

Date: 13th November 2017
Our ref: ECS/32276
Your ref: 17/01981/F

Bob Neville
Senior Planning Officer
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

Property Consultants

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Dear Sir,

The Pheasant Pluckers Public House, Burdrop, Banbury OX15 5RJ**1. Introduction and Instructions**

- 1.1 I am Eric Spencer, an Associate with Bruton Knowles. I am a Member of the Royal Institution of Chartered Surveyors (No. 1127987), an RICS Registered Valuer and an RICS Accredited Expert Witness. I have specialised in the sale, valuation and assessment of hospitality and licensed property since 1996.
- 1.2 I have recently provided expert advice to various clients on the basis of similar instructions to those set out below. These clients have included your Council, the Welsh Assembly Government, London Borough of Hammersmith & Fulham, Chiltern District Council, Basingstoke & Deane District Council, West Lindsey District Council and Torbay Council.
- 1.3 Bruton Knowles is a leading national practice of Property Consultants, which has been established since 1852. The firm employs over 60 Chartered Surveyors, including a leisure property team.
- 1.4 Following receipt of your instructions referred to within the attached copy e-mail at Appendix One, I confirm that the Council requires me to convey my opinion of the potential future viability of the Pheasant Pluckers Inn as a public house, to be used for advisory purposes in the consideration of a planning application for the Change of Use of the property from a Public House to a Residential Dwelling.
- 1.5 I have not received instructions to give my opinion of or commentary upon any business plan or specific income projections and accordingly I have not done so. However some of my commentary below refers to the challenges facing operators in the sector and the economic factors which influence the potential success and/or failure of trading public houses.

2. The Property

- 2.1 I confirm that I visited the site on the 24th October 2017, when I met Mr & Mrs Noquet and carried out a full inspection of the building and facilities therein.
- 2.2 The property is a detached 2 storey public house of period design, probably originally a simple cottage or house which started brewing beer for villagers. It is situated in Burdrop, a hamlet connecting the villages of Sibford Gower and Sibford Ferris. It is in a marginal location in respect of visibility and general passing traffic.

- 2.3 The property offers approximately 63 square metres of useable public space and ancillary accommodation on the ground floor, with private quarters on the first floor. In my opinion this space will limit the ability of the pub to trade effectively. Externally there is a beer garden and car park with 18 vehicle spaces, together with a holiday letting cottage.
- 2.4 I estimate that the current accommodation could accommodate approximately 20 drinkers and up to 35 diners.
- 2.5 However the current temporary bar arrangement is not sustainable and further space would have to be utilised to install a permanent bar servery with pertinent 'back of house' space, probably close to the cellar, therefore losing some bar seating space.
- 2.6 There is a 'galley' style commercial kitchen off the dining area and a beer cellar off the entrance lobby.
- 2.7 This not a large building and the consequences of this are referred to in the section on viability below.
- 2.8 The property has a good-sized, south facing rear garden area and an enclosed car park to its eastern side, with space for approximately 15 vehicles if carefully parked. This could be extended. There is a further area of sloping land which has not been considered.

3. History

- 3.1 I understand, principally from the published evidence, that the current owners of the Bishop Blaize (as it was then) acquired the property during 2006, apparently seeking a new opportunity.
- 3.2 I understand anecdotally that there have been differences of opinion locally regarding the operation of the business and that local patronage is very limited.
- 3.3 I note that the property has been registered as an Asset of Community Value. I also note that the 'community' has not proffered an offer to acquire the property.
- 3.4 I note that previous planning applications for Change of Use from a public house to a residential dwelling have been refused by Cherwell District Council and dismissed on appeal.
- 3.5 I further note that the property has an attached holiday letting cottage following grant of Planning Permission on appeal.
- 3.6 I understand that the current owners decided to try and sell the property and business in late 2014 and engaged Sidney Phillips & Co., a national Licensed Property Agent to market the property for them. This is dealt with in section 5 below.

