect the declining trade, lack of historic information to support trade in the new premises and the lack of kitchen within the facility. This value include the cabin building on a freehold or long leasehold basis.

5.4.3 We detail below our opinion of Market Value 2 including the calculation for arriving at this value. The Market Value 2 of the Freehold Property, as at the date of valuation, subject to the special assumptions detailed herein, and considering the contents and comments within this Report is as follows:

Market Value 2	
Market Rent	£30,000
Yield 8.0%	12.5
Subtotal	£375,000
Market Value 2 say	£375,000 <i>Three Hundred and Seventy Five Thousand Pounds</i>

5.4.4 We have based this valuation on the Market Rent which considers a lease term of no less than 15 years, on a full repairing and insuring basis with rent free incentives. Nursery investment transactions for small group or individual private covenants are particularly limited however, the yield used is in line with the evidence available to us.

5.4.5 We detail below our opinion of Market Value 3 including the calculation for arriving at this value. The Market Value 3 of the Freehold Property, as at the date of valuation, subject to the special assumptions detailed herein and considering the contents and comments within this Report is as follows:

Market Value 3	
Fair Maintainable Operating Profit	£95,260
Factor	2.0
F&F	£24,000
Subtotal	£214,520
Market Value Less Subtotal	£215,480
Market Value say	£215,000 <i>Two Hundred and Fifteen Thousand Pounds</i>

5.4.6 We are of the opinion it would take an operator around two years to achieve the current trading levels demonstrated in the FMOP. On this basis we have discounted the Market Value along with a discount for F&F to arrive at our Market Value 3. This represents 50% of Market Value as a trading entity.

5.4.7 Our opinion of the Market Rent as at the date of valuation, having regard to trading potential and considering the contents and comments of this Report is as follows:

Market Rent	
Market Rent say	£30,000 per annum <i>Thirty Thousand Pounds</i>

5.4.8 We have allowed for a rent cover of 30% in line with industry norms. This equates to just over £19 per sq. ft.

5.5 Suitability for Loan Security

- 5.5.1 In our opinion, the Property represents suitable security for loan purposes on the assumption that it will be maintained in a reasonable state of repair, Right of Access is provided and that a freehold or 125 year, long lease tenure is provided for cabin building. The amount of such loan is at your discretion.
- 5.5.2 It is our opinion that the estimated useful economic life of the Property should be no less than the term of the loan again assuming that the Property is maintained and kept in a reasonable state of repair.

5.6 Estimated Reinstatement Cost

- 5.6.1 Your attention is drawn to our letter containing our Standard Terms and Conditions of Engagement contained at Appendix Four in this regard.
- 5.6.2 Our informal estimate of the current reinstatement cost of the subject Property is some £540,000.
- 5.6.3 You should not rely on this figure for insurance purposes and we strongly recommend that the Bank obtains a formal assessment by a Building Surveyor. We can provide a formal assessment if required.

5.7 Verification

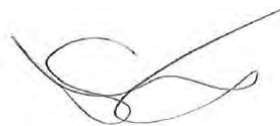
- 5.7.1 This Report has been based, to some extent, on information provided verbally which should be checked by your solicitors. Their searches may also reveal whether any historical use of the Property is likely to have resulted in contamination or whether there are any encumbrances or other third-party rights affecting the title or use of the Property . If any assumption we have made proves incorrect the matter should be referred back to us as it may have an impact on the value of the Property .
- 5.7.2 We trust that this report is satisfactory for your immediate purposes but, should any matter require further clarification, we shall be pleased to hear from you. We would reiterate that neither the whole nor any part of this Valuation Report may be included in any published document, circular or statement, nor published in any way without our written approval of the form and context in which it may appear.

