

# Valuation Instructions

Inspected on  
Friday 30 September 2016  
for the Covenham Plough Community Hub  
c/o Ashtree House, Main Road, Covenham  
St Bartholomew, Louth LN11 0PF

## REPORT & VALUATION

on

## **NEW PLOUGH** MAIN ROAD COVENHAM ST BARTHOLOMEW LOUTH LN11 0PF



**SIDNEY PHILLIPS**

Chartered Surveyors & Registered Valuers  
Shepherds Meadow  
Eaton Bishop  
Hereford  
HR2 9UA

01981 250333 Telephone

[ejefferson@sidneyphillips.co.uk](mailto:ejefferson@sidneyphillips.co.uk)

[www.sidneyphillips.co.uk](http://www.sidneyphillips.co.uk)

**NEW PLOUGH  
Main Road  
Covenham St Bartholomew  
Louth  
LN11 0PF**

Report Date 30 September 2016

## 1 INSTRUCTIONS

### 1.1 Instructions - Details

(i) Our instructions were received from the Covenham Plough Community Hub by letter dated 8 September 2016 and are confirmed by despatch of this Valuation which can be treated as a draft for amendment if the client considers it does not comply with the issued instructions.

(ii) Copies of the relevant correspondence are attached as Appendix 1. A copy of Sidney Phillips Standard Conditions of Engagement is attached as Appendix C. These Conditions apply unless amended by the instructions correspondence - except for 2.2 - Measurement procedure, which applies in all circumstances.

(iii) Our instructions are to prepare a valuation. This report is not a structural survey.

(iv) The identity of the lender is not known. This report is addressed to the borrower/ broker and may not be acceptable to a lender. We will provide one copy of the valuation – re-addressed to a lender but with no other amendment – at no additional charge if requested within 60 days of this report.

### 1.2 Purpose of Valuation & Effective Date

The property is valued for loan security purposes as at today's date.

### 1.3 Bases of Valuation

The bases of valuation - as specified in the letter of Instructions are interpreted to accord with our Valuation definitions as stated in **Appendix B:-**

**Market Value of the Empty Property** having regard to Trading Potential and subject to Special Assumptions ("Market Value - Closed - in Default")

**Reinstatement** - Estimate for Insurance Purposes

## 2 GENERAL INFORMATION

2.1 Applicant(s) Covenham Plough Community Hub

2.2 Valuer, Qualifications & Status (Also see appendix A:8)

ED JEFFERSON

Member of the Royal Institution of Chartered Surveyors

Member of the Association of Valuers of Licensed Property

Under the supervision of Mr J Williams, FRICS

2.3 Date of Inspection 30 September 2016

2.4 Sources of information

In arriving at our valuation we have relied upon information provided by the following (where relevant):-

The Occupier.

The District Council Planning & Licensing Departments.

The Valuation Office website for rating information.

The property was inspected on 30 September 2016.

Weather conditions were dry and overcast.

### 3 THE PROPERTY

**NEW PLOUGH  
MAIN ROAD  
COVENHAM ST BARTHOLOMEW  
LOUTH  
LN11 0PF**

### 4 LOCATION & COMMUNICATIONS

Covenham St Bartholomew is a village in the East Lindsey District of Lincolnshire, situated approximately five miles north of the market town of Louth. The property sits in a village location, although the immediate vicinity is rural, the village being surrounded by predominantly agricultural land.

The nearby A15 Louth to Grimsby road is the main route to and from the village. The A15 connects with the A18 at Ludborough.

### 5 DESCRIPTION OF THE PROPERTY (Also see Appendix A:1)

#### 5.1 General

The property is a detached freehold public house in a village location surrounded by outbuildings and tarmacadam and gravel car parks as well as lawned trade gardens. The site extends to approximately 0.54 acres.

#### 5.2 Construction

The property is constructed mainly of exposed brick, painted and rendered colour-washed elevations to a series of pitched tiled roofs. There is a more modern single-storey extension in the same style to the rear.

#### 5.3 Dimensions

In our description, measurements and dimensions are approximate. The Valuer has not taken accurate measurements of the building, internally or externally, or of the site. Approximate or estimated measurements are provided for guidance or identification purposes only.

#### 5.4 Accommodation

#### GROUND FLOOR

There are TWO ENTRANCE VESTIBULES leading into a hallway, off which is BAR 1, 5.28m x 1.25m, with former fireplace. Leading on to BAR 2, an L-shaped room, 7.51m x 6.97m (at the widest point). BAR 3, 5.204m x 4.87m, having former fireplace. STORAGE ROOM (possibly former on-level keg cellar),

3.95m x 3.522m. Former CATERING KITCHEN split into two rooms: Room 1, 6.78m x 3.7m, Room 2, 4.93m x 3.20m. FORMER RESTAURANT/FUNCTION ROOM, 10.48m x 9.25m. The room is in two sections and divided by a large brick wall, modern beamed ceiling, former CARVERY AREA, 2.14m x 0.38m. There is a locked room off, which was not available for inspection.

Former GENTLEMEN'S TOILETS, 4.42m x 1.52m. LADIES' WC having two former cubicle WCs and entrance corridor, total measurements, 3.37m x 2.75m.