4. Location

- 4.1 The Sibfords comprise 3 adjacent hamlets forming a medium size village situated between Banbury and Shipston-on-Stour in the north Cotswolds, just outside the designated AONB.
- 4.2 I note from demographic information that the property lies within a rural area with Banbury and, Shipston-on-Stour and Chipping Norton being just outside its 5 mile radius but within a 20-minute contour of it, presenting a potential catchment of in excess of 120,000 people. The '20-minute contour' is a demographic tool used principally by retail researchers to determine the distance a site is from local population centres. 20 minutes is assumed to be the optimum drive-time from home to venue.
- 4.3 The communities are not located on arterial or distributor routes.

5. Market Commentary

- 5.1 There is extensive, well-documented data in respect of the decline in business suffered overall by pubs across the UK and specifically the fall in volumes of wet sales of all kinds across the sector.
- 5.2 Recently much of that specific decline has been driven by supermarket and convenience retailers using aggressive pricing on alcohol as a loss leader to drive footfall which has accelerated a commensurate and continuing change in social habits.
- 5.3 The statistics in respect of the decline in sales show that overall the amount of beer sold in pubs has just about halved over the 14 year period, a trend which continues. Current research by CAMRA shows that the rate of pub closures in the UK has stabilised at about 25 per week and this statistic is emphasised by the number of premises licences voluntarily revoked.
- 5.4 This trend mirrors that shown in the beer sales graphs which demonstrate a long-term decline in alcohol sales through on- and off-sales. As such, venues are competing for a diminishing market and 'natural selection' will determine that some of these outlets become unviable and have to find alternative uses. It is important to acknowledge that dining pubs in particular have to compete with all food and beverage outlets, not just other pubs, and that the choice of these in the catchment area (20-minute contour) of The Pheasant Pluckers is varied and extensive when garden centres, visitor attractions and similar outlets are included. This factor makes it more difficult still for an operator to define a Unique Selling Point for a venue.
- 5.5 Conversely the rapid growth in the casual dining sector has been very noticeable, particularly in town centres and retail parks where specific brands have opened in direct competition with each other. Italian-style brands are particularly prevalent, although there is continued proliferation across the sector. The choice of venues and easy accessibility to them (no booking, on-line booking, extensive car parking, etc.) increases competition and dilutes loyalty across the dining sector. There is now further dilution due to internet ordering services such as Just Eat and Hungry House.
- 5.6 In respect of the sale of a specific asset a number of factors will determine levels of interest and offers. The principal feature of any property for sale is the asking price. Buyers will generally have a good idea of their budget, which determines the price range they will search in.
- 5.7 Well-informed buyers will also have a reasonable idea of the type of business they are looking for and the trading level they require or would like to achieve.
- 5.8 Buyers will also sometimes have a defined area in which they are searching; however business buyers are generally reasonably flexible on location as they are more interested in potential and income, so the quality of any business or the opportunities it presents will override geographical considerations in many cases.

6. Competition

- 6.1 I physically researched the area after inspecting the property and noted that there is a large variety of pubs, restaurants and other eating places competing for customers in the area.
- 6.2 Due to the limited size of The Sibfords, the Pheasant Pluckers Inn will have to compete with outlets further afield and I noted that there is significant competition from other pubs in the surrounding villages within a 5-mile radius of the property, with at least 28 outlets. The closest competitor is the Wykham Arms, half-a-mile away.
- 6.3 Further significant competition will come from larger centres including Banbury, Shipston, Chipping Norton, Bloxham and Moreton-in-Marsh.

- 6.4 It must also be understood that changes in consumers leisure pursuits and habits have resulted in cafes, restaurants, convenience stores and outlets with food and beverage offerings all now being direct competition for traditional public house business.
- 6.5 At an immediate local level The Sibfords are not of sufficient size, in my opinion, to create enough sustainable business for the Pheasant Pluckers just from the local residents. The Wykham Arms is more prominently situated in Sibford Gower, is more visible and has better parking provision.
- 6.6 I have prepared an inventory of competing local outlets at Appendix Three, which is comprehensive but by no means exhaustive.