Valuer:



Jennifer Gil MRICS
Associate
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP

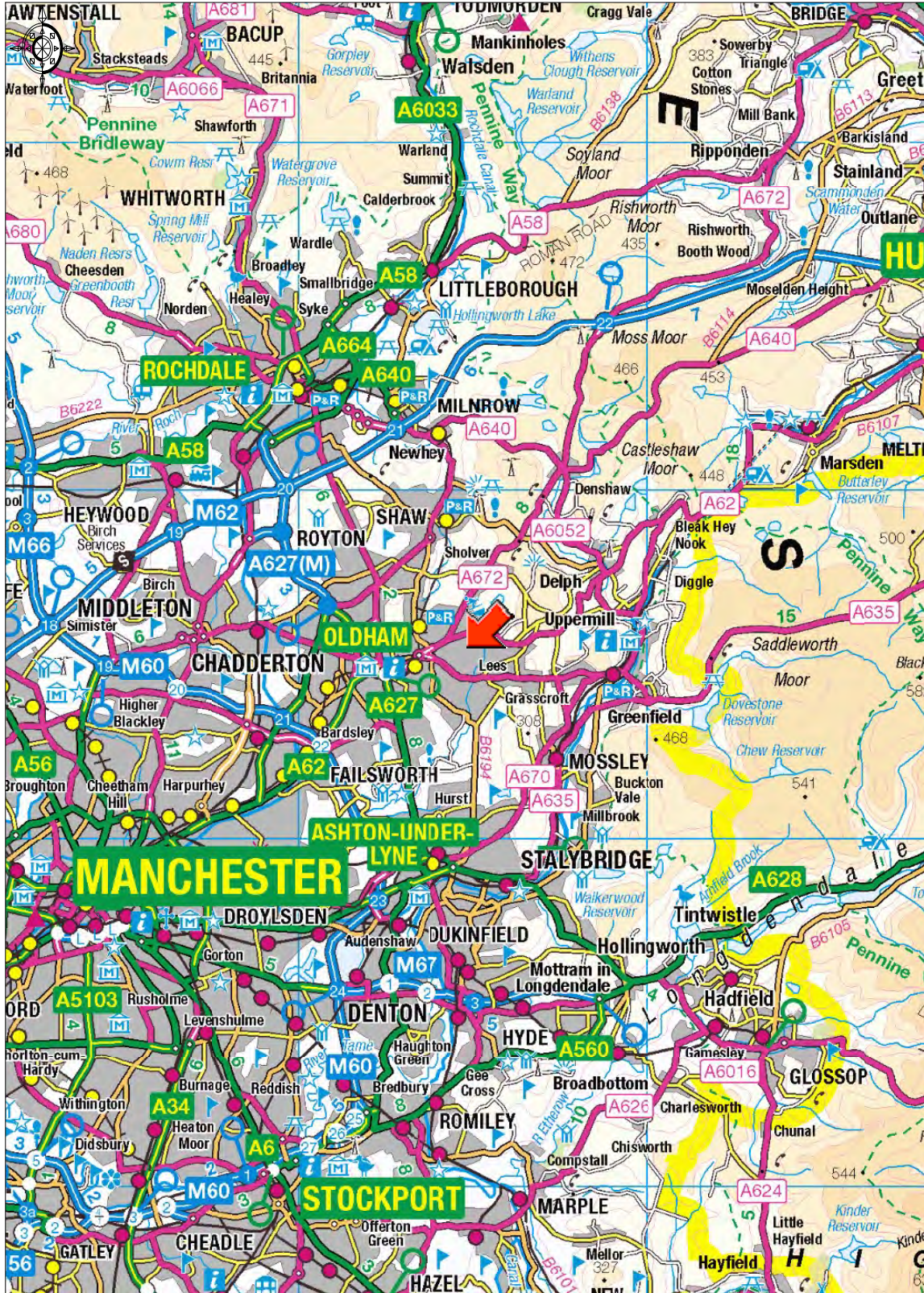
Approving Officer:



Eric C Spencer MRICS
Senior Associate
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP

Appendix One

Location and Site Plans



Ordnance Survey © Crown Copyright 2019. All rights reserved.
Licence number 100022432. Plotted Scale - 1:175000