## FIRST FLOOR

Accessed via wooden stairs. BEDROOM 1, 3.48m x 3.15m, with fitted wardrobes. BEDROOM 2, 4.70m x 3.79m, with fireplace. BEDROOM 3, 3.88m x 3.79m. LARGE LANDING AREA. KITCHEN AND BATHROOM, 6.76m x 3.51m, seemingly joined as a result of a wall being removed. BEDROOM 4, 3.22m x 2.29m, with sloping ceiling. Corridor leading to large LOFT SPACE above the restaurant area.

### 5.5 Outside

To the front of the property is a former TRADE PATIO with space for five picnic-style tables. Tarmacadamed CAR PARK directly off the main road. Parking for circa ten vehicles. Gravel overflow CAR PARK ample for a further 15–20 vehicles (overgrown with weeds). LPG gas tank and banded plastic oil tank. Area of lawned TRADE GARDEN and former TRADE PATIO adjoining the function/restaurant area.

Rear ANCILLARY YARD, currently full of rubble and building waste, presumed concrete floor. OUTBUILDING, ROOM 1, 4.63m x 2.00m. ROOM 2, 6.04m x 4.63m. ROOM 3, 4.63m x 2.95m, presumed formerly utilised as a garage, having two large doors.

### 5.6 Parking

As mentioned in the description above, there is a combination of tarmacadam and gravelled car parking ample for 25–30 vehicles.

### 5.7 Regulated Mortgages

Of the gross area of the premises, to include any cellar, yard, garden or car park, we consider the private accommodation comprises less than 40%.

## 6 SERVICES & SECURITY

We have been informed by the selling agents of the following:-

6.1	Water	-	Mains
6.2	Electricity	-	Mains
6.3	Drainage	-	Mains
6.4	Gas	-	LPG tank gas, presumed formerly for cooking
6.5	Central Heating	-	Formerly oil fired
6.6	Burglar Alarm	-	None

We have assumed that service installations are in satisfactory working condition. No tests have been conducted or commissioned.

## 7 **OVERALL CONDITION** (Also see Appendices A:2, A:3)

### 7.1 **Internal**

From an informal inspection, the property has been virtually stripped out and thus will require complete rewiring, re-plumbing and total redecoration, as well as refurbishment.

### 7.2 **External**

The exterior appears from an informal inspection to be in a reasonable structural condition, but will need complete redecoration. The exterior facilities, i.e. trade patio, trade garden and car park, will need complete refurbishment.

### 7.3 **Overall**

The property is a partially completed development project and thus will need considerable investment. Provided the work is completed to a good standard, the building should have a useful economic life of at least 50 years provided it is maintained to a reasonable standard.

## 8 **FIXTURES & FITTINGS** (Also see Appendix A:5)

The property has been stripped and there are no loose fixtures and fittings.

### 8.2 **Excluded Equipment**

There is no excluded equipment.

### 8.3 **Trading Stock**

There is no trading stock.

## 9 **COMPLIANCE MATTERS**

### 9.1 **Fire Safety** (Also see Appendices A:3.5, A:9)

We presume the operator has not made a Fire Risk Assessment. The property is a partially completed development project and a new fire risk assessment will need to be made once this project is complete, prior to opening.

### 9.2 **Disability Discrimination** (Also see Appendices A:3.2, A:9)

We presume the current owner has not made a disability discrimination assessment.

### 9.3 **Environmental Health, Safety & Hygiene** (Also see Appendices A:2, A:3.6, A:9)

The property is a partially completed development project and thus a new Environmental Health Inspection will have to be undertaken prior to the business reopening for trade.

### 9.4 **Asbestos Risk Assessment** (see Appendices A:3.3, A:9)

The operator has not made an Asbestos Risk Assessment.

### 9.5 **Contamination** (see Appendices A:3.1 and A9)

The property is located in a rural environment. On our inspection we did not notice, nor was brought to our attention, any likely areas of contamination that would adversely affect the property. We are of the opinion that an Environmental Audit for the property is not required.

## 10 PLANS

### 10.1 Maps and Site Plans - See Appendix 2:

- (i) Location Map – This is supplied for guidance purposes only, and is not to scale.
- (ii) Site Plan – This is an extract from the Land Registry and is NOT TO SCALE. It is included to assist with identification, but must not be relied upon for conveyance purposes.

### 10.2 Boundaries

The boundaries to the property appear to be adequately defined. We have not checked up on ownership and responsibilities for maintenance of boundaries, and such matters should be checked by a suitably qualified Lawyer.

## 11 LOCAL AUTHORITY & RATEABLE VALUE

The property is currently listed as having a nil rateable value as a result of the 'building undergoing alterations'. As such, a new rateable value will need to be applied for prior to the property reopening for trade.

East Lindsey District Council  
 Tedder Hall  
 Manby Park  
 Louth  
 Lincolnshire  
 LN11 8UP  
 Telephone: 01507 601111

## 12 PREMISES LICENCE (Also see Appendix A:3.4)

We have been unable to make satisfactory contact with East Lindsey District Council's Licensing Department and the selling agents have been unable to provide a copy of the premises licence. We must assume the licence has been allowed to lapse and that there is no current premises licence. The prospective purchasers would be well advised to enquire as to the likelihood of the licence being re-granted and what the conditions and costs of such an application might be.

