

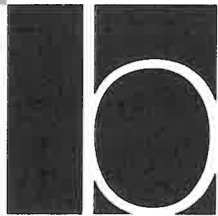
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Former RV Spivey Premises, South Street, Paddock, Huddersfield HD1 4UH

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APPENDICES

Assumptions and Basis of Valuation



bramleys

6 December 2012

our ref:

GEH/JS

your ref:

Hornbuckle Mitchell
Cotton Court
Middlewich Road
Holmes Chapel
Cheshire
CW4 7ET

Dear Sirs

Customer: Trustees of the Private Pension – J Lycholat and Private Pension – P Marsden
Property: Former R & V Spivey Premises, South Street, Paddock, Huddersfield HD1 4UH

1.0 INTRODUCTION AND CONFIRMATION OF INSTRUCTIONS

- 1.1 We refer to the instructions received from the Beneficiaries of the above named Self Invested Pension Plan confirmed within our letter and Terms of Engagement dated 30 November 2012 requesting Bramleys to undertake a valuation of the above property.
- 1.2 We are informed the report is required to provide the Trustees with an indication as to the property's current Market Value and Market Rental Value in connection with a transfer to the directors of the Pension Scheme.
- 1.3 The valuation has been prepared in accordance with Valuation Standards and Guidance Notes issued by the Royal Institution of Chartered Surveyors.
- 1.4 We have been requested to provide valuations on Market Value and Market Rental Value bases as defined by the RICS Valuation Standards – Professional Standards, March 2012 issued by the Royal Institution of Chartered Surveyors. A definition of the valuation basis adopted is given in the Assumptions and Bases of Valuation attached hereto.
- 1.5 We can confirm that neither Bramleys nor the Valuer have had any prior material involvement with either the property or the client which would give rise to any conflict of interest and accordingly are able to accept the instructions.
- 1.6 The report has been carried out by Graeme Haigh who is an RICS Registered Valuer and member of the Valuation and Commercial Property Faculties of the RICS, and who has experience of valuing this type of property in this locality and is an external Valuer as defined by the Royal Institution of Chartered Surveyors. The property was inspected on 28 November 2012.

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2.0 THE PROPERTY



- 2.1 The property comprises of a complex of adjacent and partially interconnecting industrial buildings which have been built at a number of different times and accordingly incorporate a variety of construction styles and materials.
- 2.2 The original building on site appears to be the central building, being constructed of solid stone outer walls which have in part been rebuilt with an external leaf of concrete block to provide additional support. The building has a conventional, wood trussed pitched roof structure covered with roofing slate with replacement rainwater goods and downpipes supported on stone gutter seats. Support over window and doors is formed with a mix of stone and steel lintels and sills and fenestration is via timber framed and single glazed windows to the upper floor. The property has a suspended attic floor with ladder access (restricted headroom), suspended timber upper and part stone flagged ground floor. Adjacent to and adjoining the building is a single storey lean to extension of cavity outer walling faced with brick with steel lintels to timber and single glazed windows and having a mono pitched, corrugated asbestos roof incorporating translucent roof lights, being under boarded with a sealed, solid concrete floor. Internal partitioning provides for a toilet cubicle accessed from the neighbouring building.
- 2.3 The principal production area comprises of an unusually constructed, lofty industrial building. This is of timber framed construction, being clad to a height of approximately 2m in an inner leaf of concrete block faced with brick outer leaf and to eaves with PVC coated profile metal decking, external sheets with internal insulating panel. The property has a pitched, PVC coated, profile metal decking roof with translucent roof lights and galvanised verge caps and rainwater goods are of PVCU design and construction. The building has a solid concrete floor. Internally the building has a suspended timber mezzanine floor supported on steel beams and pillars and accessed via an internal steel staircase although this has been ignored for the purposes of valuation on the basis that the occupying company proposes to dismantle and remove this, with this area being kept open plan.
- 2.4 Additional accommodation is provided by way of a series of more insubstantially built buildings. To the north of the principal building is a basic store/covered yard area with a series of brick piers supporting corrugated asbestos, mono pitched roof covering with translucent roof lights over a tanked concrete floor. This is partially supported by the neighbouring building and provides access through to:-
- 2.5 An additional single storey building constructed with prefabricated, pebble dash, concrete structural sections with a mono pitched, corrugated, asbestos roof with Perspex roof lights and timber and single glazed windows. The building has a solid concrete floor and loading via an up and over garage style door.

2.6.0 Accommodation

2.6.1 The building has been physically measured on site in accordance with the RICS Code of Measuring Practice. The floor areas are expressed on a **gross** internal floor area basis as follows:

Building	Floor	Use	Floor Area	
			m ²	ft ²
1	First	Gross Internal Floor Area	49.53	533
		Store/workshop with internal timber staircase leading down to		
	Ground	Gross Internal Floor Area	49.53	533
		Workshop area with ceiling height of 2.5m max, sliding doors to adjacent building and access to toilet within building 2		
2	Single	Gross Internal Floor Area	45.03	485
		Store building with internal brick partitioning to form toilet cubicle with urinal, tiled walls, screen to wc, access from building 1, double doors leading through to		
3	Single	Gross Internal Floor Area	131.69	1,418
		Main production area (mezzanine dismantled), double timber loading doors to part and separate personnel access		
4	Single	Gross Internal Floor Area	61.64	664
		Covered yard/basic store building leading through to		
5	Single	Gross Internal Floor Area	58.40	629
		Prefabricated store building/garage		
Total gross internal floor area:			395.82	4,262

2.7.0 Site

2.7.1 The total gross site area is approximately 0.125 hectares (0.31 acres) and accordingly the site is developed to a density of approximately 30% with the remaining areas being open. The site is irregularly shaped and has dual vehicular access points. Principal vehicular access is to the south eastern extremity of the site off South Street via a level but largely undeveloped area which is mainly self seeded grass with some self seeded and specimen planted trees to the boundary. There is a gated access to the highway and steel palisade security fence to the south and west boundaries. The driveway continues to a part flagged, concreted driveway from where the principal vehicular loading is available. This continues via an unmade access driveway to Croft Street to the north.