Smart Start Nursery, Oldham



For identification purposes only, not to scale

Appendix Two

Photographs

PHOTOGRAPHS

Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET



Front Garden



Front Elevation



Rear Elevation



Rear Garden

PHOTOGRAPHS

Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET



Rear Garden



Rear Garden



Example Nursery Accommodation



Example Nursery Accommodation

PHOTOGRAPHS

Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET



Example Nursery Accommodation



Milk Kitchen



Staff Room



Outside Toilet

PHOTOGRAPHS

Smart Start Nursery, 236A & 236B Greenacres Road, Oldham, OL4 3ET



The Cabin



The Cabin



The Cabin



Access to the Cabin

Appendix Three

Instruction Letter

Bruton Knowles
Stamford House
Northenden Road
Sale
M33 2DH
Ref: AK

Michild Propco Limited

Dear VAS,

Please accept this letter as our formal instruction to your firm to carry out a valuation, for mortgage purposes, on the addresses indicated below upon which we, Proplend Security Limited shall rely. The Valuation Report may be shown to any third parties in connection with the financing of the property albeit it cannot be relied on by those parties directly. The Valuation Report should be completed within 10 (for development appraisals) business days of the inspection. Please notify us if there will be any delay. Please notify us if there will be any delay. **Please advise us immediately if you are unable to give prompt attention to this matter.**

Borrower:	Michild Propco Limited
Properties:	Oberlin Cottage, Oberlin Street, Greenacres, Oldham, OL4 3HS
Tenure:	Freehold
Use:	Nursery
Tenancies:	Smart Start Nursery
Access:	To arrange access to the Property please contact the client directly - Joel Selvadurai / 07588 578 478 /joel.selvadurai@michild.group. Please provide details of any parts of the Property that were not inspected within your report.

Instruction

The report should be addressed to Proplend Security Limited which must clearly state that it can be relied upon for lending purposes by the parties named herein. Please ensure that the report accords with the current RICS Appraisal and Valuation Manual.

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

The report and valuation must be undertaken and signed by a qualified valuer with a minimum 2 years PQE. A qualified valuer must be both a member of the Royal Institution of Chartered Surveyors, MRICS/FRICS and an RICS registered valuer. The Lender requires all residential and commercial valuation reports (excluding short form residential templates) are to be countersigned by a Chartered Surveyor, MRICS/FRICS and an RICS registered valuer with a minimum of 5 years PQE.

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

Valuation and Report

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

1. The Market Valuation for loan security purposes of the Property in its current condition at the date of your inspection, subject to any current tenancies in place and sold as a going concern. Please indicate the period of marketing you have assumed in arriving at your valuation.

2. A valuation of the Property on the assumption that the Property was being sold without the benefit of a going concern.
3. A valuation of the Property on the assumption of Vacant Possession.
4. Please provide comparable evidence to support your assumptions on values.
5. Please provide an estimated rental value for the Subject Properties.
6. Please provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let.
7. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
8. Please provide a full description of the Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
9. Please certify that the Property is acceptable for secured lending purposes.

Please provide as appendices:

1. Sufficient colour photographs of the street scene, exterior (front and rear) and interior of the Property.
2. A general location map and a more detailed plan showing boundaries you have assumed for the Property.
3. Land registry extract.

Report on Title

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

Yours Sincerely,



Brian Bartaby
Director
Proplend Security Ltd

****PLEASE SEND ALL REPORTS TO VAS PANEL****

Following our recent communications, please take this as our formal instruction to carry out a valuation of the property detailed below on behalf of:

Proplend Security Limited

Please note that our client's requirements are attached. Please make sure all Lender requirements are adhered to, including their basis of valuation.

***IMPORTANT* - Please append the VAS Executive Summary to the front of your Valuation Report (Not as a separate document as this will be rejected at Audit Stage) – As agreed in our Panel Agreement**

Please ensure that a minimum of 10 photographs of the property - including internal photographs are taken at the time of the inspection

The Service Level Agreement (SLA) for this instruction is: **10 days** from date of inspection

Should there be any reason that the SLA cannot be adhered to, VAS Panel should be notified immediately in order to keep our client informed of the delay in issuing the Report.

Your Report should be submitted electronically to info@vas-group.co.uk no later than 12pm on the Report return date.