7. Style of Operation

- 7.1 Broadly there are 3 types of public house operation, namely Gastro pub, young person's venue and wet-led community local.
- 7.2 The first of these requires sufficient space to offer a comprehensive restaurant style of service whilst still catering to 'local' drinkers. Ideal properties will have up to 70 covers or more, a separate wet bar and outdoor space for al-fresco dining, preferably with a garden. In my opinion this is the style of operation that is most likely to be successful in this location.
- 7.3 In respect of the second type of venue, younger drinkers tend to prefer a 'circuit' where their favoured venues are close to each other. Whilst some form of music promotion may create increased demand from a younger demographic, I consider it very unlikely that a significant younger population actually lives in the vicinity and this type of operation is highly unlikely to either be viable or desirable in the village.
- 7.4 The third pub use would be as a wet-led community local, a format in which the business apparently traded some years ago, this also being the style of pub that has suffered the greatest attrition in the last 5 years.

8. The Business

- 8.1 I have no information regarding the previous history of the business. A recent accounts summary shows income from the holiday cottage and the Shepherd's Hut.
- 8.2 However it is most apparent that the level of business is consistently low. It may be that the current owners have chosen to trade at the current level for personal reasons; however the trading level will certainly not be attractive to the majority of potential buyers/operators.
- 8.3 I am aware anecdotally of differences of opinion between the current owners of the Pheasant Pluckers Inn and various members of the village. Sentiment and goodwill is an important factor in any business and a principal requirement in hospitality. This is not a planning matter although I mention it as I have come across such differences in other cases, where viability of the business has been questioned.

9. Viability Considerations

- 9.1 To determine whether or not a licensed business is viable it is critical to emphasise the specific difference between turnover, costs of operation, trading profit and viability. High turnover is not in isolation an indicator of success and derivation of a trading profit does not specifically mean that a business is sustainable or viable.

- 9.2 This is the pertinent point in respect of the property continuing to trade as a public house, which depends upon 3 factors:
- a) the physical attributes of the property and its ability to provide sufficient space and amenity to promote a good level of trade;
 - b) the immediate physical environment surrounding the property and its influence upon the desirability of the property as a venue;
 - c) sufficient demand from the target market for the service and 'experience' offered by an operator, and;
 - d) the ability of that operation to provide a sufficient return on operational investment by way of trading profit AND return on capital investment by way of rent or coverage of property costs.
- In respect of (a) I consider that the only viable trading model for the Pheasant Pluckers Inn in this location would be as a Gastro Pub, catering to a wider local or regional market than the immediate village. However in my opinion the building is not physically big enough to accommodate the relevant necessary space for a successful operation. I would suggest a simple conservatory-style extension into the garden may provide sufficient additional seating;
 - In respect of (b) I consider that the immediate environment is most attractive and that the wider demographic may consider a renovated property to be a desirable venue. There is some anecdotal evidence of this recently with the Chandlers Arms at Epwell.
 - In respect of (c) I have concerns that the venue is physically capable of coping with sufficient demand to generate the return required to confirm viability. It is likely that some degree of building extension will be necessary. I note objectors' comments to the current planning application have common themes, one of which that the pub has previously been 'thriving', 'vibrant' and a community hub. Any operator will have to take account of these sentiments.
 - In respect of (d) I consider that the actual likely operational costs and capital renovation costs would have to be proven by formulation of a pertinent business plan incorporating feasibility profiling.

10. Viability Test

- 10.1 I note in a planning appeal decision document dated 22nd of May 2013 reference APP/C3105/A/13/2190714 that the Inspector made comments in respect of viability which assumed that £27,000 per annum was the likely return or profit to be sufficient for the operators of the subject property for viability purposes.
- 10.2 I hold a different opinion which is based upon my assessment of the hours necessary to be worked by a couple in a successful public house. I have calculated the annual hours assuming the business is closed on Monday and Tuesday, which would equate to 69 hours per week each, being 138 hours per week in total and 7,176 hours per annum.
- 10.3 At the current National Living Wage of £7.50 per hour this equates to an income of £53,820 per annum which would be required, assuming that the national living wage was acceptable to them and a viable return for them as recompense for the owners' investment.