2.7.2 The western boundary is in part secured with a concrete post and wire mesh boundary fence and a continuation of this fence construction provides access to the houses to the east.

- 2.7.4 Although developed to a comparatively low density the yard area currently is of limited use. Although the area appears to have been graded and is in part made ground to provide a level surface this has not been surfaced/developed. There is a worn driveway through the centre of the site but this has no metalled top or hard surface and therefore is heavily rutted and worn and muddy in periods of poor weather. This is however relatively level although and the internal slope is surfaced but this would still present a potential detraction to vehicles. There is a concreted loading pad adjacent to the main doors but access hereto is comparatively narrow and not easily negotiated by large commercial vehicles. The alternative access route to the north is to Croft Street which is a narrow access road to the rear of Church Street and again this presents difficulties with access for large commercial vehicles.

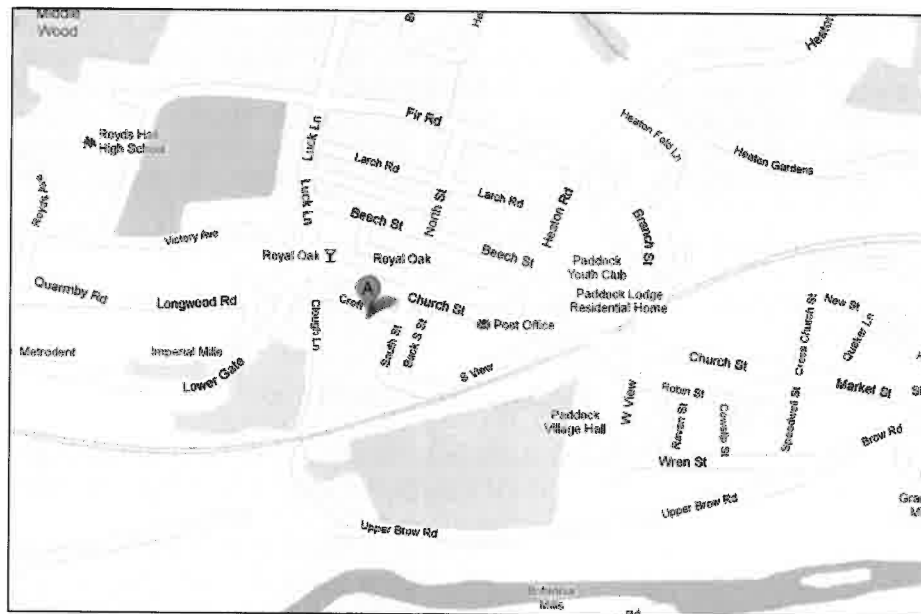


- 2.7.5 South Street to the east is the principal vehicular access route as a result and again this is a comparatively narrow local road, albeit that it lies a short distance to the south of Church Street and there is a reasonably wide gated access from here.

3.0 SERVICES

- 3.1 We have not undertaken any inspections or tests of the services or installations and we are therefore unable to confirm that they are free from defect or comment upon their capacity or capability to serve the building/proposed development. It is accordingly assumed that the services and associated controls or software are in working order and free from defect.
- 3.2 Mains gas, water, electricity and mains sewer drainage are connected.
- 3.3 The property has limited heating installations. There is a suspended, gas fired, space heater in building number 3 which provides heating for the main works area, the remaining areas rely upon independent heating sources.
- 3.4 Lighting throughout is via suspended fluorescent lighting and a three phase electricity supply is also connected. Staff welfare facilities include a small kitchenette area on the first floor of building number 1 which provides access to clean drinking water and the property has a single toilet with wc cubicle and urinal. Under Regulation 20 of the Workplace (Health Safety & Welfare) Regulations 1992 there should be suitable and sufficient sanitary convenience at readily accessible places within the workplace. The accommodation table indicates that a single water closet would restrict the number of workers to any one site to a maximum of 5. However in the case of sanitary accommodation to be used by only men, if a urinal is provided this allows up to 15 workers to share facilities. Taking into account the nature of the accommodation and its size there is likely to be sufficient accommodation to provide compliance currently although if more female workers are to be employed the occupiers may have to install additional sanitary conveniences.

4.0 LOCATION



For identification purposes only, not to scale

- 4.1 The property is located within a predominantly residential land use area forming part of the district of Paddock. Paddock is a mixed residential and commercial suburb lying approximately 1½ miles west of Huddersfield town centre. Principal access throughout the district is via Church Street which provides access in an east/west direction. This is a comparatively narrow local road subject to traffic calming measures. At its eastern extremity this links with the A62 Manchester Road whilst to the west this provides an access via Luck Lane to the A640 Westbourne Road. These are two of the arterial routes providing access to the west and northwest of the town centre respectively, with the latter providing access to junction 24. However the road network to the west is via local access roads and is not suitable for access by large vehicles.
- 4.2 There is other industrial development in the area, although this tends to be concentrated to the east around Paddock Foot, Gledholt Junction. There has been new industrial development within this locality including the construction of new units which have been popular with local occupiers. This is in recognition of easy access to the town centre and main arterial routes and the presence of reasonable local labour pool.
- 4.3 The subject property is in the more secondary industrial location. To the west the property is bounded by residential properties effectively on all sides. The residential houses are closest to the north and northeast where terraced houses immediately adjoin the sites boundaries.

5.0 STATUTORY ENQUIRIES

5.1.0 **Rateable Value & Uniform Business Rate**

- 5.1.1 We have undertaken a search of the Valuation Office Agency website which reveals the property is assessed for Rates as follows:-

Workshop & Premises - Rateable Value - £10,000

- 5.1.2 The Uniform Business Rate that will be applied for the financial year 2012/2013 is 45.0p.
- 5.1.3 In March 2007 the Government removed the exemption against the payment of Empty Rates for industrial properties and accordingly for all industrial/commercial properties with a Rateable Value in excess of £2,600 full Business Rate is payable following an initial period of exemption (6 months). Listed buildings are exempt from Empty Rates.