## 13 TOWN PLANNING (Also see Appendix A:4)

### 13.1 District Zoning/Designation

We have been verbally advised by the selling agents that the property does not lie within a conservation area and is not listed.

### 13.2 Permitted Use

We have been unable to contact East Lindsey District Council Planning Department, but have been verbally informed by the selling agents that:-

- 1: The present use of the property does not contravene planning regulations.
- 2: No enforcement action or proceedings currently affect the property.
- 3: No planning applications are currently being considered.



### 13.3 Potential for Development and/or Alternative Use

The property has become the subject of an asset of community value listing as per the letters contained in the appendices and has had a planning application turned down on appeal (Appeal Reference: APP/D2510/W/15/3139947) for change of use to three residential dwellings. The appeal was held on 30 March 2016 and was dismissed.

In light of the above, it is our opinion that any planning application for change of use of the existing building would receive a negative response from the planning authority.

It may be possible that a portion of the site could have some development potential, as long as the operation of the public house was not prejudiced in any way.

## 14 TENURE & POSSESSION (Also see Appendix A:6)

### 14.1 Tenure

It is understood that the property is Freehold.

### 14.2 Third Party Rights & Restrictions

(Easements, Wayleaves, Rights of Way)

We were advised that the property is not subject to any third party rights or restrictions.

### 14.3 Occupancy & Possession

The property is currently unoccupied and we value on the assumption that vacant possession would be given without delay in the event of a sale. There was no evidence of other tenanted occupancy.

## 15 THE BUSINESS

The business is closed and no accounting information is available.

- |      |                                  |   |
|------|----------------------------------|---|
| 15.1 | <b>Period of Occupation</b>      | We are informed by the selling agents that the current owner acquired the property in 2015 and the property has been closed ever since. |
| 15.2 | <b>Style of Trade</b>            | Closed  |
| 15.3 | <b>Trading Hours</b>             | Closed  |
| 15.4 | <b>Competition</b>               | The Mill House Restaurant is the only other licensed premises in the village and operates as a destination dining venue.                |
| 15.5 | <b>Management &amp; Staffing</b> | The property is closed and therefore there are no staff.  |

## 16 ACCOUNTS & TRADING INFORMATION

The property is closed and no trading information has been provided.

## 17 POTENTIAL & PERSONAL GOODWILL

### 17.1 Potential

The property has the potential to operate as a locals' public house offering traditional pub food with a standard wet offering, most likely including traditional cask ales. There is obvious appetite within the local

community for such a facility, as shown by the resistance to the current owners' planning application for change of use.

The value of properties and businesses of this type is closely related to trading results and potential. In view of the importance which the market for such properties attaches to trading figures actually achieved, in the event of a future change in the trading potential or actual level of business from that indicated by the information and assumptions made herein (possibly as a result of the conduct of the trade by the operator), the value reported could vary.

## 17.2 Personal Goodwill

There is no personal goodwill associated with this property.

## 18 FAIR MAINTAINABLE TRADE

This Valuation relates to a fully equipped operational entity having regard to trading potential. For this, we are required to assess the fair maintainable level of trade and operating profit that can be achieved by a reasonably efficient operator, upon which a potential purchaser would, in the opinion of the valuer, be likely to base an offer. The fair maintainable operating profit is stated prior to deductions for depreciation, amortisation, loan interest and directors' salaries.

The assessment is on the basis of owner-occupation with the principals working full time in the business.

Estimated Annual Maintainable Net Sales	£200,000
Overall Gross Profit Percentage	60%
Estimated Achievable Gross Profit	£120,000
<b>Less:</b>	
Wages & National Insurance	£50,000
Business Rates & Insurance	£20,000
Services	£15,000
Allowance for Sundry Costs	£10,000
<b>POTENTIAL EBDITA OPERATING PROFIT</b>	<b>£35,000</b>

The foregoing is intended as a broad indication of achievable returns. These could vary considerably dependent upon the economic climate, the input by the operators and other factors beyond their direct control.

No rent has been added to the above calculation of fair maintainable trade (FMT), and it is assumed that any hypothetical purchaser would be operating the premises as an owner-operator and thus not paying rent. Equally, no finance costs have been allowed for, and these need to be added to any calculation and viability reconsidered as a result.

If the property is to be acquired by the community then the management structure will need to be carefully considered if it is to be operated by the community. If the property is to be tenanted or leased, the terms of any potential agreement must be considered in order to be desirable to an operator of the appropriate quality. There are many variables which have to be considered and costed.

## 19 SPECIAL ASSUMPTIONS

Except for those referred to in our standard valuation definitions (see Appendix B), we have made no special assumptions in reaching the conclusions of this report.



Special assumptions have been made as specified in the Valuation Definitions (e.g. Market Value - Trading Development)

## 20 **RECENT TRANSACTIONS and/or PROVISIONALLY AGREED PRICE** (Also see Appendix A:9)

DATE	PROPERTY	ASKING PRICE	SALE PRICE
August 2015	The Wheel, Welton Le Marsh, Spilsby, Lincolnshire PE23 5TA	£295,000	£285,000
August 2013	West Ashby Arms, West Ashby, Horncastle, Lincolnshire LN9 5PT	£299,950	£280,000

## 21 **COMMENT/RECOMMENDATION**

### 21.1 **Recommendation**

Subject to the foregoing, we are of the opinion that this property provides suitable security for a loan, the terms and amount of which are a matter for the commercial judgement of the lender.