- 10.4 A return of £27,000 pa would aggregate to an hourly rate of £3.76 per hour and I consider that the vast majority of people would refuse to work for such a low rate of pay.
- 10.5 Making assumptions that the above figure is a viable income and that the business could deliver a 20% operating profit, a net turnover of £269,100 per annum would be required.
- 10.6 Making further assumptions that the operation would be biased towards food and an average spend per head of £20 each would prevail, to achieve the turnover assumed above would require the patronage of 13,455 customers per annum, which effectively equates to 52 covers per day assuming a 5 day week from Wednesday to Sunday.
- 10.7 My assertions above are vulnerable to sensitivity analysis, particularly the assumptions of spend per customer and trade throughput. However, I consider that weekend trade would be busier than earlier in the week, with considerable potential to generate more business than the 'average spend' required. Operators may also choose to open 6 or seven days per week. In addition, the £20 per head average assumes that a customer would eat a two course meal and have a single drink, so the likelihood of a higher spend per head is good for a proportion of cases.
- 10.8 It may well be counter-argued that this average figure would not be achieved on Wednesday or possibly Thursday in an average week, although if the business is open for lunchtime and evening trade and potentially open all day on Saturday and Sunday, in my opinion this level of the trade should be achievable.
- 10.9 I have made the above statement to provide an illustration of the likely true cost of running a public house and the likely true return to the owner, particularly in a situation where the property and its location provide significant challenges to attempts to increase trading levels.

11. Conclusion

- 11.1 My primary consideration in determining the viability of the Pheasant Pluckers Inn as a trading entity, disregarding any individual circumstances or financial resources of any of the interested parties, must be to have regard to the current condition and layout of the property, the likely level of business and profit it may potentially generate, and then determine whether the profit level would be considered sufficient by a potential operator.
- 11.2 However it must be stressed that there are certain negative factors that cannot be overcome in promoting a different strategy for the Pheasant Pluckers Inn in its current configuration, the two principal ones being lack of a properly fitted, working bar service area and corresponding lack of trading space should a full bar be installed; in my opinion these two factors weigh heavily against the Pheasant Pluckers Inn being viable in its current format.
- 11.3 However if an extension to the trading area was added at the rear, subject to suitable design and grant of planning permission, then in my opinion the configuration could be amended to provide sufficient trading space for viability.
- 11.4 I have engaged in general, informal discussions with property agents within the sector and the overall trend for successful trading freehold pubs in the northern Home Counties is of sales being achieved at multiples of 6x–7x Fair Maintainable Profit; applying the higher multiple to my opinion of the sustainable level of operating profit generated by the NLW calculation derives a figure of £376,740. This figure is close to the previously quoted asking price of £395,000, although achievement of a sale at this price would depend upon generation of the turnover and profit levels to which I have alluded above. The pub would therefore currently have to be sold within the trade as a 'life-style' business, where a price is determined by reference to the building value with an adjustment for trade. Such a deal would have to be financed from cash resources as the majority of lenders would expect a loan to be covered by a secure trading position. It is also likely to have a detrimental impact on the price achievable for the property in its current guise, as a buyer would not consider any additional sum for 'goodwill'.
- 11.5 The viability test in this instance is simply the potential future ability of the pub to survive as a trading entity on commercial terms, coupled with the cost of renovation and conversion required to create a different venue to generate further trade. In this instance my opinion is that the limiting factors highlighted above make any major investment for business purposes a higher than average financial risk but do not negate viability.
- 11.6 The location is such that an operator would have to run a business biased towards food sales and promote it regionally, rather than just locally. In addition medium to long-term viability will depend upon engagement with the local community to retain goodwill and to prevent any disaffection in respect of matters such as parking should the business become very successful, as the car park is of limited size. The entire site has sufficient land potentially to provide further parking facilities. I have not paid specific regard to the holiday letting cottage, which will provide supplementary income to the main business.
- 11.7 I note that The Chandlers Arms in Epwell was renovated and refurbished, then sold recently as a going concern. From an external inspection this property appears to be of a similar size to the Pheasant Pluckers Inn, although old marketing details show it to be smaller when it was sold; it also