5.2.0 Highways

- 5.2.1 The properties principal access is from the south eastern corner of South Street which is made up and adopted by the Local Authority. An alternative access exists via Croft Street to the north. Although Croft Street is not part of the strategic highway network it appears to be an adopted roadwork maintainable at the Local Authority's expense. However the section of access driveway leading to the south thereof and abutting the site, which is outside the ownership, does not appear to be made up and there is likely to be a joint maintenance liability in respect of this roadway.

5.3.0 Planning

- 5.3.1 We have referred to the Heritage Gateway website of English Heritage and confirm that the property is not Listed.
- 5.3.2 The property is not located within a Conservation Area.
- 5.3.3 We have referred to the Unitary Development Plan of the Kirklees Metropolitan Council which reveals that the property lies within an area without specific notation but lying within the regeneration area.
- 5.3.4 We understand that the property was formerly occupied by R V Spivey Engineers. The exact use of the company is not known but it is likely that there use was that of light industrial uses and accordingly on the basis that these were industrial uses capable of being undertaken in a residential area without adverse affect on the amenity of thereof that this use would fall within Class B1 of the Town & Country Planning (Use Classes) Order 1987. This would permit use for most light industrial uses. We understand that the occupying company's use is similar to that of the previous occupier and accordingly it is not anticipated that any additional planning applications would be required but this point should be verified prior to legal commitment to prevent the potential for enforcement action being taken against the occupier.
- 5.3.5 We have undertaken a search of the Planning Office online database which does not indicate any planning applications having been made for industrial use recently. Accordingly the valuation is made on the assumption that there are no restrictions on hours of use, delivery outside working or any other use on the site imposed by Planning.
- 5.3.6 We note that planning permission for residential redevelopment of the site was obtained in November 2010 by the previous occupier. Outline planning consent establishes the general principal for redevelopment of the site for residential purposes but does not provide detail with regards to the number of houses or houses types which is to be dealt with by Reserved Matters Application. Such Reserved Matters Application has to be made within 3 years within the date of the planning permission in order for this to remain current. Accordingly Reserved Matters Application should be made before November 2013.
- 5.3.7 For the purpose of valuation we have in mind that an outline planning consent has established the principal for residential redevelopment on the site but have valued the property on the basis of its current existing use as we understand that this is the basis on which it is being acquired. Any additional value attributable to the planning consent will be lost within 12 months unless definitive and positive action is taken in this regard.

5.4.0 Fire Certificate

- 5.4.1 From the 1st of October 2006 The Regulatory Reform (Fire Safety) Order removed the necessity for Fire Certificates. Instead occupiers/employers are required to undertake a Fire Risk Assessment. We have not had sight of the existing Fire Risk Assessment and do not know whether one has been undertaken. If there is no Fire Risk Assessment which is up to date, the occupier is required to undertake a revised Fire Risk Assessment to comply with current legislation.

5.5.0 Energy Performance Certificate

- 5.5.1 Under the Energy Performance of Buildings (Certificates and Inspections) (England & Wales) Regulations 2007 (The EPB Regulations) all properties offered for sale or let on the open market require an Energy Performance Certificate. We have been supplied with a copy of the Energy Performance Certificate in this case which shows that the Energy Performance Asset Rating for the building is E (125). This is poor for a property of this type and age and a typical existing stock store would be D (88) and a newly built building is expected to rate B (33). We do not have details of the recommendations which accompany the Certificate and therefore cannot confirm as to whether there are any works which would cost effectively improve the building's performance. On the basis that no material alterations are proposed to the building the current EPC should be sufficient for the letting between the Pension Company and occupying business.
- 5.5.2 From 2018 there is likely to be a restriction on trading properties within the lowest energy performance bands (F and G) requiring these to be brought up to standard for trading. Accordingly it may be prudent to undertake some improvement works to the property over the intervening period in order to improve its energy efficiency.
- 5.5.3 There is no evidence that poor energy performance is yet affecting demand or value although this may change over time. It is likely that increasing importance will be placed on energy efficiency within commercial buildings which could lead to some property specific taxes being linked to energy performance. This may accordingly affect the market for inefficient buildings in the future.

5.6.0 Composite Panels

- 5.6.1 The external cladding in this case appears to be of single/double skin construction with separate internal, insulating material. No tests have been undertaken to identify the materials used within the insulating core and for the purpose of the valuation we assume that building's insurance is available at standard premium rate.

5.7.0 Health & Safety

- 5.7.1 All occupiers should be aware that Health & Safety requirements differ greatly accord to how the premises are used. We have not made any enquiries to ascertain the appropriateness of the premises for the proposed use or to confirm compliance with Health & Safety regulations.

5.8.0 Disability Discrimination Act

- 5.8.1 The act imposes obligations on service providers and employers to make reasonable provisions for people who are disabled. This can, in some cases, lead to alterations to physical features of buildings, car parking and grounds etc. In this case the majority of the building is single storey and there is reasonable internal circulation. Although there are a number of minor stepped accesses and no wheelchair accessible wc it is likely that if imposed there is the potential for the property to be adapted to comply with comparatively limited cost. We have not carried out an Access Audit and therefore do not speculate as to whether any alteration/adaptations will be required by an employer.

6.0 TENANCIES

- 6.1 We understand that the property is being acquired by the Pension Scheme and will subsequently be leased back to the director's trading company Centrifuge Engineering Services Ltd. We have not had sight of the proposed lease terms but for the purposes of valuation assume that terms consistent with current market trends and at a current market rent as shown herein will be adopted.
- 6.2 Taking into account the age and general condition of the buildings we anticipate that a tenant would resist taking on responsibility for all external repairs and maintenance. The building will impose a higher maintenance liability when compared to a more modern equivalent and there are a number of wants of repair and building elements with restricted economic life as detailed herein. Therefore we anticipate that any tenant's repairing liability would be limited by way of a Schedule of Condition and accordingly that a tenant is required only to maintain the existing condition of the building throughout the term of the lease.