THE INSPECTION DATE MUST BE COMMUNICATED TO VAS PANEL WITHIN 24 HOURS OF INSTRUCTION

Property Address:

Smart Start Nursery
Oberlin Cottage
Oberlin Street
Oldham
Lancashire
OL4 3HS

Estimated Value:

£250,000

Property Description:

Estimated value of the property: **£250,000: Smart Start Nursery: Oberlin House, Oberlin Street, Greenacres, Oldham, OL4 3HS**

Property Type:

Full Business Appraisal of Day Nursery

Type of Report Requested:

Red Book & VAS Panel Executive Summary

Valuation Requirements:

Full Trading Business Valuation

Additional Information:

N/A

Report to be carried out on behalf of:

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

Applicant Name:

Michild Propco Limited
Mr Joel Selvadurai

Access Arranged Through:

Joel Selvadurai / Sarah Ellison / Natasha Satterthwaite

Access Contact Details:

joel.selvadurai@michild.group / sarah.ellison@redwoodsdk.com / natasha.satterthwaite@businessbuyers.co.uk
07588 578 478

NB: Copies of the Report are NOT to be distributed to any third party, including Brokers or the Applicant, without full consent of VAS Panel. Valuation figures are also not to be disclosed to those parties stated without written consent from VAS Panel, failure to acquire consent may result in exclusion from the panel.

Please note: Valuation reports are subject to an internal quality control (QC) check. The emphasis of this is to check that all points outlined in the Clients specific valuation instruction letter have been adhered to, provision of rental / sales comparables with full valuation methodology / justification to support your valuation.

We might require you to discuss various aspects of your report and we require the primary valuer to provide a prompt response to any queries raised.

We trust the above is self-explanatory, however; should you require any further



PANEL
SOFTWARE
AUDIT

- 01642 26 22 17
- info@vas-group.co.uk
- vas-group.co.uk
- The Palace Hub, 28-29 Esplanade,
Redcar, TS10 3AE

information or assistance please do not hesitate to contact us.

Kind Regards,

Team VAS

vas-group.co.uk

Appendix Four
Confirmation of Instruction
and
Standard Terms and Conditions of Engagement

Our ref:524611JG/ST

Private and Confidential
Proplend Security Limited
C/O VAS Team
The Palace Hub
28-29 Esplanade
Redcar
TS10 3AE

Property Consultants

Stamford House
Northenden Road
Sale
Manchester
M33 2DH

T: 0161 327 2771

E: jennifer.gill@brutonknowles.co.uk

W: brutonknowles.co.uk

Offices across the UK

Date: 5 September 2019

Dear Sirs,

RE: Smart Start Nursery, Oberlin Cottage, Oberlin Street, Oldham, OL43HS

Confirmation of Instruction Letter and Our Standard Terms and Conditions of Engagement

We acknowledge your instructions dated 4 September 2019 to carry out a valuation of the above-mentioned Property.

We write to confirm our acceptance of those instructions which will be undertaken in accordance with the RICS Valuation – Global Standards 2017 and subject to our Standard Terms and Conditions of Engagement, which confirm the scope and details of the service to be provided by us and which will form part of our Valuation Report.

In addition, we confirm the following:

- The Valuation Report will be undertaken by **Jennifer Gill MRICS, Associate of Bruton Knowles LLP**. We confirm that the Valuer is in a position to provide an objective and unbiased valuation.
- We confirm that the Valuer does not have a material connection or involvement with the subject Property or the parties to the Valuation. We have previously provided valuations where Joel Selvadurai is the Banks Customer, however these have also been on behalf of Proplend Security Limited. In accordance with our normal practice, we confirm to the best of our knowledge and belief, we have had no prior dealings with the subject Property. We consider that we do not have any conflict of interest in accepting these instructions and we can act independently;



Authorised and regulated by the Financial Conduct Authority

Bruton Knowles LLP is a limited liability partnership registered in England and Wales with registered number OC418768 Registered Office Olympus House, Olympus Park, Quedgeley, Gloucester GL2 4NF.



