

Valuation Report

Proposed Aparthotel

18 Academy Street, Coatbridge, ML5 3AU

13 December 2023

Prepared on the instruction of 3 Sigma Coatbridge Limited
Reference: CR211594

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Executive Summary

This Executive Summary is to be read in conjunction with the Report and Appendices.

| | |
|---------------------------------|--|
| Location | <ul style="list-style-type: none"> • Located in Lanarkshire, within the town of Coatbridge c12 miles east of Glasgow • Coatbridge has a population of c44,000 • The Property is situated on the east side of Academy Street just north of the town centre |
| Description | <ul style="list-style-type: none"> • The Property comprises an original Victorian era villa with period and modern extensions • It is of stone and cavity brick construction under a pitch slate covered roof • Currently utilised as a legal office • The Client proposes to redevelop to an Aparthotel (Class 7) |
| Condition & Capital Expenditure | <ul style="list-style-type: none"> • Currently in reasonable condition for existing office use • Client proposes a circa £600,000 refurbishment to create 12 letting apartments |
| Business | <ul style="list-style-type: none"> • A proposed Aparthotel (Class 7) development offering a range of room types • Apartments range from one two bed suite (56sqm); seven family suites (20-25sqm); three regular suites (13-19sqm) and a boutique studio (12sqm) • All will be fitted and finished to a quality standard and have en-suite facilities • Projected mature trade assumes a mid-range occupancy of 75% and ARR of £89 (excluding VAT) • Projected mature turnover of £291,313 and we have adopted similar in our assessment • Projected mature EBITDA of £147,979 although we have adopted slightly lower in our assessment |



Front elevation



Existing office

| | |
|------------------------|---|
| Tenure | <ul style="list-style-type: none"> • Freehold |
| Lender's Action Points | <ul style="list-style-type: none"> • Monitor the proposed redevelopment and refurbishment to ensure costs are in line with estimates identified herein |

| Valuations | | |
|--|------------|--|
| Market Value (MV1) | £260,000 | Two Hundred and Sixty Thousand Pounds |
| MV2 – Subject to Planning Permission | £275,000 | Two Hundred and Seventy Five Thousand Pounds |
| MV3 – Turnkey following refurbishment | £970,000 | Nine Hundred and Seventy Thousand Pounds |
| MV4 – Mature Trading Value | £1,110,000 | One Million, One Hundred and Ten Thousand Pounds |
| Market Rent - Mature | £55,000 pa | Fifty Five Thousand Pounds Per Annum |
| Insurance Reinstatement Cost | £1,250,000 | One Million, Two Hundred and Fifty Thousand Pounds |
| <ul style="list-style-type: none"> • The valuations set out above exclude any liability that arises or could arise in respect of VAT, taxation and the costs of acquisition or realisation. The definition of Market Value should be interpreted in the context of the International Valuation Standards Framework effective 31 January 2022 (paragraphs 30.1 to 30.7 of IVS104). | | |

Section 1

Instructions

Instructions

Instructing Source

3 Sigma Coatbridge Ltd, 18 Haddow Street, Hamilton, ML3 7HX (hereinafter referred to as the "Client").

Purpose of Valuation

Loan security.

Property Details

18 Academy Street, Coatbridge, ML5 3AU (the "Property").

Tenure

Freehold.

Currency

The Valuations are expressed in Pound Sterling (GB £).

Inspection, Information & Other Activities

The Property was inspected on 13 December 2023 at which time we met the current owners who showed us around and the Client has subsequently provided various information which we have relied upon as being correct. In addition, we have carried out our normal research and enquiries.

Limitations

There are no limitations regarding the investigations and work that we have undertaken.

Valuation Date

The "Valuation Date" is the date of inspection.

Responsible Valuer

This Valuation Report (the "Report") has been undertaken by George Ranachan MRICS, a Director at Christie & Co, who is a RICS Registered Valuer and who has the appropriate

local and national knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.

Conflicts of Interest

We confirm that we have no prior involvement with either the Property or the Client and are not aware of any conflict of interest that prevents us from undertaking this instruction. We also confirm that, in preparing this report, we act in the capacity of External Valuers.

Reporting Requirements

The Report has been produced in accordance with the RICS Valuation - Global Standards (the "Red Book"), incorporating the International Valuation Standards ("IVS"), both effective from 31 January 2022.

This instruction has been undertaken in conjunction with our terms of engagement letter dated 30 November 2023 and signed and returned by the Client on 5 December 2023, a copy of which is contained within Appendix 1. This Report should be read in conjunction with the Conditions & Assumptions of Valuation which are contained within Appendix 2. These contain various general and special terms and assumptions of the valuation.

We confirm that we hold appropriate Professional Indemnity Insurance in respect of this Instruction and that our fees generated from the Client represent less than 5% of our prior financial year's income.

Complaints

Any complaints or issues arising out of the Valuation will be dealt with in accordance with Christie & Co's complaints handling procedure, a copy being available on request. The Valuation may be subject to monitoring under RICS' conduct and disciplinary regulations.

Basis of Valuation

This Report has been produced in accordance with the Red Book. The basis of valuation is Market Value, which is defined by the Red Book as:

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

The definition of Market Value should be interpreted in the context of the International Valuation Standards Framework effective 31 January 2022 (paragraphs 30.1 to 30.7 of IVS104).

As per our instructions, we have provided the following bases of value:

MV1 – Market Value of the Property in its current condition and use.

MV2 – Value subject to planning permission for the development as Use Class 7 Hotel

MV3 – Turnkey Valuation on completion of refurbishment works

MV4 – Mature operational value (stabilised value), GDV

A Special Assumption is defined by the Red Book as “an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.”

Market Rent (MR)

Market Rent is defined as:

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

The appropriate lease terms are set out later.

Section 2

The Property

The Property

Situation & Location

Coatbridge

Coatbridge is a town in North Lanarkshire, Scotland, about 8.5 miles east of Glasgow city centre, set in the central Lowlands. It forms the area known as the Monklands along with the neighbouring town of Airdrie, considered to be part of the Great Glasgow urban area and has a population in the region of 43,720.

Coatbridge was a major Scottish centre for iron works and coal mining during the 19th century and was then described as 'the industrial heartland of Scotland and the 'Iron Burgh'. It historically had a notorious reputation for air pollution and the worst excesses of industry. However, by the 1920s, coal seams were exhausted and the iron industry in Coatbridge was in rapid decline. The present-day street layout of the town centre is largely influenced by the planning of the Baird family who owned one of the town's largest ironworks.

Coatbridge is adjacent to the M8 and M73 motorways. The M74 motorway is also a short drive away. The major cities of Edinburgh, Stirling and Glasgow are all within commuting distance.

The Property

The Property is located on the east side of Academy Street which runs perpendicular to the north of Main Street which is the main retail and commercial street of the town centre. Academy Street is a mixed residential and commercial street and the Property sits directly adjacent to The Mint, restaurant and bar and directly opposite the former Carnegie Library building. Other commercial users including Coatbridge Family Dental, Ferguson Academy Salon and Pretty Woman health and beauty.

There is on street parking available and a free, public car parking in nearby walking distance. Coatbridge train station is within 500m.

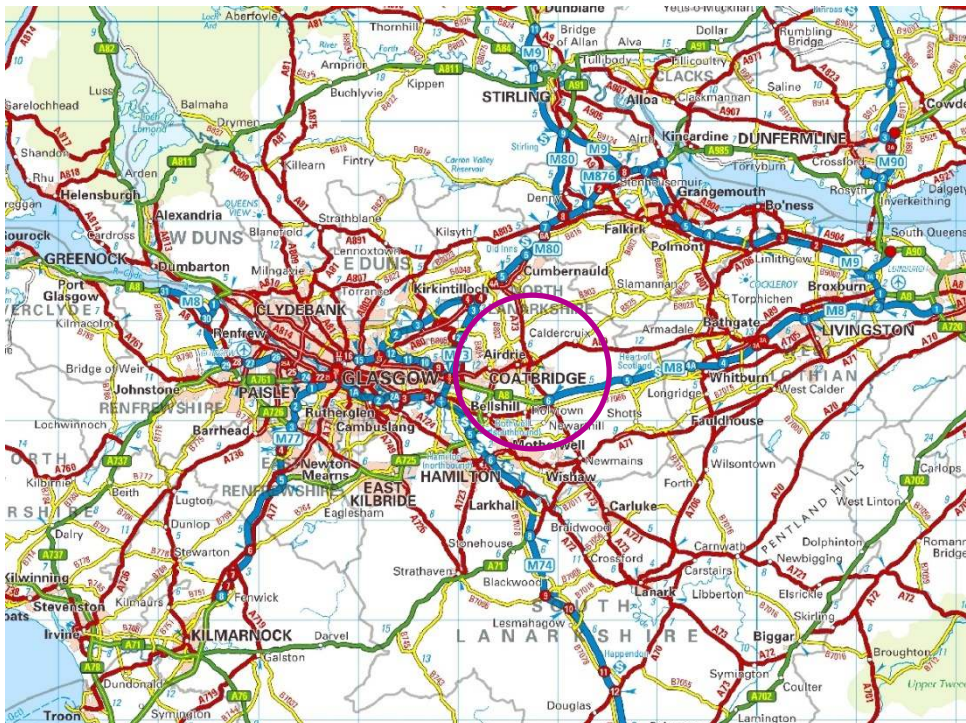
Demographics

We have undertaken a demographic search within a 10 km radius of the Property. We summarise our main observations as follows:

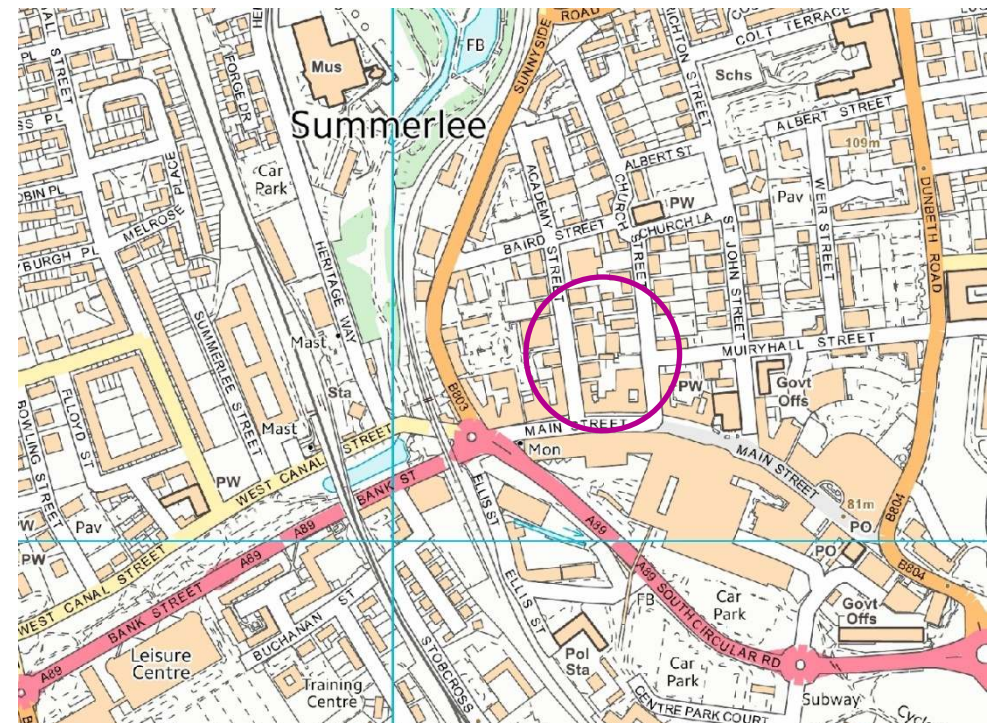
- There is a total population of around 413,029 within 10 km with a larger proportion of those aged 30-44 years and 45-59 years when compared to the UK average
- Unemployment at 7.5% is higher than the UK average of 5.5%
- Dominance of those in Social Class SEC6 (Semi-routine occupations) and SEC7 (Routine occupations) when compared to the UK average
- 60.11% of the local population within 10 km of the Property reside in privately owned dwellings compared to the UK average of 64.21%

Overall, the demographics indicate an area of broadly average affluence, popular with young families and those nearing retirement age.

Location Maps



Location Map

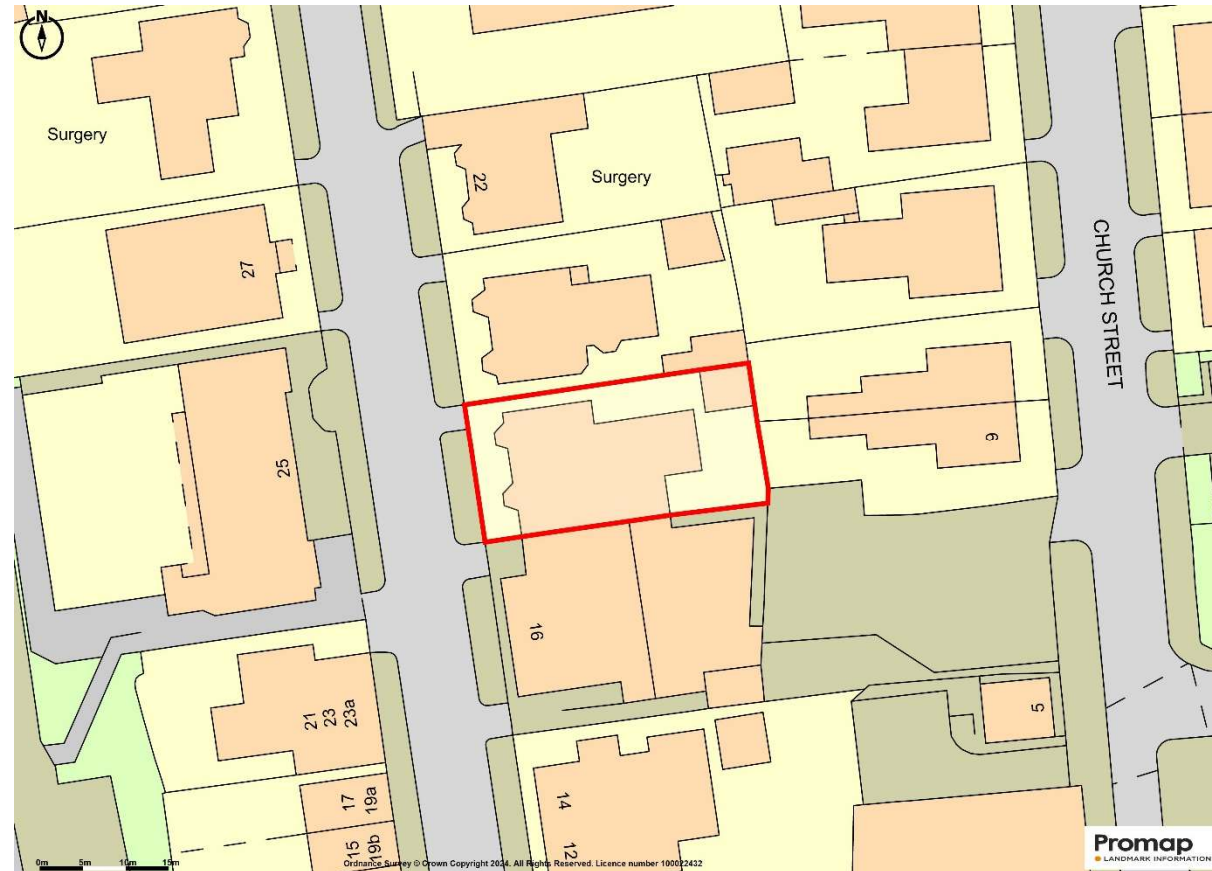


Street Map

Site Plan

Our understanding of the Property's site boundaries is highlighted in red on the plan opposite.

Based on this, the Property occupies a broadly level site which extends to approximately 0.05 ha (0.14 acres).