- 6.3 Throughout the downturn lease lengths for commercial property have been generally shortening. The most common lease terms for properties of this type are now 3 or 5 years or alternatively tenants require break clauses enabling them to terminate the lease early within any lease.
- 6.4 We would anticipate a rent review pattern of no greater than 5 years in any extended years.
- 6.5 In order to adequately protect the landlord's investment any alienation provision should restrict dealing with part only of the property (as distinct from the whole). Tenants should however be permitted to assign or sublet the entire property subject to normal assumptions and disregards and on the basis that the landlord may refuse consent to an Assignment in the event that the Assignee is of lesser financial standing than the tenant or in the reasonable opinion of the landlord may not comply with their covenants. As a condition of Assignment or sub-letting the landlord should also be in a position to acquire an Authorised Guarantee Agreement as well as separate agreement that the directors of the new company will comply with the covenants of the head lease and that any letting should be without fine or premium and at the Market Rent.
- 6.6 The lease should contain standard forfeiture clauses whereby the landlord can take back possession in the event of 21 days arrears of rent (whether formally demand or not), breach or non performance of covenant or any act of insolvency on behalf of the tenant.

7.0 TENURE

- 7.1 We have no information with regard to the tenure, and therefore our valuation assumes the property to be either freehold, or held on the remainder of a 999-year lease at a nominal non escalating ground rent. If this is different our valuation will be set aside, and we reserve the right to review our valuation. The valuation is prepared on the basis that the title plan corresponds with the on-site boundaries.
- 7.2 All assumptions made with regards to title should be verified by the customer's solicitors as part of the Report on Title. No responsibility or liability is accepted for the true interpretation of the customer's legal title in the properties.

8.0 RESTRICTIVE COVENANTS

- 8.1 The valuation is prepared upon the assumption that there are no significant onerous restrictions or easements which adversely impact upon the property. We recommend further enquiries are made by the solicitor as part of the report on title.

9.0 RIGHTS OF WAY

- 9.1 There are no apparent public rights of way, bridle paths or shared rights with any other party that adversely affect the use, and therefore value of the property.
- 9.2 The property relies in part for access on an unadopted driveway leading to the north of the holding to Chapel Street. It should be ensured that there are appropriate full free and uninterrupted rights of access over this driveway and that these contain reciprocating covenants on neighbouring occupiers to keep the area free from obstruction and do not impose any restrictions on movement.

10.0 ENVIRONMENTAL ISSUES

- 10.1 The property has previously been used for industrial purposes and accordingly is potentially at risk from having generated contamination. Large areas of the exterior environment are un-surfaced and accordingly any oil, fuel or lubricant spills have the potential to penetrate ground water. The property is in a potentially environmentally sensitive position, lying adjacent to dwelling houses. However it is some distance from the nearest water course and whilst there may be underlying aquifers which could lead to transfer the risk of polluting a watercourse may be more limited.

10.2 There is no vegetation die back on site and accordingly no indications of widespread contamination. There is some minor oil staining which is consistent with the property's previous industrial use.

10.3 Although Local Authorities have power under the Environmental Protection Legislation to enforce remediation on land owners this tends to occur only where contamination is significant or emanating off site. Most Local Authorities tend to deal with contamination through the planning system, whereby remediation is required as part of any site redevelopment. It is noted in this case upon the obtaining of the outline planning consent there is a requirement for both preliminary risk assessments (Phase 1 Desk Study) and subsequently intrusive investigation if required. Thereafter a remediation strategy will be required as part of any redevelopment. This is as a result of the property's previous industrial use. We are not aware of any Phase 1 or other site investigations having been undertaken and accordingly the property has been valued free from contamination.

10.4 There is no surface evidence of any contaminative or deleterious materials used in the construction of the building and there are no particularly high risk land uses adjacent. Our enquiries have not revealed any contamination affecting the property or neighbouring property which would affect our valuation. 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 any contaminative use, this might reduce the values now reported.

10.5.0 Asbestos Regulations

10.4.1 In 21 May 2004 the UK Government introduced the Control of Asbestos at Work Regulations 2004 which had the affect to require the owners and those occupiers of all UK commercial premises with responsibility for maintenance of that building to produce an Asbestos Register. This Asbestos Register is to be made available for inspection by employees or trades people working on the site. The purpose of the audit is to determine whether there are any asbestos containing materials (acm's) within the fabric of the building and if such materials are discovered to put in place a management program for dealing with them. It is recommended that the bank's customer seek a copy of the existing Asbestos Register from the vendor or alternatively if the customer will have repairing liability for the building that they engage a specialist asbestos consultant to prepare an audit to ensure compliance.

10.5.2 The building contains large areas of corrugated cement asbestos roofing. This will require to be identified on the Register and its condition noted. Roofing materials of this type are relatively stable in situ but if they deteriorate substantially can cause problems with fibres. In addition they are difficult to maintain as replacement sheets can no longer be obtained and should only be replaced by specialist contractors with experience of dealing with this material and in particular its removal and disposal. The valuation is made on the assumption that an Asbestos Audit does not require any immediate removal of asbestos containing materials but will require a management plan to be put in place for dealing with existing ACM's on site.

10.6.0 Flood Risk

10.6.1 We have undertaken an Environment Agency flood risk search and the site is not deemed to be at risk from flooding from a natural watercourse.

10.7.0 Site Investigations

10.7.1 The valuation has been prepared on the basis that a coal mining search will reveal that the property is not at risk from any former mining activity and that there are no shafts or adits within 20m of the curtilage.

11.0 CONDITION

11.1 We have not carried out a structural survey, however, from a superficial inspection of the exposed parts of the building we can confirm that the property has been maintained in basic condition and requires a programme of modernisation and improvement.