A list of Partners is available upon request

- We also confirm that the Valuer has the appropriate current local and national knowledge of the particular market and has the sufficient skills and understanding to undertake the Valuation competently;
- This Valuation Report is to be completed for Proplend Security Limited C/OThe VAS Group herein referred to as the "Client";
- We confirm that no third party reliance upon the Valuation Report is permitted;
- The subject of the Valuation is the freehold interest in the above-mentioned Property, a trading children's day nursery which is being purchased by the Bank's Customer;
- The Valuation is to be provided in £s Sterling;
- The Valuation is to be provided for loan security purposes. We highlight, we shall have no responsibility or liability to any party in the event that the Report is used outside the purposes for which it was intended;
- The basis of valuation will be Market Value. We have also been asked to provide valuations subject to special assumptions which are detailed herein. The attached sheets contain a full definition of Market Value and Market Rent. From our existing knowledge of the Property and your requirements, we can confirm that we consider this to be the most appropriate basis of valuation;
- The date of valuation will be the date of inspection; 10 September 2019;
- We confirm the Valuation will be completed with no limitations or restrictions on the inspection, enquiries or analysis;
- We confirm we will place reliance upon information provided by the Bank and their Customer, which will include but is not limited to, tenure documentation, property information, trading information and environmental documentation;
- As previously noted, we have been instructed to provide a number of valuations subject to special assumptions, for clarity we confirm these as follows:
 - Market Value - in its current use and condition as an operational entity having regard to trade potential;
 - Market Value 2 – on the special assumption a lease has been granted to the Bank's Customer's operating company, at the current Market Rent and on standard lease terms
 - Market Value 3 – subject to vacant possession;
 - Market Rent
- We highlight the Report will be restricted to be used by the Lender only and is not to be relied upon by any third party. It is provided for the stated purposes and only for the use of the party to whom

it is addressed. It is confidential to the Lender and may not be disclosed to any other third party without our prior written consent. Any transferee, successor or assignee relying upon the Report shall be deemed to be bound by this letter and our Terms and Conditions of Engagement. Our liability shall be no greater in either amount or duration as a result of extending reliance to those third parties. The number of assignments shall be no more than two;

- The report will be prepared in accordance with the RICS Valuation – Global Standards 2017 VPS 3 and the International Valuation Standards (IVS);
- Our fee will be charged at £
- Bruton Knowles follows documented procedures to deal with all complaints, as part of our Quality Assurance Certification. A copy of our complaints handling procedure is available on request;
- This Valuation may be subject to monitoring under the Royal Institution of Chartered Surveyors conduct and disciplinary regulations;
- We confirm we have sufficient Professional Indemnity Insurance (PII) on a per claim basis to undertake this Valuation Report.

Kind regards,



Jennifer Gill MRICS
Associate
RICS Registered Valuer
For and behalf of
Bruton Knowles

Enc. Standard Terms & Conditions of Engagement (STC)

Standard Terms & Conditions of Engagement

1 R.I.C.S. Valuation Standards

Our valuation has been made in accordance with the RICS Valuation – Global Standards 2017, this firm being independent Valuers as defined in the manual.

2 Basis/Bases of Valuation

In accordance with your instructions, our valuation has been prepared under one or more of the following bases of valuation.

Market Value (MV) is :-

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The interpretative commentary contained within Valuation Technical and Performance Standard 4 (VPS4) of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Market Rent (MR) is :-

“The estimated amount for which an interest in real property should be leased on the date of valuation 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.”

The interpretative commentary contained within VPS4 of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Existing Use Value (EUV) is :-

“The estimated amount for which a property 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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.”

Fair Value (FV) is :-

The definition adopted by the International Accounting Standards Board (IASB) in IFRS 13:

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

The interpretative commentary contained within VPS4 of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Market Value having regard to Trading Potential is :-

Defined in VGPA4 of RICS Valuation – Global Standards 2017 and a trade related property is considered to be an individual trading entity and is typically valued on the assumption that there will be a continuation of trading.

3 Scope & Title

We have not carried out formal searches of Local Authority Registers or on Title and it has therefore been assumed that no onerous or restrictive covenants attach to Title. You should rely on your solicitor in these matters and we reserve the right to amend our valuation should any encumbrance be shown to materially affect the value of the property. For owner occupied properties, our valuation assumes vacant possession would be given by the vendor upon completion of a disposal. For tenanted premises, our valuation is subject to the information on tenancies contained within our Report unless otherwise stated. Our valuation is made on the assumption that information given to us, either verbally or in writing by the Bank, your representatives or from any official sources (including, where relevant, the Borrower, the vendor, the selling agents and the Local Authority), is capable of formal substantiation. Our valuation also assumes that the property is free from any borrowings or encumbrances, unless otherwise stated.