For identification purposes only

Photographs



Front elevation



Rear elevation



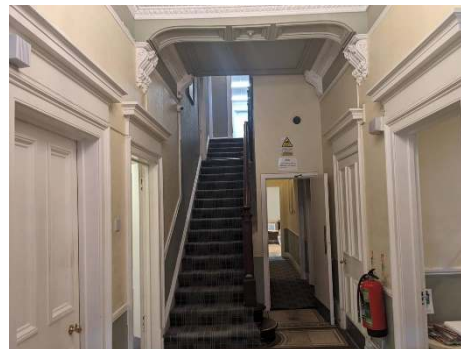
Office existing



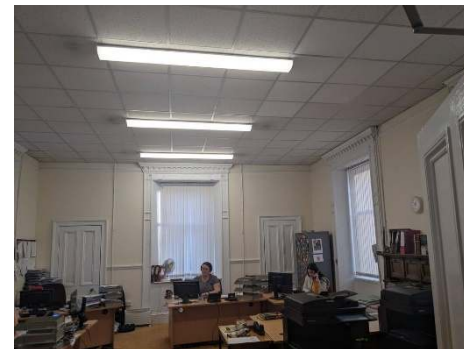
Kitchen existing



Office existing



Entrance Hall

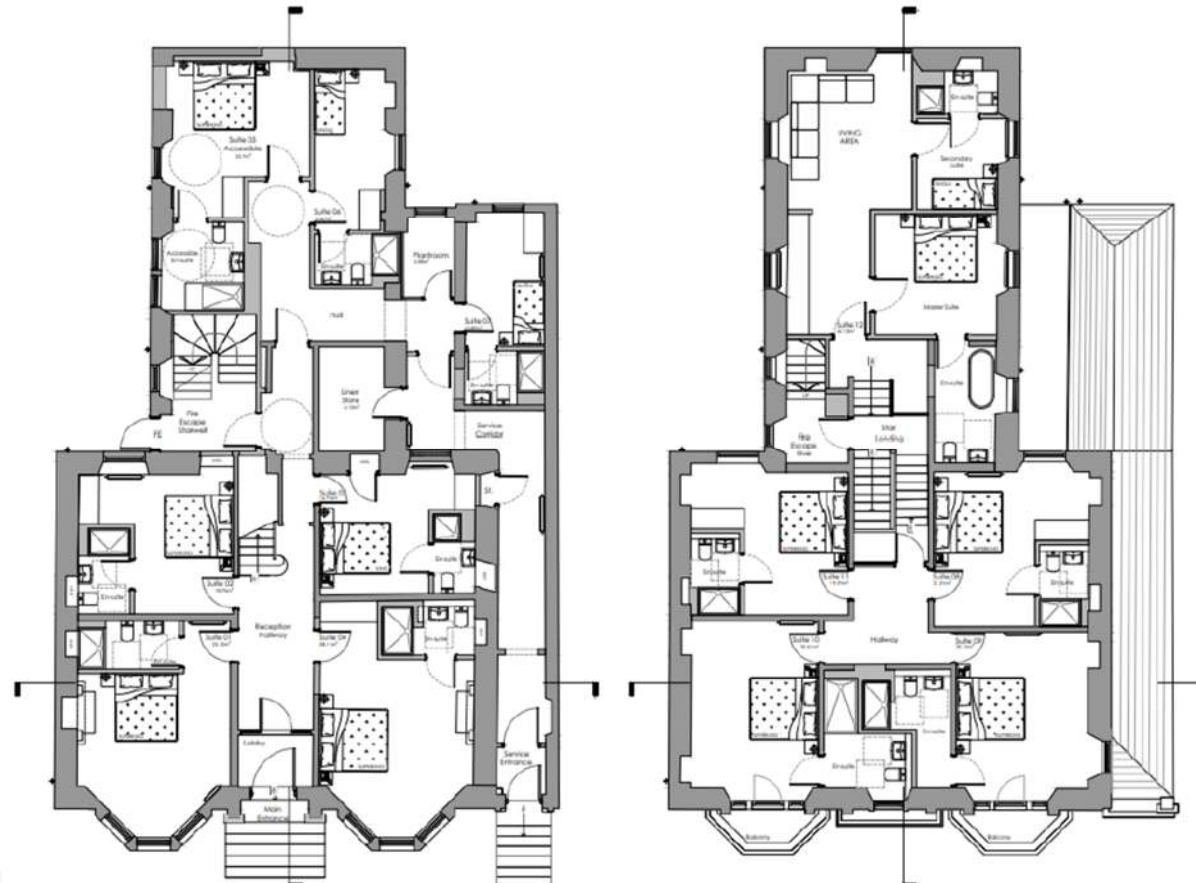


Office existing



Office existing

Proposed Layout



Description

The Property comprises an original, Victorian era, blonde sandstone villa which has been extended to the rear at ground and first floor by a mixed cavity brick and stone extension. The building is set under a pitch and hipped, slate covered roof which has a mix of original and uPVC gutters and downpipes and a mix of original, timber frame single glazing and modern replacement glazing. The building is elevated from street level and accessed via a flight of 6 steps to a central door either side of ground floor, bay windows.

Internally it is currently utilised as solicitors offices with a central hall way having reception off and various rooms used as offices, storage, kitchen and support accommodation. It is reasonably well fitted and finished for the current use.

To the side / rear is a single storey garage/ storage building which can have direct access to Academy Street.

Proposed Accommodation

The Client proposes to convert the entire Property into 12 individual letting apartments of a ranging from small studios to two bedroom suites and each with bedroom/ open plan lounge and small kitchen area and en-suite facilities.

Although this will require a full internal redesign of the existing accommodation a number of the existing rooms will be retained in shaped, size and height. We have been provided with proposed layout plans and confirming the property will be fully redeveloped internally and fitted and finished to a very high standard throughout. The existing access and entrance hall will be retained with contact free access to the building and individual apartments. The front facing, first floor apartment will have small balcony's on to the roof of the bay windows below.

The garage space will be demolished and utilised as car parking for the Aparthotel.

Proposed Accommodation

We summarise the principal proposed accommodation in the table adjacent.

Ground Floor

- 7 apartments ground floor
- 5 apartments on the first floor

The apartments will be configured as follows

- One luxury suite - a two bedroom apartment of 56 sq m
- Seven family suites – ranging from 20 – 25 sq m
- Three regular suites – 13 to 19 sq m
- One boutique studio – 12 sq m

Service Accommodation

- Linen Store
- Plant room

Measurements

We have not completed a full measured survey of the Property, as hotels are not valued with reference to internal floor areas.

The local authority rates Assessor identifies the total area of the building as 337.8 sq m (3,636 sq ft),

Condition and Capital Expenditure

Whilst we have not carried out any form of building or structural survey, we noted that generally the existing Property is presented in reasonable to good external and internal condition and decorative order. We did not notice nor was it brought to our attention during our inspection any major defects relating to the fabric of the building that require immediate attention. We confirm that we have not carried out any form of building survey on the Property and recommend that the Client satisfy themselves as to the overall condition. We highlight that we have not tested any equipment, appliances or services and therefore assume that all such items are in good working order and fit for purpose and that the services have been appropriately registered and inspected regularly.

Given the Clients proposed full redesign and refurbishment however we do not consider the current use and condition a detriment to their proposals.

We are advised that the Client plans to invest circa £600,000 plus fees (not identified) to reconfigure and refurbish the Property to the proposed layout as defined above. This will inter-alia include

- External wall and roof repairs as necessary
- Replace and renew plumbing and electrical wiring as required to the building and individual apartments
- Internal redesign of the lay out to create 12 varying sized apartments each with bedroom/ open plan lounge/kitchen area and all with en-suite facilities
- Above to be fully fitted, finished and furnished to a very high standard

Our valuation assumes that the completed Property will meet all current building, fire and safety regulations within the costs identified above.

Void Running Costs

In the event of the Property becoming vacant and unoccupied for any length of time the following issues will need to be taken into consideration:

- Empty business rates
- Security and maintenance
- Insurance
- Closing of services (draining wet systems, securing lifts and switching off electricity supplies)

Fixtures & Fittings

We summarise the most notable fixtures and fittings as follows:

- The majority of apartments are to be furnished as follows: bed, bedside cabinet, wardrobe, chest of drawers and a comfortable chair/ couch with fold-down beds in the family suites
- The en suites comprise a shower, toilet and wash basin
- Apartment facilities include an iron, TV and tea & coffee making facilities with hair dryer
- The Property will have emergency lighting, smoke detectors and fire alarms fitted throughout
- High quality, wi-fi connectivity
- There will be no passenger lift

We have valued on the basis that all of the above is to be owned, not leased or on any other kind of hire purchase scheme and have added back any equipment lease or hire costs in arriving at the adjusted EBITDA for the projected accounts.

We assume that all any equipment, appliances or services will be in good working order and fit for purpose and that the services will have been appropriately registered and inspected regularly.

Statutory Enquiries

The outcomes of our Statutory Enquiry searches carried out on or around the Valuation Date is provided below, with further general information and regulatory context appended.

Non Domestic Business Rates

We accessed the Scottish Assessors Association website and recorded the following information:

- Rateable Value (2023 roll) £28,000
- Description Office

Following the refurbishment the Property will be required to be re-assessed under the proposed use.

Environmental Health

The Property will not provide any food and will not be required to be registered for environmental health.

Licensing

The Property will not have a premises licence.

Fire Safety

We are advised that a fire risk assessment has historically been carried out and that the proposed Property will be fully fitted and alarmed to current standards. However as we have not seen a copy of the historic document or fire proposals we cannot comment or provide any assurances in this respect: further enquiries and advice are recommended.

We are advised by the Client that a full fire audit will be undertaken as part of the proposed refurbishment and upon completion of the works. We assume that this will be undertaken by a suitably qualified external consultant and that all recommended action points will be undertaken, but as we are not specialists in this field we cannot comment or provide any assurances in this respect.

Whilst we have valued the Property on the assumption that it is compliant with all Fire Safety and Building Regulations, we provide no warranties whatsoever and recommend that the Bank obtain separate specialist advice if considered necessary.

Asbestos Containing Materials (ACM)

In carrying out and providing this report and valuation Christie & Co have not undertaken an ACM inspection and understand that the Client of the Property has not obtained or commissioned a report from an ACM inspector. Furthermore, Christie & Co have made no allowance for the potential liability.

Given the extent of the proposed refurbishment of the Property we have assumed that there is and will be no asbestos in any part of the Property and have therefore valued on that basis.

Sustainability and Environmental, Social and Governance (ESG)

We accessed the online EPC register Portal and confirmed the following:

| | |
|--------------------|--------------------------|
| | |
| Certificate Number | 2130-3937-7020-0400-4725 |

| | |
|--|---------------|
| EPC Rating and RAG | E / Amber |
| EPC Numerical Score | 66 |
| Expiry Date | 31 March 2032 |
| Building Emission Rate (kgCO ₂ /m ² per year) | 65.73 |
| Primary Energy Use (KWh/m ² per year) | 379 |
| Outside the Scope of The Energy Performance of Buildings (Scotland) Regulations 2008 | No |
| Exemption Registered | No |

Following the change of use and completion of the refurbishment works it is likely that the EPC grading and outcomes will change. We recommend that a new EPC is undertaken when works are complete.