- 11.2 The property is comparatively unusual, being a collection of industrial buildings which have grown over a period of time and accordingly incorporate a variety of types and styles. The original building on site was originally constructed although appears to have had part of the outer leaf rebuilt with concrete block which has subsequently been masonry painted. This is likely to be to correct historic deviations. The outer walls are in reasonable condition although there is some minor cracking as a result of thermal expansion. This part of the accommodation retains the original timber window frames which impose a high maintenance liability and requires treating/painting to prevent deterioration.
- 11.3 The building's roof structure is of basic condition. This is wood trussed with timber batons supporting natural slates. There is no back felt and a number of slates have slipped and been re-hung and some are damaged. Roof constructions of this type and age prone to nail fatigue which may necessitate large scale replacement of roof tiles. Although there are a number of slipped slates in this case this does not appear to be a widespread problem but the condition of the roof should be monitored. There has been deviation to the main supporting timbers which are uneven in part but appear to be of reasonable condition.
- 11.4 The adjoining modern building is also somewhat unusual, being constructed with an internal timber frame. Although common for agricultural and temporary buildings industrial buildings of this type normally have steel frame. The presence of an exposed timber frame may increase fire risk and consequently increase building's insurance premiums and again our valuation is made on the assumption that building's insurance is available at standard premium cover, with no exceptions. We understand that there is a guarantee attached to the timber frame but have not had sight of this.
- 11.5 There is some external horizontal cracking within the brickwork which may be indicative of wall tie failure. This is however isolated and although some minor remedial repairs will be required we do not consider that these would be significant.
- 11.6 Part of the accommodation is insubstantially built. There is a concrete, sectional, prefabricated building forming part of the accommodation. This has limited eaves height and poor thermal insulation capacity and accordingly is suitable for basic storage only. It is however at the current time dry and weather tight. Adjoining to this is a building also insubstantially constructed being effectively a covered yard. Again this offers weatherproofed storage and production space but is of limited quality.
- 11.7 Overall the general conditions of the buildings is fair only and suitable for a small engineering company but is likely to have a more limited economic life when compared to a more modern building.

12.0 MARKET TRENDS

- 12.1 The owner occupier freehold industrial market within the locality has remained reasonably strong in the last 12 months to 2 years. Although generally the market has been affected by the recession in the property market which began in 2007 there have been marked sectoral differences within that market. Whilst shops and offices have performed badly the industrial market has been resilient. There has however been a marked shift by occupiers away from leasehold and in favour of freehold buildings. The tax efficient investment opportunities available to the owners of industrial and commercial buildings has been an advantage to owner occupiers. Directors are now able to purchase properties, leasing these back to companies to create high yielding investments. The returns available significantly outstrip those which have been available by cash investments and being self perpetuated offer less risk than the volatile equities market. In addition although servicing and equity requirements have increased for those companies able to access bank funding this is available at historically low rates.
- 12.2 There has therefore been satisfactory owner occupier demand for most freehold buildings when offered for sale.

- 12.3 The majority of modern occupiers prefer single storey buildings for the ease of utilisation this allows. In this case, whilst the majority of the accommodation is single storey there is a detraction in that this is unitised accommodation with relatively limited eaves height and an encumbrances on internal product movement as a result of structural walls and comparatively narrow apertures.
- 12.4 The building does occupy a comparatively large site but immediate expansion opportunities are limited as a result of the position of the buildings relative to the adjoining land. In addition the land has not been developed for outside storage, access or parking, being mainly grassed and accordingly some works are likely to be required to bring this up to a usable standard.
- 12.5 The property is being acquired in order to create a Self Invested Pension Plan. If the Pension Scheme were to require to sell the property as an investment then demand would be dependant upon the lease terms. When considering the purchase as an investment most investors take into account the security of future rental income. This in turn is influenced by the unexpired term of the lease, covenant strength of the tenant and the likely attraction of the unit to other tenants were the existing tenant to vacate. In this case we have seen a move away from leasehold occupation. Particularly in the secondary market and this may affect the potential for re-letting. Furthermore the existing tenant's covenant strength is likely to be seen as local only and, on the basis that it is let in accordance with the terms indicated herein the lease term would be relatively short. However there are potential alternative uses and likely to be reasonable owner occupier demand which would provide some certainty with regards to resale and therefore there would be some demand. We would however consider this market to be more limited than the owner occupier market, as many professional investors are electing to deal with voids within their existing stock (to reduce the burden of Empty Rates) rather than acquiring new units. Moreover banks are reluctant to support speculative investment acquisitions and this continues to affect the market.

13.0 **MARKET RENT**

- 13.1 We would refer you to the tenancies section above which provides an indication as to the lease terms that we would expect to be achieved if the property were to be let on the open market. Taking into account these lease terms we consider the property has a Market Rental Value of:-

13.2 **Market Rent - £10,000 (Ten Thousand Pounds) per annum.**

- 13.3 This equates to approximately £2.35ft² overall in respect of the buildings with additional adjustment for the external areas which have some use for storage and car parking, albeit that they require further development. This is a blended rate applying between £1ft² and £3ft² depending upon the quality of the accommodation on offer. Higher rents are applicable in respect of the main single storey building whilst the lowest rent applied to the first floor of the two storey section. The Rental Value is accordingly computed as follows:-

Building	Floor	Floor Area	Rate per ft ²	Total
1	First	533ft ²	£1.00	£533
	Ground	533ft ²	£1.50	£800
2	Single	485ft ²	£2.00	£970
3	Single	1,418ft ²	£3.00	£4,254
4	Single	664ft ²	£2.00	£1,328
5	Single	629ft ²	£1.50	£944
			Total	<u>£8,829</u>
Plus yard		0.114 acres	£12,000 per acre	£1,368
				£10,197

- 13.4 When adopting the above rates we have taken into account the following:-

- At Bankgate Mills, Bankgate, Slaithwaite a series of small units forming part of a sub divided mill complex had been let at rents between £2.50ft² and £3.80ft². These are small units (sub 1,000ft²) and accordingly some premium will exist but they are otherwise similar in age and type to the subject property.