### 21.2 **Market Conditions**

Our opinion of current market conditions and current and expected trends in respect of this type of property is as follows:-

For the seven years to January 2008 the market in hotels, licensed and leisure premises was exceptionally buoyant, with the peak of the cycle being reached in Spring 2007. Following the banking collapse in 2008 and the nationalisation of the Royal Bank of Scotland and Lloyds, the property market went into virtual freefall, and this trend continued for at least six years to 2014, when values appeared to level out. It would seem that we may have reached the bottom of the cycle, but there are presently no signs of a significant uplift, with few if any pressures which in the foreseeable future are likely to cause an increase in value. The IPD all property capital growth index between 2007 and 2009 dropped by some 57.33%. Although this masks disparities in regions and sectors, the figure gives an idea of the overall picture.

In the licensed trade, Pub Companies and most corporate purchasers have withdrawn from the market, and those funds which were supporting the investment sector are no longer attracted to the hospitality industry. Pub Companies and some Brewers have sold a significant number of their "bottom end" units and a large number of licensed premises have closed, and this trend continues, albeit at a reduced level. Hotel sales, other than in absolute prime location, are few and far between.

Commercial lenders have reduced their loan to value lending criteria and have little appetite for the hotel and licensed trades. These factors, and adverse press reports on the hospitality industry, have constrained demand, and made sales of successful trading businesses difficult to achieve.

In the last eight years, values of hotels and licensed premises have fallen by between 40% and 50%. At one time there were, on some sites, reasonable prospects of alternative use, including in certain circumstances redevelopment or change of use. That sector of the commercial property market is weak, and prospective purchasers are conservative in their assessment of value. In assessing the underlying value of licensed and leisure premises one must rely on their current viability and longer-term prospects when judged against the realistic potential of fair maintainable trade.

### 21.3 Summary/General Remarks

The property has the potential, once refurbished and appropriately furnished, to trade as a public house operating both a locals' bar and a food offering. As a result of the building being stripped out, the costs of facilitating this need to be carefully monitored in regard to the viability of any scheme. We anticipate that it will be necessary to seek quotations from a suitably qualified building surveyor as to the cost of reinstating the public house as was, as well as repairing and reinstalling the car parks and trade gardens.

In arriving at our valuation we have endeavoured to reflect the present market condition, but underwriters and clients should be aware that values show no sign of improvement and there is still a risk that they may, in the short to medium term, decline still further.

Since the result of Brexit there has been a further cooling in the market, and immediately following the result we experienced a number of sales falling through, citing Brexit as a reason for withdrawing from a proposed purchase. Whether or not that was the true reason is still a little too early to judge, but there is no doubt that recently demand has waned and banks and other lending institutions have further tightened their already exacting criteria.

### 22 VALUATION METHODOLOGY & STATUS

This valuation has been made after having regard to evidence of two comparable market transactions, in support of general market analysis. (See Appendix A:7 - 12)

### 23 OTHER MATTERS

Legal Issues, Grants and Taxation, Liability, Disclosure, Complaints: See Appendices A:10 to A:15

### 25. VALUATIONS

Based upon the information provided to us, and in accordance with the assumptions and conditions as detailed in this report, we are of the opinion that the valuations as at today's date and as detailed at the commencement of this report are as follows:-

	VALUATION
Market Value of the Empty Property <b>having regard to Trading Potential and subject to Special Assumptions ("Market Value - Closed - in Default")</b>	<b>ONE HUNDRED AND FIFTY THOUSAND POUNDS (£150,000)</b>
<b>Reinstatement Insurance Value</b>	<b>NINE HUNDRED AND FIFTY THOUSAND POUNDS (£950,000)</b>

We trust the foregoing opinions and valuations will satisfy your requirements, but should you require a more detailed report on any particular aspect, please let us know.

Dated 20 October 2016



..... MRICS

## **SIDNEY PHILLIPS**

Chartered Surveyors - Licensed Property Valuers  
Eaton Bishop  
Hereford  
HR2 9UA

**APPENDIX 1**

**Letter of Valuation Instructions**

**APPENDIX 1 (a)**  
**Copy of Sale Particulars**

**Appendix 2**  
**Location Maps & Plans**



**Appendix 2 (A)**  
**Ground Floor Plan**

**APPENDIX 3**

**Accounts**

**Appendix 4**  
**Photographs**

## **Appendix 5**

**Steering Group of the Jubilee Committee  
Viability of The New Plough Public House**

**Appendix 6**  
**Population Census**

**Appendix 7**  
**Covenham Hub Questionnaire**



**Appendix 8**  
**Copy of Planning Appeal Decision**

## **Appendix 9**

### **Copy of List of Tenants Since April 2003**

**GENERAL APPENDICES  
A,B & C**

## **GENERAL APPENDIX A** **Standard Assumptions, Recommendations, Limitations and Statements**

### **1: THE BUILDING/S - RECENT ADDITIONS - RECOMMENDATION**

It is recommended that legal advisers check on compliance with Planning and Building Control Regulations in respect of any recent additions/changes. We have made no such checks.