Other Property Enquiries

We have made various enquiries including accessing the online content of the relevant departments of North Lanarkshire Council and as a result confirm as follows:

| | |
|--|--------------|
| Listed Building | No |
| Conservation Area | Yes |
| Planning Class (proposed) | Class 7 |
| Planning - onerous or restrictive conditions | None advised |
| Planning - enforcement actions/proceedings | None advised |

| | |
|---------------------|---|
| Regulated Mortgages | None of the total land and buildings within the curtilage is private living accommodation |
| Equality Act 2010 | Upon completion we presume an Equality Act compliance survey will be carried out. |
| Adopted Highway | Yes – Solicitor to confirm |

The most recent planning application is 23/01097/FUL change of use from office (Class 4) to aparthotel accommodation (Class 7). This was submitted in October 2023 and is pending consideration.

Other Enquiries

Services

We believe that the Property has and is connected to the following services:

| Services | | | |
|--------------------|-------|--------------|-------|
| Drainage | Mains | Gas | Mains |
| Electricity | Mains | Water | Mains |

Source: Management

The Property has gas central heating and hot water via two boilers both of which are to be retained and upgraded as part of the refurbishment. From our inspection we noted that the services installed in the Property appear connected and fit for purpose, but we cannot provide absolute assurances in this respect.

Site & Ground Conditions and Environmental Issues

Whilst we have not undertaken any ground or site investigations, no initial site or ground condition concerns came to light during our inspection or were revealed by the Client. As the Property has continued in its existing use for many years, we have valued on the reasonable assumption that the site is free from any such adverse ground conditions. However, any information to the contrary, particularly any issues raised by a building survey or investigation during the course of any repair or refurbishment programme, should be referred back to us for comment as this may affect our opinions and advice.

We set out below the findings of our environmental searches:

| Contamination | Low probability |
|-------------------------|-----------------|
| Flood Risk | Low |
| Coal Mining Report Area | Yes |
| Maximum Radon Potential | Less than 1% |
| Invasive Plants | None advised |

We confirm that the Property is situated within a historic or current coal mining area and therefore recommend that a coal mining report (or similar advice) is commissioned if not already held on file. We have valued the Property assuming that there are no significant liabilities or risks from past or current workings beneath or nearby but reserve the right to revisit our opinions should a specialist report highlight any potential issues.

Tenure

We are advised that the Property is owned freehold. It is our understanding that it is not affected by any adverse restrictions or conditions and that the boundaries of the Property as indicated in red on the plan contained within this report are correct. We

recommend that a solicitor provide separate confirmation that all of these assumptions and understandings are correct. In the event that they are not, we reserve the right to revisit our valuation.

Occupational Leases

We are not aware of any occupational leases or other agreements and have valued the Property on the assumption that vacant possession exists throughout.

Section 3

The Business

The Business

Background

We understand the legal office use of the Property has been in place for over 30 years and that they have decided to sell the Property to relocate to a smaller premises in the town centre. The Property was put up for sale in July 2023 at an asking price of offers over £250,000.

The Client have agreed a purchase price of £260,000 subject to planning consent to convert to the above described proposed property which was submitted in October 2023 and is currently awaiting decision.

Overview

We understand that the existing owners have been considering relocation for a number of years and as such there has been only limited capital expenditure, mostly related to fair wear and tear repairs in recent years.

The Proposed redevelopment is scheduled to commence in May 2024 with completion and trade commencement in October 2024. As advised above the budgeted refurbishment cost are in the region of £600,000 including contingencies though we understand that fees for certain areas will be added.

The Property is expected to operate in the equivalent four star bracket of hotel and as such is likely to be fitted and finished ahead of the comparable hotel facilities currently available in the Coatbridge area. We are advised that prior to launch there will be a comprehensive marketing programme directed to the regional market including local employers, colleges, NHS and event/venue managers in the region as well as major construction/ engineering project providers in the west of Scotland.

The property will operate its own website and we understand will have a link to any Client existing and future operations.

In addition to its own website and linked marketing the property will be available on both Booking.com and other third party websites with fees likely to be within the 15%

to 18% range for these. We note for the projections provided that fees of 11.5% have been adopted reflecting a proportion of the booking coming from direct sources. The management of the website and booking control will be under the day to day control of the Client operating a fully automated system, However for the purposes of our valuation we have assumed a booking management cost/ employee in our assessment.

The business demand is likely to be generated from a number of sources including general tourists to the region; leisure visitors to the town centre; short breaks; event led activity including Glasgow events such as the Hydro; nearby businesses; longer term contractor use; public sector operations and through the sporting connections of the principals of the client. Marketing will also include social media activity across all platforms and we are advised that this will commence on a "coming soon" basis on completion of the acquisition.

Income for the business will be restricted to room letting only however the Property/ operation will also partner with a number of local businesses who will be expected to offer discount to the Property residents such as food and beverage operations, taxi firms and hair/beauty salons.

Competitor Set and Analysis

The competitor set is given as the following hotels:

| Hotel | Post Code | Rooms |
|-----------------------------|-----------|-------|
| Mondo Hotel | ML5 3RB | 45 |
| The Georgian Hotel | ML5 1LZ | 6 |
| Rothesay House Serviced Apt | ML5 4JP | 1 |
| Sunnyside Serviced Apt | ML5 3HX | 1 |

Christie & Co

Financial

We have been provided with projected financial information in respect of the proposed property for the 2 months of year one and the full year two and three of the operation of the business following completion of the refurbishment works. These are contained within Appendix 4 and the two full years are summarised in the table below.

| Projected Year ended | Full Year End 1 | | Ful Year End 2 | |
|------------------------------|-----------------|-------|----------------|-------|
| | £ | % | £ | % |
| Turnover | 264,029 | 100.0 | 291,313 | 100.0 |
| Gross Profit | 229,704 | 87.0 | 254,898 | 87.5 |
| Management. Wage Costs | 0 | 0 | 0 | 0 |
| Other Costs | 103.703 | 39.3 | 106.919 | 36.7 |
| Net Profit | 126.001 | 47.7 | 147.979 | 50.8 |
| Adjusted EBITDA ¹ | 126,001 | 47.7 | 147,979 | 50.8 |

Source: Management and Statutory Accounts. Notes: ¹ Adjusted EBITDA is Earnings before Interest, Taxation, Depreciation and Amortisation and after adding back capital repayments.

Key Performance Indicators

We analyse the total projected revenue way of each of the usual KPIs and income generators, as follows:

Total Revenue

Occupancy of 71% in full year one rising to 75% seems reasonable when compared to a Glasgow average consistently in excess of 80% over the last few years and at 84% in 2023. In addition the blended average daily rate equates to only £85 per room in year 1 and £89 in year two, both of which are lower than the Greater Glasgow average of approaching £100 for 2023.

Given the foregoing and for the purpose of our valuation we have adopted an ADR of £89.00 and an occupancy of 75% which we consider achievable deriving a sustainable turnover of £293,000.

Gross Profit

The business has on-line sales commission costs as the only cost from gross profit which we consider appropriate, and these reflect 13.0% and 12.5% of the full year one and year two income. Again however, we consider the Clients estimate to be reasonable in this respect and for the purpose of our valuation we have adopted sales commission cost of 11.9% of our view of turnover deriving a gross profit of £258,000 (88.1%).

Wage Costs

The business be owner operated and as such the Client projections do not identify any wage costs however for the purpose of our valuation we have assumed a REO operation would adopt a management approach incurring a wage costs. For the purpose of our valuation we have adopted a management/ wage burden of £12,000 which we have adopted in our assessment below.

Other costs

Other costs include rates, refuse, maintenance, heating, linen, insurance, room supplies etc as well as externally contracted cleaning staff which we understand has been pre-

agreed and will be available from refurbishment completion. Other costs also include website, IT, marketing and accountancy costs as well as the commissions management which we understand will be controlled by the Client. We consider the majority of these to be reasonable and have adopted similar in our assessment.

Net Profit and EBITDA

The full year one and year two projections have profit at 47.7% and 50.8% both of which fall within the range we would expect for a property of this nature.

Taking account of the foregoing we have adopted a sustainable EBITDA/ FMOP of £138,450 in our assessment of the Property trading at mature levels.

Christie & Co Projected Assessment of Trade

Having regard to the factors discussed above and from our own evidence, experience and investigations, we provide below our assessment of the projected Fair Maintainable Trade (FMT) for the completed Property in the hands of the Reasonably Efficient Operator (REO):

| | Christie & Co Fair Maintainable Trade | |
|--------------------------|--|-------|
| | £ | % |
| Turnover | 293,000 | 100.0 |
| Gross profit | 258,000 | 88.1 |
| Wages | 12,000 | 4.1 |
| Other costs | 119,450 | 40.8 |
| FMOP/EBITDA ¹ | 138,450 | 47.25 |

Source: Christie & Co Notes: ¹ FMOP is Fair Maintainable Operating Profit.

The valuation is assessed having regard to projected trading potential. If the trading potential and/or the actual profits vary there could be a change in the reported value.

Our assessment of projected FMT differs from the Clients projections due to the following reasons:

- We have adopted a managed basis and included a sum for management/ salary

Our opinions of FMT and FMOP are forward looking trading positions that the REO should be capable of achieving at a future point in time assuming the proposed property is complete as defined above.