has a marginal location. The Bell Inn at Shenington was sold in April 2016 and appears to continue to trade successfully. Both of these pubs are 'destination' venues. In my opinion both would be unable to rely simply upon trade generated within their immediate communities, so their continued success demonstrates that the wider catchment area provides an environment and demographic that does support village pubs.

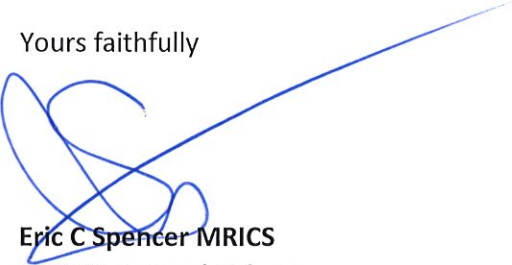
Statement

Given the above information, having inspected the property and its locality, researched the competing outlets in the market and considered potential achievable trading levels, I consider that the Pheasant Pluckers Inn can still be viable as a public house, subject to certain factors and improvements as highlighted above.

I trust that this review is suitable for your needs and enables the Council to make an informed decision in this matter.

Should you have any queries, please do not hesitate to contact me.

Yours faithfully



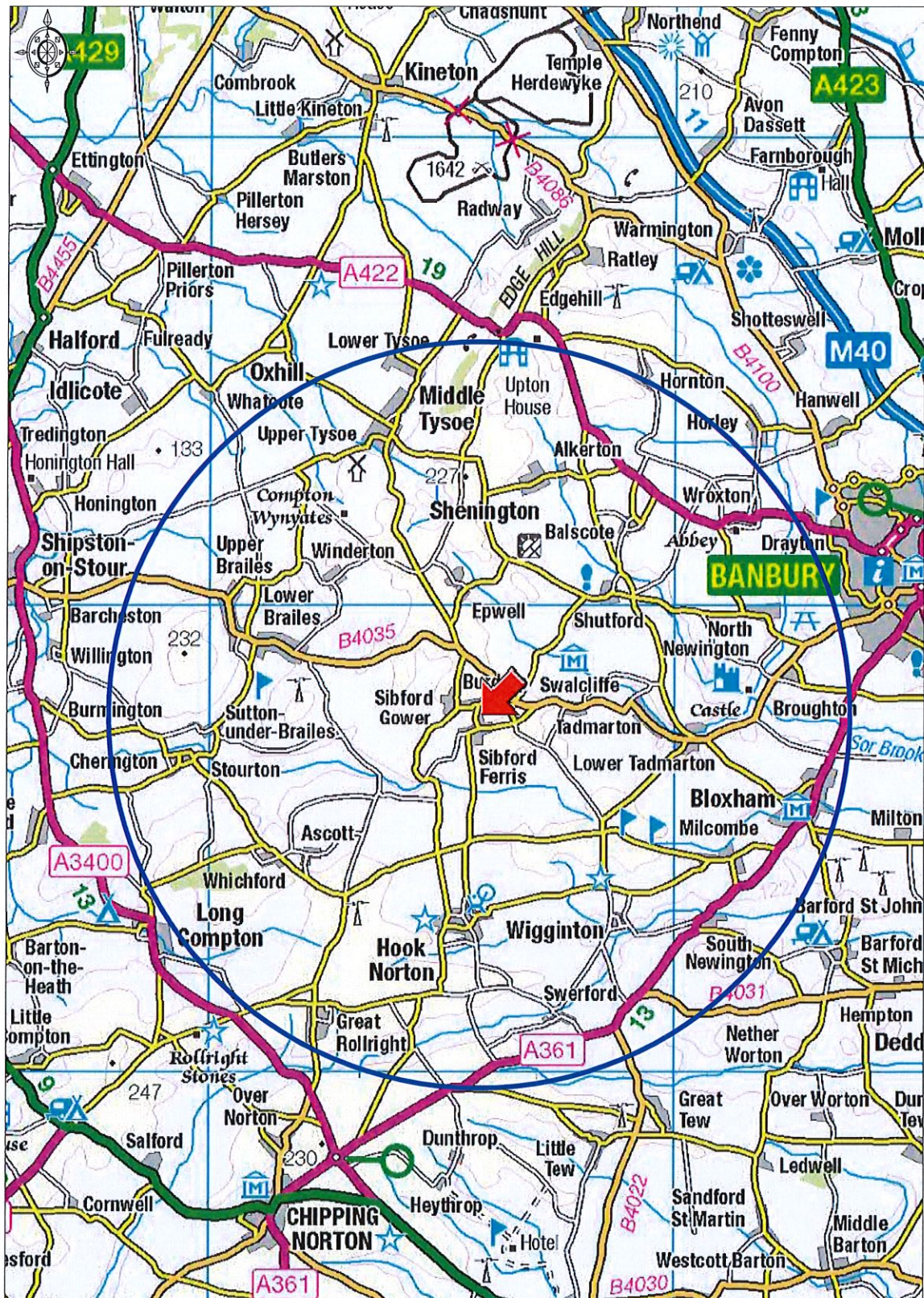
Eric C Spencer MRICS
RICS Registered Valuer
RICS Accredited Expert Witness
Associate