### **2: CONDITION OF PROPERTY - LIMITATIONS**

These observations are subject to the limitations detailed in our Conditions of Engagement.

We have not carried out a Building Survey, 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 this report should not be taken as making any implied representation or statement about such parts.

### **3: COMPLIANCE MATTERS**

#### **3.1: CONTAMINATED LAND - LIMITATIONS**

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

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

#### **3.2: DISABILITY DISCRIMINATION ACT**

We have not carried out or commissioned any investigations to determine whether or not the property complies with the requirements of the Disability Discrimination Act 1995 and have made no allowance for any potential cost or compliance works. We make informal comment but we are not qualified or registered Access Consultants. Operators are obliged to make reasonable adjustments to minimise impediments to provision of their services to disabled people.

#### **3.3: ASBESTOS & ANY OTHER HAZARDOUS OR DELETERIOUS MATERIALS**

Owners, occupiers or managers of non-domestic premises have responsibilities to manage any risk concerning asbestos containing materials (ACMs) on the premises (Control of Asbestos at work Regulations 2002).

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material or technique, (eg high alumina cement, asbestos) were 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 this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

#### **3.4: PREMISES LICENCE**

We have made enquiries concerning any Premises Licence as indicated in the report. It is the responsibility of the owner or operator to be and/or appoint Personal Licence holder/s for the

business to be operated. We have made no enquiries concerning personal licence holders.

### **3.5: FIRE RISK ASSESSMENT**

[Regulatory Reform (Fire Safety) Order 2005]  
Owners, Occupiers or Managers - "Responsible Persons" of business premises are required to make suitable and sufficient assessment of the risks and to identify and action the fire precautions required to comply with the order.

We have not carried out or commissioned any fire risk assessment.

### **3.6: ENVIRONMENTAL HEALTH, SAFETY & HYGIENE**

Businesses must have assessed their operations and made adequate provision for compliance. We have not carried out or commissioned any Environmental Health, Food Safety or Hygiene assessments.

### **4: TOWN PLANNING - ASSUMPTIONS**

Our report is issued strictly on the understanding that all work to the property and the use are fully authorised by valid planning consents in accordance with the Town & Country Planning Legislation. In the event that subsequently it appears that planning consent has not been obtained for any part or parts then this valuation should be referred back to us for reconsideration.

### **5: FIXTURES & FITTINGS - ASSUMPTIONS**

We have assumed that the trade furniture, fixtures, fittings and effects (with the exception of the obvious personal and private items) would be included in any sale and that all these *are or will be* owned outright by the *Mortgagor or Applicant* and not subject to any Lease, Hire Purchase or Third Party Charge.

Any Brewers Beer raising and dispense equipment is specifically excluded from the Valuation.

### **6: TENURE & TITLE - GENERAL ASSUMPTIONS**

This Appraisal is based on the assumption that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing, 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 by any statutory notice, and that neither the property nor its condition or its use or its intended use is or will be unlawful.

### **7: VALUATION METHODOLOGY**

The property has been valued by the profits method relying on the trade information provided and using our knowledge of other comparable trading accounts of similar styles of business.

The resulting valuations have been checked by reference to open market sales of comparable categories of property. Due to the confidential nature of our business, we are unable to quote transaction details.

### **8: STATUS OF VALUER & P.I. INSURANCE**

It is confirmed that neither the valuer nor Sidney Phillips have any direct or indirect interest - financially or otherwise - in the property or any loan transaction secured upon it. The Valuation has been prepared by us as independent Valuers and is not conditional upon the production of any specific value or range of values. It is confirmed that we have in place appropriate Professional Indemnity insurance in respect of this valuation.

### **9: RE-APPRAISAL**

In the event that an assumption we have made proves to be wrong whereby the difference could have an effect on value, the valuation should be referred back to us for reappraisal.

### **10: LEGAL ISSUES - LIMITATIONS**

(i) No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties. Any interpretation of legal documents and legal assumptions must be checked by the client with a suitably qualified lawyer if they are to be relied upon.

(ii) This report is carried out in accordance specifically with your instructions.

(iii) Any discrepancies revealed by the searches and verification should be referred back to us so that the valuation can be reviewed in the light thereof.

#### **11: GRANTS & TAXATION - ASSUMPTIONS**

(i) We have not taken account of any grants or other subsidies which may have been received or may be available in respect of the property nor any liability to repay such sums which may arise on disposal.

(ii) No allowance has been made in the valuation for Capital Gains Tax and VAT or any other taxation liability which may arise on the letting or disposal of the property - actual or notional, nor for any costs of acquisition or disposal.

(iii) We have assumed that VAT will not be chargeable in addition on the interest valued. In the event of VAT being chargeable, the value reported could vary and should be referred back to us for comment.

#### **12: LIABILITY - LIMITATION**

This Report and Valuation has been prepared for the stated purpose and for the sole use of the named client. The Valuer accepts responsibility to the client alone that the Report has been prepared with the skill, care and diligence reasonably to be expected of a competent Valuer, and accepts no responsibility whatsoever to any parties other than the client. Any such parties rely on the Report at their own risk.