- At Marsh Mills, Luck Lane a small unit (1,184ft²) within a multi storey mill building which has been sub divided into units was let in May 2012 at £3.34ft². This is close to the subject property but better positioned relative to main access roads and some quantum for the small demise will also exist.
- Moto Arvo Ltd has taken 4,144ft² of two storey industrial building forming part of The Long Mill, Stainland Road, Halifax from December 2011 at a rent of £3ft².
- At Bay Hall, Common Road, Huddersfield, Plumbing & DIY has taken 5,533ft² of three storey mill building on a fully developed site at a rent rising from £0.80pft² to £0.95pft² average £0.90pft² overall. This is secondary space within a fully developed large mill complex and accordingly the subject property is better than this and would achieve some premium rent.
- Heath House Mill, Heath House, Golcar, forming part of a multi storey mill complex a part single, part two storey suite of 2,500ft² was let in September 2011 at a rent equating to £2.28ft². The larger units within the same development have been let at rents as low as £1ft².
- At lower Quarry Road, Huddersfield and undisclosed tenant has taken a former Nissen Hut, being single storey unit clad in metal decking, by way of a 1 year lease from August 2011 at a rent of £2ft².
- At Clay House Lane, Greetland a basic, single storey workshop was let by way of a 3 year lease at a rent rising from £2.33ft² in year 1 to £3ft² in year 3, averaging £2.66ft². This is better than the subject property in being all single storey but is arguably less well located.
- At Wood Street, Brighouse a private individual took 3,870ft² by way of a new 3 year lease from April 2011 at a rent equating to £2ft². This is an older, single storey unit with limited yard and therefore some premium for the subject property's external areas are applicable.
- Although now somewhat historic a single storey building at Chapel Street, Huddersfield HD1, extending to 4,112ft² was let in April 2011 at a rent of £1.95ft². This is a good quality building but with only relatively small yard area and is accordingly a suitable comparable, albeit that some adjustment for the property's better yard would be applicable.

14.0 VALUATION APPROACH

- 14.1 The valuation has been undertaken in accordance with the Royal Institution of Chartered Surveyors Valuations Standards – Global & UK (8th Edition) – March 2012, issued by Royal Institution of Chartered Surveyors (RICS).
- 14.2 The valuation has been undertaken using both the All Risks Yield (Investment) method of valuation. Here, an assessment of Market Rental Value as indicated above has been made and an investment yield applied. However investment yields are currently comparatively low and in this case we have in mind that there are potential alternative uses for the site and likely to be owner occupier interest and therefore have considered the investor would accept a lower yield than the market would normally suggest which would provide for additional value.
- 14.3 We have also considered that increasingly owner occupiers are discounting the link between rents and capital prices and accordingly have considered our valuation on a direct comparison rate per ft² basis.
- 14.4 Our valuation equates to £30ft² on an overall basis which is justified by the following:-
- Bankfield Lane, Kirkheaton – in July 2012 Bramleys sold a range of single and two storey, stone built properties in a mixed residential land use area and extending to 2,427ft² for a price of £105,000. This equates to £43.26ft². Some premium for quantum was applicable but the buildings were otherwise similar.
 - At Thornhill Beck Lane, Brighouse a detached, two storey office and workshop building on a comparatively small site but offering some car parking of 4,810ft² was sold in June 2012 at a price of £195,000, being £40.54ft². This is in better condition than the subject property but offered similar mixed two and single storey accommodation and had a smaller site. It is however in an arguably better position from an industrial perspective.

- 1 Lockwood Road, Huddersfield a two storey building dating from the 1930's, with limited yard area extending to 1,898ft² was sold in 2011 at a price of £80,000. This equates to £42ft².

15.0 VALUATION

- 15.1 Detailed assumptions used in the preparation of the valuation are contained within the Assumptions and Bases of Valuation attached and within the body of this report and these should be considered in conjunction with the following valuation.
- 15.2 The date of the valuation is the date of the report.
- 15.3 The valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors Valuation Standards – Global & UK (8th Edition) subject to the assumptions shown above and on the following bases:-
- 15.4 Market Value of the property with the benefit of vacant possession in its existing condition assuming a proper period for marketing.

15.5 Market Value - £130,000 (One Hundred and Thirty Thousand Pounds).

16.0 VAT

- 16.1 Our valuation is made upon the basis that the property is not registered for VAT.

17.0 ALTERNATIVE USE

- 17.1 We are aware that outline planning consent has been granted for a redevelopment of the site. The plans drawn show 5 dwelling houses, albeit that a Reserved Matter application would be required to confirm the size and architectural detail of these. The outline consent is granted conditionally subject to approval of materials and this also contains a requirement for the identification of potential contaminants on the site and remediation if required. In addition there is a requirement that any development shall provide Affordable Housing in accordance with Housing Policy H10 of the Council's Unitary Development Plan. These sums are as yet un-clarified and potentially represent an additional development cost which could affect the residual value of the site. Although outline planning permission establishes the principal for alternative uses on site we do not consider that there is any significant additional value within the existing outline planning consent, albeit that its presence would potentially enhance saleability by allowing an alternative disposal route if required.

18.0 LIMITATION OF LIABILITY TO PARTIES OTHER THAN THE CLIENT

- 18.1 The report is provided for the sole use of the party to whom it is addressed and will remain confidential to that party and their professional advisers. No responsibility is accepted to any third party for the whole or part of its content. The report is provided on the basis of full disclosure of all information and facts which may affect the valuation being made to the value by the party concerned and the valuer will accept no responsibility or liability in any event unless such full disclosure has been made.
- 18.2 Neither the whole nor any part of the report nor any reference thereto it may be included in any published document, circular or statement, nor published in any way without the written consent as to the form, content and context in which it may appear.

19.0 REINSTATEMENT COST ASSESSMENT

- 19.1 We have undertaken a Reinstatement Cost Assessment of the building for insurance purposes. The assessment includes architects and quantity surveyors fees and an allowance for debris clearance but the assessment is exclusive of VAT.


- 19.2 The Reinstatement Cost Assessment for insurance purposes is £225,000 (Two Hundred and Twenty Five Thousand Pounds).
- 19.3 The Reinstatement Cost figure does not relate to any form of valuation (for market or other purposes) and is given for guidance purposes only and if a more formal estimate is required this should be sought from either a quantity surveyor or architect.