Section 4

The Valuation

The Valuation

Methodology

Market Value

The Profits Method of valuation is generally employed by the hotel property market to determine the Market Value of hotels. There are generally two approaches to the Profits Method: the Income Capitalisation approach and a Discounted Cash Flow (DCF) approach. Both of these approaches rely on inputs drawn from market evidence. The Profits Method is generally supplemented by the Comparable Method which is used as secondary methodology to check the resultant (Profits Method) value against comparable transactions viewed on a price per room basis.

In this instance to calculate our opinion of Market Value we have taken the Income Capitalisation approach as this is the method that we believe most active participants in the market are currently using.

We have had regard to Valuation Practice Guidance – Application 4 (“VPGA 4”), valuation of individual trade related properties. Certain trade related properties are valued using the profits method of valuation. This Valuation Practice Guidance – Application sets out the principles of this method of valuation. Trade related properties are normally bought and sold on the basis of their trading potential. The essential characteristic of this type of property is that it has been designed or adapted for a specific use, and the resulting lack of flexibility usually means that the value of the property is intrinsically linked to the returns that an owner can generate from that use. The value therefore reflects the trading potential of the property.

Unless otherwise stated, our valuation is provided on an estimate of fair maintainable turnover (FMT) and operating profit (FMOP) that a Reasonably Efficient Operator (REO) would expect to achieve on the assumption that the property is properly equipped, repaired, maintained and decorated.

We have relied on the information supplied as being correct and comprehensive.

Regarding our assessment of Market Rent, we have considered via the same assessment of fair maintainable turnover and operating profit, what proportion of FMOP (or Profit before Rent) the market would pay for this Property. This is the normal methodology for assessing the market rent of a hotel property such as this.

Market Rent

Regarding our assessment of Market Rent, we have considered via the same assessment of fair maintainable turnover and operating profit, what proportion of FMOP (or Profit before Rent) the market would pay for this Property. This is the normal methodology for assessing rent for a business of this type and has been benchmarked against the rate per key as a secondary check.

Comparable Evidence

We set out below the various transactional evidence that we have relied upon in forming our opinions of value.

| Date | Property Name | Location | Rooms | Price (GBP) | Price / room (GBP) | Basis of Sale | Multiple | Comment |
|------------|------------------------------|-----------|-------|-------------|--------------------|---------------|----------|---|
| 01/03/2023 | Kildonan Lodge Guest House | Edinburgh | 15 | 1,765,000 | 117.667 | Trading | 10.0 | Traditional guest house, Edinburgh |
| 2/11/2022 | 53 North Frederick St | Edinburgh | 14 | 2,495,000 | 178,214 | Trading | 19.7 | Edinburgh city centre serviced apartments |
| 15/12/2023 | Former Festival Apartments | Edinburgh | 9 | 765,000 | 85,000 | Closed | | Stripped former apartments |
| OTM | Nelson Mandela Place | Glasgow | 10 | 2,000,000 | 200,000 | Trading | 16.0 | Asking Price for serviced apartments |
| 29/06/2022 | Bothwell Bridge Hoel | Bothwell | 90 | 3,750,000 | 41,667 | Trading | 9.4 | Large hotel, function led |
| 10/6/2022 | Killin Hotel | Killin | 32 | 1,700,000 | 53,125 | Trading | 5.67 | Country house hotel, in need of upgrade |
| 23/10/2023 | Dalhousie Castle Hotel | Bonnyrigg | 35 | 5,850,000 | 167,143 | Trading | 15.1 | Country house, castle hotel function led |
| 01/11/2022 | The Islay Hotel | Islay | 14 | 2,700,000 | 192,857 | Trading | 9.43 | Island hotel, closed part year |
| 21/07/2022 | Mains of Taymouth, Farmhouse | Taymouth | 6 | 600,000 | 100,000 | Trading | NK | Holiday letting accommodation |

Separately, we have also had regard to, but placed less weight upon, those transactions which are currently agreed but not yet legally completed. For reasons of confidentiality we are unable to divulge information about these; their tone supports our opinions of value. The multiples of EBITDA listed above represent the analysis of the last years accounts after making appropriate add backs and may not represent a full analysis of Fair Maintainable Trade (FMT).

From the most recent sales we are of the opinion that the appropriate range of multipliers of Fair Maintainable Operating Profit (FMOP) are between 5.6 and 19 times for hotels/ serviced apartments of this nature.

Our opinion of the Market Value of the Property reflects a multiplier of 8.0x FMOP or £92,500 per bed upon completion and at mature trading levels. This takes into account recent market evidence of comparable transactions, the nature of the Property, the business itself, and the projected trading information provided.

Market Rent

Regarding our assessment of Market Rent we have considered, via our assessment of FMT, what proportion of FMOP (or Profit before Rent) the market would pay. This has been calculated based on rent cover, but consideration has also been given to the resultant rent per bed.

Assessment of Market Value

Based on the historic information provided to us, our discussions with the Client regarding the future projections, together with our own assessment of the fair maintainable levels of income and profit, we have calculated as follows:

| | £ |
|---|---------------------|
| Fair Maintainable Turnover | 293,000 |
| Fair Maintainable Operating Profit | 138,450 |
| Multiplier | 8.0 |
| Market Value 4, Mature Trading say | 1,110,000 |
| Equivalent to | £92,500 per bedroom |

The equivalent value per bedroom is well supported by the aforementioned comparable evidence.

In forming our opinion of MV1 we have had regard to the existing use, the comparable property transaction as provided by the Client and knowledge that the Property was fully marketed before the agreed sale price was agreed with the Client.

For MV2 we have assumed that the Property has achieved planning consent for the proposed use.

In respect of the MV3 we have deducted from Market Value 4 (Mature Trading) one years net profit to arrive at the turnkey/ day one value assuming refurbishment works are complete and the Property is ready to trade.

Market Rent

You have also asked us to provide our opinion of Market Rent of the mature trading property. In our opinion, Market Rent, of the Property at mature trading levels is £55,000

per annum. We have had regard to the aforementioned comparable evidence in forming this opinion:

We consider this rent cover level to be comfortable in the current market.

With reference to the Red Book definition of Market Rent, we have assumed the following “appropriate lease terms” in forming our above opinion: FRI terms, a 15 year unexpired period and other standard clauses commensurate with an institutional type lease. The moveable inventory and equipment is assumed to belong to the operator (notional or actual tenant), rather than the landlord.

Other Valuation Considerations

Coronavirus

Coronavirus arrived in the UK in late February 2020, being labelled a global pandemic by the WHO. On 23 March the UK population was placed in lockdown until late May/June. Subsequent outbreaks occurred, resulting in two further lockdown periods in November 2020 and January 2021. In late November 2021, the omicron variant emerged, leading to some measures being introduced in mid-December and these were phased out in February/March 2022.

Many businesses closed during the first lockdown and endured bouts of subsequent disruption (operational, staffing and financial). Businesses which took out coronavirus loans are now expected to be paying them back.

It is hoped and reasonably assumed that the worst effects of coronavirus in the UK are in the past. Normal market conditions and activity have returned but when reviewing business accounts for 2020-2021, the impact of coronavirus on trading performance needs to be acknowledged.

Development Issues

Other than the proposed use the Property could in its existing condition be sold for continued office use, conversion to residential or conversion to business office suites.

Useful Economic Life

We consider that, assuming ongoing good levels of maintenance and repair, the Property has in excess of 25 years' economic life remaining.

Insurance Reinstatement Cost

In the absence of a detailed inspection by a qualified building surveyor, our informal opinion of the Insurance Reinstatement Cost on a Day One Basis would be as stated earlier in the report. This figure is inclusive of demolition, legal and professional fees, but

exclusive of VAT, and is for guidance purposes only. It should be noted there is no direct relationship between the Insurance Reinstatement Cost of a property and the Market Value of the same property.

Local Market

There is limited comparable property in the immediate Coatbridge area though we are aware of successful similar operation in Motherwell. The west of Scotland/ Greater Glasgow area remains popular for accommodation users driven by events and general tourist activity. There are a number of proposed new hotels and further planning applications in the Glasgow area but none to the east of the city centre which is the main market that the Property aims to service.

Summary

Marketability

The proposed Property will be very well fitted and finished throughout with good quality furnishing and decor and we do not consider will require any significant spend beyond the initial refurbishment prior to a future marketing process commencing.

Buyer Profile

Likely buyer will include corporate hospitality operators looking to diversify their portfolio. Multiple let owners including regional hoteliers, serviced apartment operators, operating throughout Scotland and given ease of operation, new entrants to the accommodation letting market.

Sale Period

If realisation by the Client is necessary, we would expect a 6 to 9 marketing period to be necessary in order to achieve the MVs reported herein, assuming the works are complete. Otherwise, we do not envisage any difficulties with realisation at the levels stated in this report if current market conditions remain stable.

Conclusion

The existing Property offers a very good opportunity to enter a relatively fresh market of serviced accommodation to the east of Glasgow city with limited competition and relatively easy operational style. It will be fitted and finished to a very high standard and therefore will likely be placed ahead of the majority of the competition. We would expect that the larger rooms will be very popular and likely attract longer term lets which will ease the cost of cleaning and booking fees.

We are valuing in a period of considerable economic uncertainty and flux, both in the UK and globally. Very high energy and fuel costs have led to high inflation rates and the well documented consequences to households and businesses.