#### **13: DISCLOSURE - LIMITATION**

Neither the whole nor any part of the Report nor any reference to it may be included in any published document, circular or statement or published in any way, without the Valuer's written approval of the form and context in which it may appear

#### **14: EXPERT WITNESS STATEMENT (where applicable)**

In accordance with the Practice Statement and Guidance Notes for Surveyors acting as Expert Witnesses, The valuer confirms that he understands his duty to the Court in providing evidence, that he has complied with that duty, that his report includes all matters relevant to the issue on which expert evidence is given and that he has given details in this report of any matters which might affect the validity of the report.

#### **15: COMPLAINTS**

Sidney Phillips has in place a Complaints Handling Procedure in compliance with the regulations of The Royal Institution of Chartered Surveyors. If you have a complaint please refer it to your Contact Office. If your complaint cannot be resolved immediately, we will ask you to follow the approved Complaints Procedure, and a copy of the Procedure will be dispatched to you.

## GENERAL APPENDIX B

### VALUATION DEFINITIONS

#### a) Market Value

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 each acted knowledgeably, prudently and without compulsion. ("Market Value")

The valuation prepared on an open market basis is in accordance with the RICS Valuation – Professional Standards (January 2014) issued by the Royal Institution of Chartered Surveyors incorporating International Valuation Standards 2013 (IVS) and which is defined as follows:-

#### b) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential ("Market Value - Trading")

##### Market Value, plus:

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The business is open for trade.
- (iii) The business includes an Inventory of trade furnishings and equipment.
- (iv) Accounts or records of trade are available and will be assessed and/or relied upon by a prospective purchaser.
- (v) (If specified in addition) with special assumptions made as to trading performance.

#### c) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential - but subject to Special Assumptions ("Market Value - Trading - in Default")

As Market Value Trading, but of a property which is equipped and continuing to trade with mortgagee in possession. Assumptions (iv) and (v) change:

- (iv) Accounts or records of trade are not available and prospective purchasers are aware that the business has trading difficulties.
- (v) The mortgagee realises it would be beneficial to achieve a sale within four months.

#### d) Market Value of the Empty Property having regard to Trading Potential and subject to Special Assumptions ("Market Value - Closed - in Default")

The market value of a property which is usually valued as a fully equipped operational entity, having regard to trade potential but subject to the following special assumptions.

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The business has been closed.
- (iii) The trade Inventory has been depleted or removed.
- (iv) Accounts or trading records would not be available to a prospective purchaser.
- (v) Licences have been lost or breached
- (vi) The mortgagee desires a sales within three months.
- (vii) The property has not been vandalised.

#### e) The Market Value of a property which is or will be a fully equipped or operational entity having regard to trading potential - subject to special assumptions regarding development as proposed or in progress. ("Market Value - Trading Development Projection")

##### Market Value plus:

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The proposed development of the business is assumed to have been completed.
- (iii) The business is assumed to have been equipped /re-equipped to a specified standard.

- (iv) The valuation is made on the assumption that trade projections as supplied and/or specified by the valuer are being achieved.

#### f) The Market Value of a fully equipped operational entity having regard to trading potential, let as a trading investment ("Market Value - trading investment")

##### Market Value plus:

- (i) The property is let subject to a tied supply agreement on known/specified terms and reflects the maintainable margin gained on goods and services.
- (ii) The business is open for trade.
- (iii) Tied supply (barrelage etc) records are available and will be relied upon by a prospective purchaser.
- (iv) The trade inventory is owned by the lessee and not included in the valuation.

#### g) The Market Value of a fully equipped trading entity, let as a trading investment as part of a portfolio of properties ("Market Value - trading investment - Portfolio")

##### As "Market Value - trading investment" plus:

- (v) Enhanced assumptions of investment return because the freeholder / lessor obtains preferential discount terms from brewers/trade suppliers and overheads benefit from the economies of scale.

#### h) Market Rent

The estimated amount for which a property, or space within a property, should lease (let) 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 wherein the parties had acted knowledgeably, prudently and without compulsion, assuming:

- (i) A stated length of term and principal conditions which are neither onerous nor beneficial apply.
- (ii) No premium passed.
- (iii) Any rent free period was in respect only of the time needed by the tenant to make the property fit for occupation.

#### j) Reinstatement

An indication for insurance purposes (which is given solely as a guide, as a formal estimate for insurance purposes can be given only by a quantity surveyor or other person with sufficient current experience of replacement costs) of the current reinstatement cost of:

- (i) The buildings in their present form (unless otherwise stated);
- (ii) or
  - Buildings being constructed as proposed to be completed; each including the costs of clearance and professional fees, and assuming satisfactory ground conditions. Excluding:-
    - (a) VAT (except on fees)
    - (b) loss of rent; and/or
    - (c) cost of alternative accommodation for the

**Note:** In particular, where a building is listed as being of architectural or historic interest, or is located in a conservation area, or is of substantial stone half timbered or other construction which is at variance with conventional modern techniques or methods the Client is advised to obtain specialist advice because reinstatement costs of such buildings can exceed substantially the reinstatement costs usually recommended for buildings of conventional construction. Where buildings are likely to be rebuilt or to have to be rebuilt in a different way from their original, the insurers approval of the proposed method of reinstatement must be obtained.