Encs.

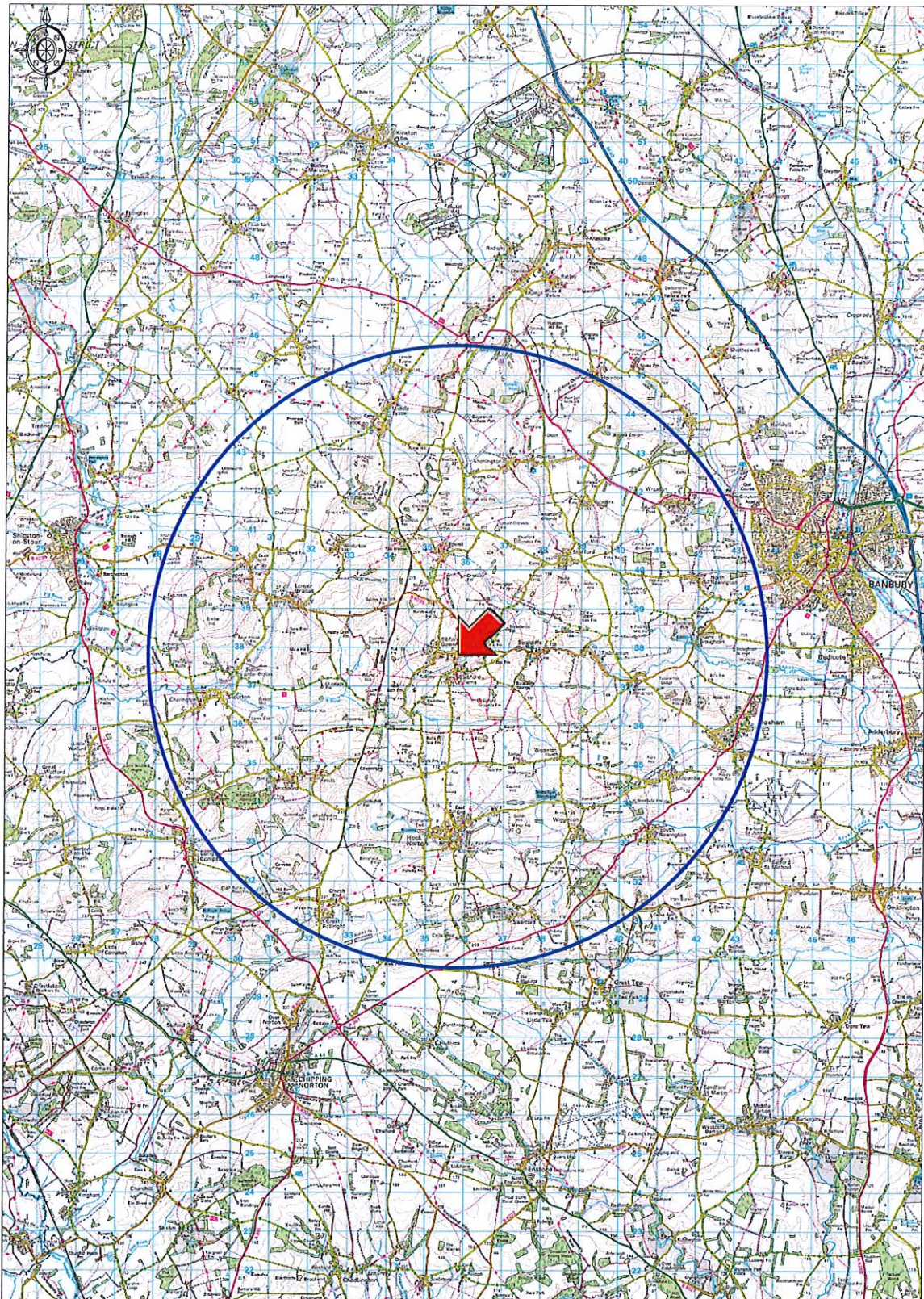
Appendix One –	Location Plan (5 mile radius)
Appendix Two -	Instructions
Appendix Three -	Inventory of Competing Outlets
Appendix Four -	Standard Terms & Conditions of Engagement