20.0 PROFESSIONAL INDEMNITY INSURANCE

- 20.1 We can confirm that Bramleys carries sufficient Professional Indemnity Insurance for the provision of this valuation and for its current workload. The current limitation of our PII is £5,000,000 per claim.

We trust that the above meets with your requirements, however should you wish to discuss the matter further please do not hesitate to contact the undersigned.

Yours faithfully



Graeme Haigh B.Sc (Hons) MRICS
RICS Registered Valuer
for Bramleys



ASSUMPTIONS AND DEFINITION OF VALUATION

DEFINITIONS OF VALUE

Market Value

Valuation Statement 3.2 of the RICS Valuation/Professional Standards – Global & UK Edition (March 2012) defines the Market Value [MV] as:

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Unless otherwise stated in this report, no 'special assumptions' have been made in arriving at the MV and we deem the following items to fall within the definition of land and buildings included in the valuation:

Landlords fixtures and fittings, air handling, air extraction systems (except where connected with conduction machinery), air conditioning and other essential services, landlord's fixtures and fittings, mains electrical installations, lighting, permanent heating installations, water and gas mains and fittings, drainage pipes and fittings, sprinkler installation, craneage, permanent partitions, fences, yards and hardstanding.

Market Rent

Valuation Statement 3.3 of RICS Valuation/Professional Standards – Global & UK Edition (March 2012) as defines Market Rent [MR] as:

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.

Whenever Market Rent is provided the "appropriate lease terms" which it reflects will also be stated.

Worth & Investment Value

Valuation Statement 3.4 of RICS Valuation/Professional Standards – Global & UK Edition (March 2012) indicates that valuations on worth or investment value shall adopt the definition settled by the International Valuation Standards Council as follows:-

Worth, or investment value, is – the value of property to a particular owner, investor or class of investors for identified investment or operational objectives.

Fair Value

Under Valuation Statement 3.5 of RICS Valuation/Professional Standards – Global & UK Edition (March 2012) valuations based on Fair Value shall adopt the definition settled by the International Valuation Standards Council as follows:-

Fair Value is: the amount for which an asset could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

Existing Use Value

Under UK Valuation Standard 1.3 valuations based on Existing Use Value (EUV) shall adopt the definition settled by RICS:-

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

EUV is defined as 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 property marketing wherein the parties have acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business, 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.

Reinstatement Cost Assessment

An Insurance Cost Assessment will be provided if requested.

We have considered, solely for guidance purposes, the reinstatement cost of the building for insurance purposes. This assessment includes architects and quantity surveyors fees, an allowance for debris clearance and is exclusive of VAT. It is based on current costs as at the date of this report and does not make an allowance for future inflation. We recommend that provision for inflation in building costs is made.

The reinstatement cost figure does not relate to any form of valuation (for market or other purposes) and is given for guidance purposes only and if a more formal estimate is required this should be sought from either a quantity surveyor or architect.

Where the subject property is a flat or maisonette the assessment will be based on the reinstatement cost of that part of the total structure consisting the proposed security. It is the client's responsibility to enquire whether a management committee or the landlord arranges insurance for the building as a whole and whether that cover is adequate.

Terms of Engagement

Subject to express agreement to the contrary, the terms on which the Valuer will undertake the Valuation has been undertaken are set out below.

1. The report was undertaken by a Valuer who is an RICS Registered Valuer registered with the Valuation Faculty of the RICS and who possesses sufficient knowledge, skills and understanding and who has experience of valuing this type of property in this locality.
2. The Valuer is acting as an External (independent) Valuer as defined by the Royal Institution of Chartered Surveyors.
3. The Valuation was prepared in accordance with Valuation Statements and Guidance Notes issued by the Royal Institution of Chartered Surveyors and accordance with the Valuation Standards – Global & UK (Red Book) 7th Edition – May 2011.
4. Any special assumptions made by the Valuer or any departures from the Valuation Standards was made clear by the Valuer and stated within the report.
5. The floor areas were taken and expressed in metric measurement and the imperial equivalent floor areas will be given as converted figures.
6. Subject to Points 6 and 7 below, the Valuer has undertaken such inspections and investigations as are, in the Valuer's reasonable professional judgement, appropriate and possible in the particular circumstances.
7. The Valuer has relied upon information supplied by the Client and/or Client's legal representative or other professional advisers relating to tenure, tenancies, rights of way, restrictive covenants and other relevant matters. The Valuer did not inspect the title deeds and has assumed that the property and its value are unaffected by any matters that were revealed by a local search and replies to the usual enquiries or by any statutory notice.
8. The Valuer has had regard to the apparent state of repair and condition of the property but did not carry out a building or condition survey and the Valuer did not inspect those parts of the property which are covered, unexposed or inaccessible. Such parts were assumed to be in good repair and condition. The Valuer was not under a duty to arrange for the testing of electrical, heating, plant or other services. Where requested an indication of reinstatement cost for insurance purposes has been provided. The assessment was undertaken on reinstatement basis and is for guidance purposes only. The assessment includes architects and quantity surveyors fees, an allowance for debris clearance but be exclusive of VAT and ignoring inflation. An indication of costs for insurance purposes falls outside of the RICS Valuation Standards and does not represent a valuation for market or any other purposes.
9. In reporting the Value, the Valuer will meet the relevant requirements of the RICS Valuation/Professional Standards – Global & UK Edition (March 2012) and will make the following assumptions which he/she will be under no duty to verify.
 - a. That no high alumina cement concrete or calcium chloride additive composite panels or any other potential deleterious or hazardous materials or techniques have been used in the construction of the property or have since been incorporated.
 - b. That unless otherwise advised or an inspection reveals matters to the contrary, an assumption is made that no contamination or potentially contaminative use is, or has been, carried out at the property. Unless specifically instructed we will not take any investigation into the past or present uses of either the property or any adjoining or nearby land to establish whether there is the potential for contamination from these uses and an assumption will be made 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 any contaminative use this might reduce the values reported.
 - c. That vacant possession is provided (unless valued as an investment and subject to an occupational lease).
 - d. That good title can be shown to the property and it is not subject to any unusual or especially restrictive onerous restrictions, encumbrances or outgoings.
 - e. That inspection of those parts which have not been inspected would not reveal material defects or cause the valuer to alter the Valuation materially.
 - f. That sewers, main services and roads giving access to the property have been adopted and that any lease provides rights of access and egress over all communal estate roadways, paths, corridors, stairways, communal grounds, parking areas and other facilities.