# **GENERAL APPENDIX C**

## **SIDNEY PHILLIPS STANDARD**

### **CONDITIONS OF ENGAGEMENT FOR THE VALUATION AND APPRAISAL OF COMMERCIAL LAND AND BUILDINGS**

(Which apply unless agreed to the contrary in the Letter of Instruction)

In compliance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors

\*see footnote concerning variations from RICS Model Instructions

#### **1. The Service**

**1.1** The Valuer will provide directly to the Client a Report based on an inspection as described below. In respect of the subject property(ies), the Valuer will be an independent Valuer, who is a Corporate Member of The Royal Institution of Chartered Surveyors and either:

(a) in respect of the particular type of property, has sufficient current local, and national (as appropriate) knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently;

or:

(b) where he satisfies (a) above, except that he has insufficient current knowledge, he will be or has been assisted by a person(s) who has/have such knowledge and the skills and understanding necessary to provide the assistance required;

and

where the nature of the instruction dictates, the above requirements in (a) and (b) may be met in aggregate by more than one Valuer.

(c) meets any legal or regulatory requirements which apply in the circumstances in which the particular valuation is required.

(d) has, and whose partners, co-directors and employees have, no other current or presently foreseeable potential fee earning relationship concerning the subject property(ies), apart from the valuation fee, who has disclosed in writing to the Client any present relationship, or relationship within the past two years of receipt of the valuation instruction, with any of the interested parties and any previous involvement with the subject property(ies).

(e) has professional indemnity insurance as required by the RICS.

**1.2** The Report will provide the following points:

**1.2.1** A full description of the property, its location, apparent state of repair and other relevant information such as the approximate site area.

**1.2.2** The Valuer's valuation(s) of the property(ies) on the following bases, as defined by the RICS:

(a) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential.

When providing valuation (a) it is also recommended for the Valuer to report on the effect of closure of the business, making special assumptions, which are interpreted as:

(b) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential - but subject to Special Assumptions.

(c) Market Value of the Empty Property having regard to Trading Potential and subject to Special Assumptions.

The valuations will exclude any additional value attributable to personal goodwill, but will include the value of any fixtures and fittings which are of value in situ to the present or proposed occupier.

and: if the Valuer believes there is a special prospective purchaser, on the above basis(es) but reflecting the bid of that special prospective purchaser:

and: where the valuation(s) reported pursuant to (a) above, has/have been affected by the existence of an unimplemented planning consent for change of use or other development or by the prospect of such consent(s) being available, the Valuer will so report and advise as to the amount(s) of the increase reported in consequence.

**1.2.3** In the case of property to be held as an investment:

(a) a projection, at rental levels current at the reporting date, of the rental income to which the owner will be entitled from the property on the bases of current and full occupancy, with comment on the time-scale to achieve the latter and any other related factors;

(b) an opinion upon the effects on value of the quality and terms of the lease(s) and relevant implications upon the valuation in respect of privity of contract (if any); and

(c) the Valuer's view of the market's opinion of tenant covenants for the class of the subject property in the subject locality.

**1.2.4** In the case of a property which is, or which is intended to be, the subject of development or refurbishment, comment upon:

(a) the cost and viability of the project where cost information is provided.

(b) the implications on value of any cost overruns or completion delays.

**1.2.5** Advice, if the Valuer considers it relevant, that there is a significant prospect of or potential for change of use or other development of the subject property, or those in the vicinity, which would materially affect the value of the subject property.

**1.2.6** Advice on any other factors which the Valuer considers are likely materially to affect the status of the property as security, e.g: privity of contract

**1.2.7** Comment upon the proposed purchase price if this has been notified to the Valuer.

**1.2.8** A statement as to any special assumptions which the Valuer has made.

**1.2.9** Where the valuation is for secured lending purposes, the Valuer's opinion of the property as a lending security in terms of present saleability, suitability, expected obsolescence and potential, bearing in mind the length (which will be stated) of the term of the loan contemplated by the Client Lender and assuming that the borrower will maintain the property in a reasonable state of repair.

**1.2.10** An opinion (without liability on the part of the Valuer) of current market conditions and current and expected trends in respect of the type of property in the area.

**1.2.11** A statement as to the valuation method adopted, and an indication as to the extent to which the Valuer has been able to have regard to comparable market transactions and: in the case of property valued for the existing use as an operational entity having regard to trading potential, the opinion which the Valuer has formed as to the future trading potential, including the gross income and profitability likely to be achieved with comment where possible on trading results, current trends, budget and management accounts and existing and expected competition.

**1.2.12** Where the valuation is for secured lending purposes, or otherwise agreed as an additional service: an indication for insurance purposes (which is given solely as a guide, as a formal

estimate for insurance purposes can be given only by a quantity surveyor or other person with sufficient current experience of replacement costs) of the current reinstatement cost of:

- (a) the buildings in their present form (unless otherwise stated); or
- (b) buildings being constructed as proposed to be completed;

each including the costs of clearance and professional fees but excluding

- (i) VAT (except on fees);
- (ii) loss of rent; and/or
- (iii) cost of alternative accommodation for the reinstatement period.

**1.2.13** Any other aspects, other than the usual legal investigations, which the Valuer considers require further consideration or investigations by or on behalf of the Client.

**1.2.14** The date of valuation will be the date of the Report, and the date of inspection will be stated.

**1.3** Following provision of the Report, the Valuer will be prepared to discuss its contents with the Client/Client Lender's representative.