Appendix One

Location Plan



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Appendix Two

Instruction

Sam Spencer

From: Alex Keen <Alex.Keen@cherwellandsouthnorthants.gov.uk>
Sent: 17 October 2017 17:58
To: Sam Spencer
Cc: Bob Neville
Subject: RE: 17/01981/F - Change of use of the Pheasant Pluckers Inn Burdrop [BK-BK.FID407540]

Dear Sam,

Bob has asked me to respond to your email below, as he is on leave tomorrow. I am happy to agree the quote and would be grateful if you could proceed with the work ASAP. Bob is due to visit the site this Thursday afternoon, so if that is convenient for you please can you liaise with him Thursday morning about timings? It will not be before 14:30. If Thursday is not convenient, you will need to arrange an alternative time/date via Bob.

Thanks – Alex

Alex Keen BA (Joint Hons) MA MRTPI
Manager – Minor Developments
Development Management
Cherwell District Council and South Northants Council
Direct Line: 01295 221812 | Ext: 1812
Email: alex.keen@cherwellandsouthnorthants.gov.uk

Details of applications are available to view through Cherwell District Council's Online Planning Service at <http://www.publicaccess.cherwell.gov.uk/online-applications> and South Northants Council's Online Planning Service at <http://snc.planning-register.co.uk/>

South Northamptonshire Council, The Forum, Moat Lane, Towcester NN12 6AD www.southnorthants.gov.uk
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Cherwell District Council, Bodicote House, Bodicote, Banbury OX15 4AA www.cherwell-dc.gov.uk
www.facebook.com/cherwelldistrictcouncil Twitter @Cherwellcouncil

From: Sam Spencer [<mailto:Sam.Spencer@brutonknowles.co.uk>]
Sent: 16 October 2017 10:09
To: Guy Emmerson; Bob Neville
Subject: RE: 17/01981/F - Change of use of the Pheasant Pluckers Inn Burdrop [BK-BK.FID407540]

Dear Bob

To follow up Guy's apology, we've had all sorts of fun and games with our mails this last week as we have 'migrated' systems.