Our opinions of FMT and FMOP are provided at a single point in time and are correct and fair (at the valuation date) to the best of our knowledge; but they have a much shorter shelf-life than normal.

As this valuation is assessed contingent upon those FMT and FMOP opinions, we therefore recommend that this valuation be acted upon promptly, and caution that it may become out of date sooner than normal - particularly if the aforementioned risks and issues continue, worsen, and/or certain risks recede.

If this report is being used for loan security purposes, you should monitor the business (or income source) servicing the loan more closely and consider commissioning updated valuation advice sooner than normal.

Security for Loan

We are not aware of the amount or term of the proposed loan. We are of the opinion that the Property offers sufficient security for secured lending purposes, over a 20 year term, the amount of which must be a matter for your own judgement but that we assume will not exceed a proportion of our valuation, in accordance with normal commercial lending practice. Furthermore, we have assumed that the Property is free and clear of all legal mortgages and / or other charges that may be secured thereon.

Restrictions & Confidentiality

This report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.



George Ranachan MRICS

Director

RICS Registered Valuer

10 January 2024

On behalf of:

Christie & Co

4th Floor

46 Gordon Street

Glasgow

G1 3PU

Section 5

Appendices

Appendix 1: Instructions

Private & Confidential

Stephen Gallagher Esq
3 Sigma Coatbridge Ltd
18 Haddow Street
HAMILTON
ML3 7HX

Our ref: 68/GR/LM/211594

30 November 2023

Dear Mr Gallagher

Valuation – 18 Academy Street, Coatbridge, ML5 3AU

1. This letter is to confirm the Terms of Engagement in respect of your instructions to undertake a Valuation of the Property referred to above. Set out below is our understanding of the Terms of Engagement, however if your understanding differs please let us know as soon as possible.
2. The client to whom the Report will be addressed is 3 Sigma Coatbridge Ltd.
3. The subject of the Valuation is 18 Academy Street, Coatbridge, ML5 3AU (the “Property”).
4. The purpose of the Valuation is loan security. In the event that the purpose is not disclosed the Report must not be published or disclosed to third parties. Please note that, having acted for you in this matter, the valuation subsequently may not be acceptable to a lender; this is because some lenders do not accept that a valuation procured by a borrower or an agent is sufficiently independent. If you think that this presents a potential problem, please contact us.
5. The Valuation will be undertaken in accordance with the RICS Valuation - Global Standards (the “Red Book”) including VPGA 4 (Valuation of individual trade related properties) and VPS 3 (Valuation reports) and the International Valuation Standards (“IVS”), all effective from 31 January 2022.
6. The interest to be valued is freehold.
7. Our understanding is that the Property is currently a vacant office building with development opportunity to convert to serviced apartments. The specific use will dictate the approach to the valuation.
8. The basis of value is to Market Value. Additionally, there will be an assessment of Market Value subject to Special Assumptions.
9. The date of Valuation will be the date of inspection.
10. In respect of the Property and the Client, we confirm as follows:
 - a. We have had no previous involvement.
 - b. We are independent, and
 - c. We do not have any conflicts of interest

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46 Gordon Street
Glasgow G1 3PU

T: +44 (0) 141 352 7300
F: +44 (0) 141 352 7301
E: glasgow@christie.com



11. We have sufficient professional indemnity insurance on a per claim basis in respect of the instructions.
12. We confirm that we shall be acting in the capacity of external valuers.
13. The currency adopted in all calculations and Valuations is £ sterling.
14. The extent of our inspection and investigations will be as set out in VPS 2 of the Red Book.
15. The sources of information are to be the client and any third party directed by the client. We shall rely on the information supplied as being accurate.
16. The Report is limited to the addressee and professional advisors only without reference back to us for consent to permit disclosure to other parties.
17. The Valuation Report will be undertaken by George Ranachan MRICS, a Director of Christie & Co, who has the appropriate local and/or national knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.
18. Our involvement will be subject to our general terms and conditions of engagement, a copy of which is attached, and it is confirmed that we have agreed a fee of £2,750 plus VAT (at the rate that is current).
19. Any complaints or issues arising out of the Valuation will be dealt with in accordance with Christie & Co's complaints handling procedure, a copy being available on request.
20. The Valuation may be subject to monitoring under RICS' conduct and disciplinary regulations.
21. We advise that in accordance with company policy, we will require settlement of our fee in full prior to our inspection of the Property. Payment can be made by debit/credit card, please contact Lynne Mulholland on 0141 352 7307 to arrange payment. Alternatively, a BACS payment can be made to the below account quoting the reference number below:
 - Account Name: Christie Owen & Davies Limited
 - Sort Code: 50 00 00
 - Account: 20767455
 - Reference: 211594

For clarity we confirm our understanding that you wish us to provide the following opinions:

MV1 – Market Value of the Property in its current condition and use.

MV2 – Value subject to planning permission for the development as Use Class 7 Hotel

MV3 – Turnkey Valuation on completion of refurbishment works

MV4 – Mature operational value (stabilised value), GDV

Market Rent – Mature trading level

The Terms of Engagement and Terms and Conditions are enclosed. Please sign, complete and return a copy of this letter to confirm this instruction.

Thank you once again for this instruction.

Yours sincerely

George Ranachan
Director

Direct: +44 141 352 7325
Email: george.ranachan@christie.com

Enc.



CHRISTIE & CO

I agree to the above letter under reference 211594 and enclosed Terms and Conditions

Signed:

Name:

Stephen Gallagher

Position:

Director

Company:

3 sigma Coatbridge Ltd

Dated:

05/12/2023

4th Floor
46 Gordon Street
Glasgow G1 3PU

T: +44 (0) 141 352 7300
F: +44 (0) 141 352 7301
E: glasgow@christie.com

Christie Owen & Davies Ltd, No 453594 England. Registered Office: Whitefriars House, 6 Carmelite Street, London EC4Y 0BS. A member of Christie Group plc.
Regulated by RICS.



CHRISTIE & CO – TERMS & CONDITIONS OF ENGAGEMENT

Christie & Co will undertake a valuation ("the Valuation") of the Property in accordance with the terms of their Instruction Letter annexed hereto ("the Instruction Letter") following best practice in accordance with the current edition of the RICS Valuation - Global Standards (effective from 31st January 2022) published by the Royal Institution of Chartered Surveyors ("the Red Book") and will provide a report ("the Valuation Report") upon the Terms & Conditions hereinafter set out. Where any term of the Instruction Letter shall be inconsistent with the general Terms & Conditions below, the former shall prevail. The Valuation Report shall be provided for the purpose solely stated in the Instruction Letter and shall be for the sole use of the client ("the Client") to whom the Instruction Letter is addressed. The Terms & Conditions are as follows:-

1. For the purposes of the Valuation Report and these Terms & Conditions, the following expressions shall have the following meanings:-

| | |
|------------------------------|--|
| "Christie & Co" | means Christie Owen & Davies Limited whose registered office is at Whitefriars House, 6 Carmelite Street, London EC4Y 0BS |
| "use of singular and plural" | singular words may be applied in the plural and plural words may be applied in the singular |
| "Property" | shall mean the Property identified in the Instruction Letter and the business or proposed business indicated in the Instruction Letter where appropriate |
| "Market Value" | shall have the same meaning as defined in the Red Book, which is: <i>"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."</i> |
| "Market Rent" | shall have the same meaning as defined in the Red Book, which is: <i>"the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</i> |
| "Special Assumptions" | shall have the same meaning as defined by the International Valuation Standards in the Red Book, which is: <i>"an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date."</i> Certain Market Values subject to Special Assumptions ("MVSA") may be set out within the Instruction Letter. |
| "for existing use" | the addition of these words to "Market Value" make it necessary to presume that the Property can be used for the foreseeable future only for the existing use; and that vacant possession is provided on completion of the sale of all parts of the Property occupied by the business |
| "proposed use" | shall mean the proposed use notified by the Client in writing to Christie & Co at or before the date of the Instruction Letter as identified in the Instruction Letter |
2. The value ascribed by Christie & Co shall be the "Market Value" (or MVSA) for the existing use or the projected use of the Property (as identified in the Instruction Letter) on the basis of the Property's present or projected condition and trading performance as a fully-equipped operational commercial unit at the date of valuation, or implementation of the projected use (as the case may be).
3. **Unless otherwise stated in the Valuation Report, the following will not be taken into consideration:**
 - (a) development potential (save as may be stated in writing in the Instruction Letter provided this is consistent with the Valuation Report)
 - (b) stock-in trade
 - (c) any motor vehicles used or projected for use in the business
 - (d) trade debtors and creditors or other assets or liabilities of the business
 - (e) contingent liabilities of the business or attaching to the Property
 - (f) items with exceptional value beyond their current use; and
 - (g) the cost of realising or acquiring the value of the Property on the open market, including professional fees, possible tax and VAT liabilities, redundancy and other compensation payments which may be triggered by the sale of the Property/business