**1.4** The Valuer will:

**1.4.1** unless otherwise expressly agreed, rely upon information provided by the Client Lender and/or the Client's legal or other professional advisers relating to tenure, leases and all other relevant matters. However, the Valuer will advise in the Report if he becomes aware of information which appears to be at variance with that provided.

**1.4.2** Subject to Paragraph 2.1 below, carry out such inspections and investigations as are, in the Valuer's professional judgement, appropriate and possible in the particular circumstances. These will include oral town planning enquiries.

**1.4.3** Where appropriate, make informal comment with regard to the likely conformity of the property with local Environmental Health Officer requirements. The Valuer will not make any enquiries of the Environmental Health Officer and the opinion will be given without liability on the part of the Valuer

**1.4.4** If the Valuer's knowledge or inspection suggests that there may be contamination or hidden defects the Valuer will so advise and may exceptionally defer submitting a final Report until the results of further investigations and costings are available. The Valuer will not provide a formal environmental assessment.

**1.4.5** In preparing the Report, unless otherwise stated by the Valuer, make the following assumptions which the Valuer shall be under no duty to verify:

(a) that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;

(b) that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing;

(c) 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 by any statutory notice, and that neither the property, nor its condition, or its use, or its intended use, is or will be unlawful;

(d) that inspection of those parts that have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation(s) materially; and

(e) unless otherwise stated, that no contaminative or potentially contaminative uses have ever been carried out on the property and that there is no potential for contamination of the subject property

from past or present uses of the property or from any neighbouring property.

(f) in the case of proposed or potential building or construction works, that ground conditions are satisfactory and no extraordinary expenses or delays will be incurred during the construction period.

**1.4.6** In providing the Service, have regard to relevant contents of the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

**1.5** The Report will be provided for the stated purpose and for the sole use of the named Client. The Valuer accepts responsibility to the Client alone that the Report will be prepared with the skill, care and diligence reasonably to be expected of a competent Valuer, and accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk. Neither the whole nor any part of the Report nor any reference to it may be included in any published document, circular or statement or published in any way, without the Valuer's written approval of the form and context in which it may appear.

## 2. The Inspection

**2.1** The Valuer will undertake a visual inspection of so much of the exterior and interior of the property as is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which the Valuer considers reasonably necessary to provide the Service, having regard to its purpose.

The Valuer is under no duty to carry out a building survey or to inspect those parts of the property which are covered, unexposed or inaccessible, or to raise boards, move anything, use a moisture detecting meter, or to arrange for the testing of electrical, heating or other services.

**2.2** Measurements and Dimensions: The Valuer will not take accurate measurements of the building, internally or externally or of the site, but will take approximate or estimated measurements for guidance or identification purposes only.

## 3. The Report

**3.1** If it is not reasonably possible to carry out a substantial part of the inspection (see paragraph 2 above) this will be stated

**3.2** Where the Valuer relies on information provided, this and its source will be indicated in the Report.

**3.3** The Report will state the existence of tenants improvements and any apparently recent significant alterations and extensions.

**3.4** The Valuer is not required to:-

**3.4.1.** take account of any grants or other subsidies which may have been received or may be available in respect of the property nor any liability to repay such sums which may arise on disposal.

**3.4.2.** make allowance in the valuation for Capital Gains Tax and VAT or any other taxation liability which may arise on the letting or disposal of the property - actual or nominal, nor for any cost of acquisition or disposal.

**3.5** The Valuer can assume that VAT will not be chargeable in addition on the interest valued. Following the provision of the report in the event of VAT being chargeable, the Valuer will provide a revised opinion of value/s.

**3.6** Where the Valuer is required to interpret the legal position of the Client or other parties, the Client confirms that no responsibility or liability will be accepted by the Valuer for any interpretation of legal documents, and in any interpretation of legal documents and legal assumptions must be checked by the Clients with a suitably qualified Lawyer if they are to be relied upon.

**3.7** The Report will provide wherever appropriate comment under the following headings:-

Location	Services	General Remarks
Description	Overall Condition	Market Commentary
Accommodation	Town Planning	Recommendations
Outside	Fixtures & Fittings	& Limitations
Licenses & Certificates	Tenure	Plan of site / boundaries
Environmental Health	The Business	Valuation
Local Authority	Accounts	Methodology
	Potential	Valuation

#### **4. Instructions and Charges**

**4.1** All instructions of the Client Lender will be made directly by the Client and confirmed in writing.

**4.2** The Client will pay to the Valuer the fee initially agreed between them, or any amendment thereto to be agreed if the Valuer's instructions are subsequently modified. In addition the Client will pay the amount of any Value Added Tax on the fee.

**Footnote** for clients who are familiar with the RICS Appraisal and Valuation Manual.

These conditions of engagement are substantially similar to the "Model Instructions" in PSA8 **except for:**

- Para 1.4.3 - limitation re EHO compliance comments
- Para 1.4.5 (f) - assumption re ground conditions
- Para 2.2 - measurement procedure
- Para 3.4 - no allowance for grants or tax
- Para 3.5 - no allowance for VAT
- Para 3.6 - limitations re legal issues
- Para 3.7 - report headings