4 Condition

We have not carried out a building survey or tested services, nor have we inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about, or advise upon, the condition of uninspected parts and our Report should not be taken as making any implied representation or statement about such parts. We have not arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the 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 our valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

With specific regard to the Control of Asbestos Regulations 2006, we will reflect the content of any written risk assessment provided, however where a risk assessment has not been carried out or is not available, we will assume that a risk assessment would not reveal any matters which could affect value.

We are under no duty to and have not a) moved anything; b) used a moisture detecting meter; c) arranged for the testing of electrical, heating or other service installations; or d) carried out an environmental audit. We have also assumed that no radon gas is present at the property. Unless stated to the contrary, no investigations have been carried out to determine whether the site has a history of instability and we are, therefore, unable to report that the property is free from risk in this respect. We have assumed, for the purpose of the valuation, that such investigation would not disclose the presence of any such problems

5 Contamination

We will not identify the existence of contamination unless either reports have been made available to us in this respect or, during the course of our inspection, we conclude that there may be material contamination at the property or on any neighbouring land. In the latter case we will report this possible contamination immediately with a view to a decision being taken as to whether the valuation instructions are to be amended. Otherwise, our valuation has been undertaken on the assumption that no contaminative or potentially contaminative uses have ever been carried out on the property. Should it be established subsequently that contamination does exist at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the values reported.

6 Local Authority Enquiries

Where appropriate, verbal enquiries have been made of the local authority and unless otherwise stated, we have assumed that there are no planning proposals, highway improvements or compulsory acquisition schemes likely to affect value. We have also assumed planning consent and all other statutory requirements have been obtained and complied with for the erection and occupation of the building. Formal searches have not been made and we reserve the right to amend our valuation should information at variance to these assumptions be forthcoming. No allowance has been made for rights, obligations or liabilities arising from the Defective Premises Act 1972 or the Disability Discrimination Act 1995.

7 Fixtures & Fittings and Plant and Machinery

Unless stated to the contrary, our valuation has excluded any element of goodwill, trade equipment and moveable fixtures and fittings attached to the property. We have also excluded any stock associated with the business. Our valuation includes only such items as form part of the normal building services installations and any items in the nature of specialist or the present occupiers process plant and machinery have been excluded. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation.

8 Sources, Extent and Non-Disclosure of Information

In preparing our valuation we have relied upon such information as has been provided by the client or building occupier in respect of tenure, tenancies, planning consent and any other relevant information. Where leases or other documents have been produced to us, our Report so states. Otherwise, such information should be verified and in the event of significant variation from the information initially given to us, our valuation could require adjustment.

9 VAT, Taxation and Costs of Acquisition or Realisation

No allowance has been made for costs of acquisition or realisation of the property, nor for any liability for taxation which may arise on disposal whether actual or notional, e.g. VAT, Inheritance Tax or Capital Gains Tax. Unless stated to the contrary it is assumed that where there is an imposition or otherwise of VAT on the rent that the lessee will be able to fully reclaim the VAT paid.

10. Reinstatement Cost

Where we have been requested to provide our opinion of the buildings' reinstatement cost, we confirm that we have not carried out a formal estimate of the reinstatement value of the premises. The figure provided is for guidance purposes only and we recommend that a formal assessment is obtained from a specialist insurance valuer if insurance cover is to be effected. However, our informal estimate is inclusive of site clearance, demolition, statutory and professional fees but excludes VAT, loss of rent, the cost of alternative accommodation for the reinstatement period and inflation during the policy year or the rebuilding period.

11. Future Prospects

Where our Report contains any statement as to the prospect of future growth in rental and/or capital values, it should be appreciated that such growth may not occur and that the values can fall as well as rise.

12. Disclaimer

Our valuation is provided only for the purpose agreed with the instructing client and will be for the sole use of the client. As such, it is confidential to the client and his professional advisers. We accept responsibility to the client alone that the report has been prepared with the skill, care and diligence which may reasonably be expected of a competent valuer but accept no responsibility whatsoever to any other person who relies upon the report at his own risk. Neither the whole nor any part of the Valuation Report may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear. We undertake all services only on the basis of these terms which shall apply to the exclusion of any other terms and conditions which the client may seek to impose. No variation of these terms shall be binding unless agreed in writing by an authorised representative of BK and the client.