4. **Unless previously advised by, or to, Christie & Co in writing.** Christie & Co shall be entitled to place full reliance upon the information provided by the Client or the Client's professional advisors and bankers (or the owner or owner's professional advisors and bankers where relevant) (and where reasonable to do so upon agents particulars which have been issued in respect of the Property). Where expressly stated in the Valuation Report that Christie & Co have been provided with various information from statutory authorities, whether verbally, through electronic search, in writing or otherwise, (for example, with regard to fire or planning or other statutory matters, etc) Christie & Co shall be entitled to place due reliance thereon. Notwithstanding the foregoing, Christie & Co can take no responsibility for any mis-statement, omission or misrepresentation made to it.
- 4.1 Where the Valuation is expressed to be subject to repair, refurbishment, extension or otherwise of the Property, any estimates and projections of cost provided for Christie & Co's use shall be assumed to be realistic.
- 4.2 Christie & Co will not make recommendations of how the Valuation may be enhanced by additional activity in the business or extension, development or conversion of the Property unless this is expressly within the projected use identified in the Instruction Letter.
5. Christie & Co will carry out such inspections and investigations which in their professional judgement are appropriate, taking into account any obvious or reported defects in the condition of the Property which in their opinion might have a substantial effect on the value or the security offered by the Property but for the avoidance of doubt Christie & Co will not:
- 5.1 carry out a structural survey of the Property and shall be entitled to assume that, if such a survey were undertaken, it would not reveal any inherent defect or defects which may materially affect the value of the Property. In particular, Christie & Co will not inspect woodwork, plaster or other material in, or other parts of, the Property which are covered, unexposed or inaccessible at the time of its valuation, nor the contents of any voids, pipes, ducts, tanks or systems upon, within or under the Property and such parts and internal volumes will be assumed to be in good repair and condition and free from any toxic or other moulds, bacteria, fungus, vermin, parasites or other infestation, chemicals or other contamination or pollution;
- 5.2 carry out a site investigation, or geographical, geophysical or environmental audit or survey or investigation of the Property or neighbouring land or test of air quality and shall be entitled to assume that, if the same were to be undertaken, they would not reveal any matter or matters which may materially affect the value of the Property;
- 5.3 investigate past or present land uses and (unless expressly stated in its Instruction Letter) shall assume that no harmful or hazardous material has been used in the construction of the Property or has since been incorporated or will be, that there is no contamination in or from the ground, that the ground has sufficient loadbearing strength to support the existing constructions or any other construction that may be erected upon it in the future, that it is not landfilled ground and that there is no fault, cause or disability underground which could or might affect the Property or any construction thereon;
- 5.4 carry out a survey to ascertain whether or not asbestos is present at the Property, nor have they made any assessment or judgement as to whether an asbestos survey is necessary;
- 5.5 carry out or commission any investigations or enquiry as to whether the Property and any buildings upon the Property are required to comply, or do in fact comply, with the Equality Act 2010;
- and the Valuation Report shall not be deemed to express any opinion about such matters or as to the viability of the business or of any projected use.**
6. **Unless otherwise stated in the Instruction Letter or the Valuation Report** (in the case of the latter as revealed at our inspection or established during our enquiries) Christie & Co shall be entitled to assume (and the Valuation Report shall not constitute any guarantee or warranty, express or implied) that:-
- 6.1 no high alumina cement or concrete, calcium or other chloride additive or any other deleterious or potentially deleterious material, or special material which is not freely available, was, or will be, used in the construction or adaptation of the Property, or has since been incorporated into the Property;
- 6.2 no contamination, pollution or infestation exists at the Property, and in particular that air volumes, surfaces and the air and liquid contents of all voids, ducts, pipes, tanks and systems are free from contamination, pollution or infestation;
- 6.3 no asbestos is present at the Property, or if such is not the case, that all persons having an interest in the Property, or who have a statutory duty to do so, have duly and fully carried out their respective obligations pursuant to regulations on control of asbestos and have maintained their continuing obligations thereunder so that no failure to manage asbestos has occurred.
- 6.4 the Property is, or will be, of sound design and construction and free from any inherent defect or defects, and that all normal services necessary for the business are in working order, and that such services are not shared by third parties;



- 6.5 all external cladding is fire retardant and capable of passing government or independent third-party testing, and the integral design of the Property in respect of fire compartments complies with current fire safety legislation
- 6.6 (save as disclosed previously to Christie & Co in writing by the Client) the Property is not, nor will be, subject to any under-lettings or other rights of occupation (for example, grazing, mineral, drainage rights, etc.);
- 6.7 (Christie & Co having not inspected the title deeds to the Property) the Property is, or will be, free from any unusual or onerous or contrary restrictions, encumbrances, outgoing or other third party rights, and that a good title can be shown to all parts of the Property, and that all covenants (including leasehold covenants, restrictions and stipulations) have been strictly complied with;
- 6.8 the trade furnishings, fixtures, fittings, plant and equipment ("the Trade Items") are, and will be, free from hire purchase, credit sale, leasing, rental, free loan, service agreements, or other third party rights, and the Trade Items are, or will be, in good working order, and have, or will have, all appropriate agreements and arrangements for maintenance;
- 6.9 the Property and the Trade Items and the value thereof are, and will be, unaffected by any matters which might be revealed by a Local Land Charges Search, Replies to Preliminary Enquiries or Statutory Notice; and that neither the Property nor its condition, use or projected use, is or will be in any way unlawful and that the Property and its owner holds and will continue to hold all licences required by law without the same being qualified;
- 6.10 the Property, and its use, complies and will comply in all respects with all statutory or other requirements (if any) (unless Christie & Co is expressly notified by the Client to the contrary in writing prior to the Instruction Letter);
- 6.11 the Property and Trade Items are free and clear of all mortgages and/or other charges which may or might be secured thereon;
- 6.12 unless otherwise advised to Christie & Co in writing prior to the Instruction Letter the Property constitutes, and will constitute, a single trading entity and does not, and will not, form part of a group or portfolio;
- 6.13 that all and any necessary computer systems are robust, secure and compatible with industry standards, including anti-virus protection and are able to deal with any necessary currency conversions, including the conversion of GB Pounds to Euros and vice versa;
- 6.14 that boundary and other plans supplied to Christie & Co are correct and that measurements thereon or therefrom are accurate;
- 6.15 in the case of Property which is to be subject to repair, refurbishment, redevelopment or other building works Christie & Co are entitled to assume that all works will be carried out in accordance with all plans and other documents and costings provided to it and that all such works will be to a good standard, meeting all relevant statutory and regulatory requirements and that all appropriate warranties, certificates, guarantees and approvals will be issued on completion of the works, and will be capable of assignment to future owners and occupiers of the Property;
- 6.16 that the Valuation Report is required by the Client for a business purpose and that the Client is consequently not a "consumer" for the purposes of consumer legislation;
- 6.17 that neither the Property nor the business are subject to any abnormal terrorist risk.
7. The Valuation Report shall be the copyright of Christie & Co and shall not be published or reproduced by the Client in any way without the express prior permission of Christie & Co.
8. The Client acknowledges the right of Christie & Co to hold details of the Property and the business upon its Group Database and acknowledges that all database rights (within the meaning of the Copyrights Designs and Patents Act 1988 and the Copyright and Rights in Databases Regulations 1997) are reserved to and owned by Christie & Co, who shall be entitled to use such data for any purpose provided that the identity of the Client and the Property remains confidential (unless the Client has agreed to his/its name being quoted by Christie & Co).
9. Any personal data that we receive will be handled in accordance with our Fair Processing Notice (available at www.christie.com/fpn/).
10. Christie & Co has a Complaints Handling Procedure which is available upon request.
11. The Valuation Report will not take into account the effect of wholly unforeseen and catastrophic events upon the Property market.
12.
 - 12.1 The Client shall be responsible for, and shall hold insurance to cover risks to, the safety of Christie & Co personnel and their personal effects and equipment whilst upon the Property.



- 12.2 All warranties, conditions and other terms implied by statute or common law are to the fullest extent permitted by law excluded from these Terms and Conditions
- 12.3 Subject to clauses 12.4, 12.5 and 12.6:
 - 12.3.1 Christie & Co's total liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of its obligations in accordance with these Terms and Conditions shall be limited to the lower of the highest value ascribed by Christie & Co to the Property that is the subject of the Valuation Report and the sum of £5,000,000;
 - 12.3.2 Christie & Co shall not be liable to the Client for any loss of profit, loss of business, depletion of goodwill or otherwise, in each case whether direct, indirect or consequential, or any claims for consequential economic loss or other consequential loss or compensation whatsoever (howsoever caused) which arise out of or in connection with these Terms and Conditions;
- 12.4 Subject to clause 12.5 the liability of Christie & Co for any loss or damage will be limited so as to be in proportion to the contribution by Christie & Co to the overall fault for such loss or damage after taking account of any negligence of any other party responsible to the Client and the involvement of Christie & Co relative to that of the other parties responsible to the Client and any contributory negligence of the Client, as agreed between the parties, or failing agreement, as determined by the English Courts.
- 12.5 Nothing in these conditions excludes or limits Christie & Co's liability for:
 - 12.5.1 death or personal injury caused by Christie & Co's negligence; or
 - 12.5.2 any matter which it would be illegal for Christie & Co to exclude or attempt to exclude its liability; or
 - 12.5.3 for fraud or fraudulent misrepresentation.
- 12.6 Christie & Co shall not be liable to the Client or be deemed to be in breach of these Terms and Conditions by reason of any delay in performing, or any failure to perform, any of its obligations in relation to these Terms and Conditions if the delay or failure was due to any cause beyond Christie & Co's reasonable control;
- 12.7 The Client accepts that the limitations of liability contained in this clause 11 are reasonable in all the circumstances.