- g. In the case of a new property where construction which has not been completed, that construction will be satisfactorily completed.
- h. That in the case of newly constructed residential property it has been built under the NHBC Buildmark Scheme, Zurich Municipal New Build and Rebuild Scheme, Housing Association Property Mutual Scheme, Premier Guarantee or for private and completed housing or equivalent, under the supervision of a professional consultant and that an appropriate certificate of satisfactory completion has been issued.
- i. We will not make any written enquiries of the Planning Authority and therefore will make the assumption that there are no known contraventions of planning law and that all buildings and structures which require planning consent and Building Regulation approval have the appropriate statutory consents.
- j. We will not make any enquiries of the Health and Safety Executive and will not make any statement that the property conforms to the necessary and legal requirements of this authority and or to the requirements of any legal enactment and we will assume that there are no contraventions that may affect the valuations.
- k. We will not make any enquiries to obtain a mining report and will assume, unless there is compelling visual evidence, that there is no potential subsidence which would affect the property.
- l. We have not carried out a detailed site inspection to ascertain the presence, or otherwise, of Japanese Knotweed. This is an invasive and insidious plant which can be expensive to clear from a site and its presence can cause damage to a building's fabric. Under the UK Wildlife and Countryside Act it is illegal to cause Japanese Knotweed to grow in the wild. Should further investigations reveal the presence of Japanese Knotweed on or adjacent to the site then a full report identifying the extent and cost of appropriate works should be undertaken and referred back to the valuer for comment.

LIMITATIONS AND ASSUMPTIONS

This report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or part of its contents. This report has been prepared on the basis that full disclosure of all information and facts which may affect the valuation have been made to ourselves by the parties concerned and we cannot accept any liability or responsibility in any event unless such full disclosure has been made.

Neither the whole nor any part of this valuation or any reference thereto may be included in any published document, circular, or statement, or published in any way without the valuer's written consent of the form and context in which it may appear.

We have not carried out a structural survey nor have we inspected woodwork or other parts of the property which are covered, unexposed or inaccessible and, therefore, are unable to give any guarantees whatsoever as to the soundness of these areas and for the purposes of this report all such parts are assumed to be in good repair and condition.

We have not undertaken any investigations to determine whether or not high alumina cement, asbestos, concrete, sulphates or calcium chloride additive or any other potentially deleterious material has been used in the construction of this property or has since been incorporated and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that the building does not comprise any deleterious materials.

Certain of the information upon which the valuation has been made is obtained from the client, some from the Local Authority, some of it is in the form of plans and letters and some orally. We do not doubt the accuracy or validity of any of this information, but if we subsequently are advised that any of it is incorrect then the valuation is set aside. If the valuation is set aside, we reserve the right to prepare a revised valuation taking into account the correct information.

The valuation does not take into account any matters concerning the consideration of or the incidence of taxation whether in the nature of stamp duty, capital gains tax, income tax, corporation tax, development land tax, or any other tax or levy (whether national or local) that may arise or be taken into account on any transaction. Nor does the valuation have regard to any incidental costs of sale that may arise on a disposal. The property has been valued free from borrowings.

We have not tested the electrical, gas, oil or other energy installations to include all wiring, cables, piping and conduit, switches, plugs, fuses and taps and water and drainage systems and plumbing, heating and ventilation as this is outside of our instruction and consequently no opinion or any assurance or guarantee as to their existing conditions or suitability is made.

We have not inspected the Title Deeds or proposed lease in respect of the property, and have relied on the verbal information given to us or Land Registry extract obtained in respect of tenure and boundaries unless otherwise stated within the report. We have further assumed:

- a) that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings;
- b) that good title can be shown;
- 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.

We have not made written enquiries of the Planning Authority and, therefore, assume there are no known contraventions of planning law and that all buildings and structures and the use thereof which require planning permission have a valid consent.

We have not made any enquiries of the Health and Safety Executive and are not able to state that the property and buildings conform to all the necessary and legal requirements of this Authority or to the requirements of any other legal enactment and we have assumed there are no contraventions which may affect the valuation.

We have not commissioned a coal mining report or undertaken any geological surveys and have assumed that there are no adverse ground conditions affecting the property.

We have not undertaken an access audit of the property which may be required under the provisions of the Disability Discrimination Act 1995. We have not undertaken a fire risk assessment of the property that may be required under the provisions of the Regulatory Reform Act (Fire Safety) 2005. We are accordingly unable to state whether these legislative powers are applicable, the extent to which they can be applied and the associated implications. We have therefore assumed there are no contraventions that might affect the valuation.

We have not carried out a detailed site inspection for the presence of Japanese Knotweed. This is an invasive and insidious plant that can be expensive to clear from the site and its presence can cause damage to building fabric. Due to its vigorous nature and damage it causes it is listed by UK Wildlife and Countryside Act as illegal to cause it to grow in the wild. Should further investigations reveal the presence of Japanese Knotweed on or adjacent to the site then a full report identifying the extent and cost of appropriate remedial work should be undertaken and referred to the valuer to determine the impact upon the valuation.

Unless otherwise stated within the report, we are not aware of the content of any environmental audit or other environmental investigation or soil survey which may draw attention to any contamination or the possibility of any such contamination. The valuation has been undertaken on the basis that, unless stated within the main body of the report, we have assumed that there is no contamination at the site affecting 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 from these uses or sites to the subject property and have therefore assumed that none exists.

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