Where we are providing one or more valuations of a property or properties ("the Property"), in circumstances where you have already made a loan secured (whether wholly or partially) against the Property, and you make further loan or loans secured on the Property in reliance of our valuation(s), our liability to you for any loss that you incur arising from our valuation(s) will be limited to the lesser of: (1) the further sum (if any) that you lend in reliance of our valuation(s); or (2) the difference between our valuation(s) and the true value of the Property at the date of our valuation(s). This limitation of liability applies irrespective of whether, in making a loan based on our valuation(s), you have released the original charge and executed a new charge, or lent additional sums against the original charge. We will not be liable for any loss arising from the original loan (including any extensions to that loan prior to our valuation(s)) that you made, secured by the Property, unless: (1) We carried out the original valuation(s) of the Property; (2) You made the original loan in reliance of our valuation(s); and (3) Our original valuation(s) was negligent.

Appendix Five
Accounting Information

Mrs Cheryl Connell
t/a
Smart Start Nursery

FINANCIAL STATEMENTS

for the year ended 31 July 2018

Mrs Cheryl Connell

Smart Start Nursery

ACCOUNTANTS' REPORT

In accordance with instructions given to us we have prepared, without carrying out an audit, the attached financial statements from the books, records and information supplied to us by our clients.

**Simon Charles Accountants LLP
Accountants & Business Consultants
City House
605 Oldham Road
Failsworth
Manchester
M35 9AN**

1st October 2018

DECLARATION

I approve these financial statements and confirm that I have made available all relevant records and information for their preparation and I approve their submission to the Inland Revenue.

Signed.....

Date.....

Mrs C Connell

Mrs Cheryl Connell
t/a
Smart Start Nursery

Trading and Profit & Loss Account
for the year ended 31 July 2018

	£	2018	£	2017	£
Fee's			398,989		455,041
Cost of sales					
Purchase's		32,774		38,683	
Salaries & NIC		174,294		227,742	
		<u>207,068</u>		<u>266,425</u>	
Gross profit			191,921		188,616
Overheads					
Accountancy charges	3,000			3,000	
Advertising	364			132	
Bank charges	981			982	
Bank loan interest	14,435			14,920	
Credit card merchant fees	1,765			1,658	
General expenses	992			889	
Cleaning materials	4,765			3,796	
Light & heat	15,773			12,763	
Motor & travelling expenses	12,987			10,348	
Payroll services	1,200			1,296	
Printing & stationery	2,412			2,279	
Legal fees	-			11	
Rates & insurance	21,746			19,757	
Repairs & renewals	4,715			2,973	
Telephone	6,088			5,420	
Postages	274			313	
Waste	12,000			9,000	
Uniforms	780			421	
Depreciation - Equipment, fixtures & fittings	11,832			8,605	
Motor vehicles	334			334	
Plant & equipment	8,119		124,562	8,119	107,016
			<u>67,359</u>		<u>81,600</u>
Net profit			67,359		81,600
Bank interest received			198		210
Net profit transferred to Capital account			<u><u>67,557</u></u>		<u><u>81,810</u></u>

Mrs Cheryl Connell
Smart Start Nursery

Balance Sheet
as at 31st July 2018

	£	£	£
Fixed Assets	Cost	Depreciation	Net Book Value
Equipment, fixtures & fittings	157,161	109,833	47,328
Motor vehicles	24,300	23,297	1,003
Properties at valuation	740,000	-	740,000
Plant & equipment	108,388	84,030	24,358
	<u>1,029,849</u>	<u>217,160</u>	<u>812,689</u>
Current assets			
Debtors		-	
Cash at bank & in hand		24,068	
		<u>24,068</u>	
Current liabilities		24,068	
Trade creditors & accruals	139,707		
		<u>139,707</u>	
Net current assets			<u>(115,639)</u>
Net assets before long term liabilities			<u>697,050</u>
Long term liabilities			<u>(377,056)</u>
Net assets			<u>319,994</u>

Represented By:

Capital account at 1 August 2017	296,953	
Add: Cash introduced	15,000	
Add: Profit for the year	67,557	
	<u>379,510</u>	
Less: Withdrawals	59,516	<u>319,994</u>