I have had a quick look at the location and should be able to meet your deadline if I can inspect late this week or early next.

Are the applicants likely to give me access? Also have you had sight of recent accounts?

Our fee last year was £175 per hour which has increased by £10 per hour for expert work to £185 per hour. I estimate a total of 15 hours including the visit and travelling time, which will be a total of £2,775 + VAT.

I trust that this is acceptable and look forward to hearing from you

Kind regards

Sam Spencer MRICS

To: Bob Neville
Subject: FW: 17/01981/F - Change of use of the Pheasant Pluckers Inn Burdrop

Bob


Many thanks for your email which I am forwarding on to my colleague Sam Spencer who is our pub expert and who dealt with the case at Wardington.

Sam – could you get in touch with Bob to provide a fee quote please ?

Regards

Guy Emmerson
Development Partner

Bruton Knowles, 2 Paris, Parklands, Railton Road, Guildford, Surrey GU2 9JX
Tel: 01483 238380 Mob:07808 904480 Fax: 01483 238399

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From: Bob Neville [<mailto:Bob.Neville@cherwellandsouthnorthants.gov.uk>]
Sent: 09 October 2017 15:40
To: Guy Emmerson <Guy.Emmerson@brutonknowles.co.uk>
Subject: 17/01981/F - Change of use of the Pheasant Pluckers Inn Burdrop

Good afternoon

You recently dealt with a colleague of mine Matt Chadwick and advised on an application for the change of use from a public house to a dwelling, including a small extension at The Plough Inn in Wardington in Oxfordshire.

I am the case officer on a similar application at the Pheasant Pluckers Inn in Burdrop (17/01981/F - Change of use from A4 to C3 (ACV Listed)). The site has a somewhat complex planning history stretching back over a number of years with previous applications and appeals being refused/dismissed in the past. The applicants have submitted very little viability information with the current application but are claiming that the business is not viable in their supporting statement (copy attached), thereby justifying a change of use to residential.

I am emailing you to ask whether you could give a quote to assess the viability of the public house on behalf of Cherwell Council and how much this would be.

If there is any further information that you require, do not hesitate to contact me.

Regards

Bob Neville MSc
Senior Planning Officer
Development Management

Appendix Three

Inventory of Competing Outlets (5 mile radius)

Pheasant Pluckers Inn

Inventory of Competing Outlets

Wyckham Arms, Sibford Gower
Stags Head, Swalcliffe
The Gate, Brailes
The George Inn, Brailes
The Royal British Legion, Brailes
The Lapet, Tadmartin
The Saye and Sele, Broughton
George & Dragon, Shutford
The Butchers, Balscote
Peacock, Upper Tysoe
White Swan, Wiggington
Fuzzy Duck, Armscote
The Bell, Shennington
White Hart, Newbold-on-Stour
Chandlers, Epwell
Halford Bridge Inn, Halford
Chequers Inn, Ettington
Horse & Groom, Milcombe
Peacock, Oxhill
Royal Oak, Whatcote
Cherrington Arms, Stourton
Farriers Arms, Todenham
Red Lion, Long Compton
Norman Knight, Whichford
The Swan, Kineton
Pear Tree, Hook Norton
Sun, Hook Norton
Wild Chilli, Hook Norton
Gates Hang High, Hook Norton
Blinking Owl, North Newington
Duck on the Pond, South Newington
The Masons Arms, Swerford

Additional Competition

Wyatts, Rollrights

The Spar, Hook Norton

The Village Shop, Long Compton

Whichford Pottery & Kitchen

Significant competition in Moreton-in-Marsh, Bloxham, Shipston-on-Stour.

Indian restaurant, shop and coffee shop at Kineton.

Further extensive competition in Banbury.

Appendix Four

Standard Terms and Conditions of Engagement

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.