13. Unless agreed differently and confirmed in the Instruction Letter Christie & Co's fees for the Valuation Report will be due on the following basis:

- 13.1.1 On completion of Property inspection(s) – 33% of the total agreed fee
- 13.1.2 Upon completion of a draft Valuation Report – 66% of the total agreed fee
- 13.1.3 Upon issue of the Final Valuation Report – 100% of the total agreed fee

We reserve the right to produce an interim invoice in accordance with the above.

- 13.1 In the event Christie & Co is unable to complete the Valuation Report within 13 weeks from instruction, then we reserve the right to invoice an Abortive Fee on a pro-rotta basis taking into account clause 13.0.
- 13.2 Disbursements and out of pocket expenses will be charged at cost. Mileage will be charged at the current AA recommended rate per mile.
- 13.3 Value Added Tax ("VAT") at the current rate is payable on all fees, disbursements and mileage charges.
- 13.4 All fees, disbursements, out of pocket expenses, mileage charges and VAT thereon (together "all fees") are to be paid within 14 days from the date of invoice, and if not so paid, interest shall be payable thereon at 4% above Barclays Bank Plc Base Rate from time to time, both before and after judgment.
- 13.5 The payment of all fees shall be the responsibility of the person signing the Instruction Letter, the partners of any firm and the directors of any company on whose behalf the Valuation Report has been commissioned, and all or any of them, jointly and severally, and the person signing overleaf hereby warrants that he/she has the appropriate authority to bind the partners or directors as aforesaid (as the case may be). No reliance may be placed upon Christie & Co's Valuation Report until all fees due to Christie & Co have been paid in full.
- 13.6 If the Valuation Report shall be required to be used for the purpose of any Court proceedings, the express prior written consent of Christie & Co will be required (which will not be unreasonably withheld subject to such additional fee as Christie & Co may reasonably charge, and subject to Christie & Co's rights of copyright being acknowledged by the parties to those proceedings). If Christie & Co shall be called upon to give evidence in such proceedings, an appropriate fee calculated on the current hourly charge-out rate of the surveyor concerned shall be paid as an additional fee together with all disbursements, out-of-pocket expenses, mileage charges, waiting time together with VAT on the foregoing.



13.8 Christie & Co's hourly charge out rates (excluding VAT) are as follows:

| | Valuer | Associate Director | Director |
|------------|----------|--------------------|----------|
| London | £200-260 | £325-385 | £455-520 |
| UK Regions | £130-200 | £265-330 | £330-390 |

The Global Managing Director's hourly charge out rate is £1,300 (excluding VAT).

14. Christie & Co is regulated by RICS for the provision of surveying services. This means we agree to uphold the RICS Rules of Conduct for Firms and all other applicable mandatory professional practice requirements of RICS, which can be found at www.rics.org. As an RICS regulated firm we have committed to cooperating with RICS in ensuring compliance with its standards. The firm's nominated RICS Responsible Principal is: Darren Bond, Global Managing Director (T 0207 227 0700, darren.bond@christie.com).
15. This Agreement shall be governed by English Law and any dispute arising therefrom shall be adjudicated upon only by the English Courts.

Appendix 2: Conditions and Assumptions of Valuation

1. DEFINITIONS

Unless the context requires otherwise the following terms have the meanings ascribed.

- The "Client" Means the person(s) or body identified within the Report from whom the instructions to prepare the Report have been received. Reference to the Client within the Report and shall all in cases by interpreted to mean only this person(s) or body.
- The "Property" Means all those freehold or leasehold premises, which are the subject of this Report, and in the case of development, schemes those that are proposed.
- The "Business" Means the business, trade or profession that is, or is intended to be, carried on at the Property.
- "Christie & Co" Means Christie Owen & Davies Limited whose registered office is at Whitefriars House, 6 Carmelite Street, London EC4Y 0BS
- The "Report" Means the contents of this Report including the Valuation Certificate and all appendices and addendums.

2. INSTRUCTIONS

This Report and the method of its preparation are governed by Christie & Co's terms and conditions of engagement and Instruction letter and shall be read in conjunction therewith.

3. PURPOSE OF THE REPORT

Christie & Co have prepared this Report for use only by the Client for the purpose stated within the introduction to this Report and for no other purpose whatsoever. No person or body other than the Client may rely on the Report and neither the whole nor any part of the Report nor any reference thereto is to be included in any published document, circular or statement nor published in any way without the written approval of Christie & Co as to the form and context in which it may appear.

4. INFORMATION

Christie & Co have been provided with various information for the purposes of preparing the Report and are entitled to rely upon such information provided by the Client, the Client's professional advisors and bankers (or the owner or owner's professional advisors and bankers where relevant) and, where relevant, upon agent's particulars which have been issued in respect of the Property. Christie & Co are also entitled to rely on information provided by statutory authorities. Notwithstanding the foregoing Christie & Co can take no responsibility for any misstatement, omission or misrepresentation made to it.

On some occasions in respect of cladding and fire safety, Christie & Co may rely on an EWS1 form prepared by a professionally qualified third party. In so doing, Christie & Co does not offer any advice as to the accuracy, completeness or fitness for purpose of the form or its content, and neither the individual preparing the valuation nor Christie & Co shall have any liability to the Client, or to any third party with whom the Client shares the valuation, for any losses or potential losses arising directly and solely as a result of any inaccuracies or errors in, or otherwise in any way related to, the EWS1 form.

5. PHYSICAL CONSIDERATIONS

The Report is not and should not be construed as any form of structural survey of the Property. Christie & Co did not inspect woodwork or other parts of the Property which were covered, unexposed or inaccessible at the time of the inspection and are entitled to assume that such parts are in good repair and condition and that such parts and all surfaces, air volumes, pipes, ducts, tanks and systems and their contents are free from toxic or other moulds, bacteria, fungus, vermin, parasites or other infestation, chemicals or other contamination or pollution. Christie & Co are entitled to assume that the Property is of sound design and construction and free from any inherent defect or defects. The Report does not express any opinion about or advise upon the condition of un-inspected parts nor does it in any way constitute or be construed as constituting any representation or warranty actual or implied regarding such parts.

Christie & Co provide no warranties or assurances regarding external cladding, fire compartments, or other aspects of compliance with fire safety legislation. Alternative advice on these aspects should be sought from a suitably qualified professional.

Christie & Co have not carried out any investigations to determine whether or not high alumina cement or concrete, calcium or other chloride additive or any other deleterious or potentially deleterious material or special material which is not freely available was or will be used in the construction or adaptation of the Property or has since been incorporated in the Property and for the purposes of this Report have assumed that there is no such material in an adverse condition.

Where the Property is a new building or is to be subject to repair, refurbishment, redevelopment or other building works Christie & Co are entitled to assume that all works will be carried out in accordance with all plans and other documents and costings provided to it and that all such works will be to a good standard, meeting all relevant statutory and regulatory requirements and that all customary warranties, certificates, guarantees and approvals will be issued on completion of the works, and will be capable of assignment to future owners and occupiers of the Property.

Christie & Co have not carried out or commissioned site investigations or geographical or geophysical surveys or environmental audits or surveys or investigations of the Property or of neighbouring land and therefore this Report can give no opinion or assurance or guarantee about the nature of the ground. Christie & Co are entitled to assume that the ground has sufficient load bearing strength to support the existing constructions or any other construction that may be erected upon it in the future and that it is not landfilled ground. Christie & Co cannot give any opinion, assurance or guarantee that there are no underground mineral or other workings beneath the site or in its vicinity or that there is no fault, cause or disability underground which could or might affect the Property or any construction thereon.

Unless otherwise stated, Christie & Co have not been provided with any environmental audit or other environmental investigation or soil survey which may have been carried out on the Property and which may draw attention to any contamination or the possibility of any contamination. In undertaking the Report, Christie & Co have assumed that no contaminative or potentially contaminative uses have ever been carried out on the Property. No investigations have been carried out into past or present uses either of the Property or of any neighbouring land to establish whether there is any contamination or potential for contamination from these uses or sites and the Report therefore assumes that none exist. Should subsequent investigations reveal that contamination exists at the

Property or on any neighbouring land, or that the Property has been or is being put to a contaminative use, this could reduce the value.

Christie & Co have not arranged for any services or installations to be tested and the Report does not express any opinion as to their adequacy or condition. Christie & Co value on the basis that the services and installations are in satisfactory condition and adequate for the business being undertaken at the time of inspection and in the foreseeable future and are not shared by third parties.

6. GENERAL ASSUMPTIONS

The Report has been prepared in accordance with the current edition of the RICS Valuation - Global Standards effective from 31st January 2022 (which is known as the 'Red Book') as issued by the Royal Institution of Chartered Surveyors.

Christie & Co are acting as External Valuers and unless stated to the contrary in the Report have no other current or presently foreseeable fee earning relationship concerning the Property and / or business apart from fees associated with the preparation of this Report.

Any measurements are carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors unless otherwise stated in the Report. Christie & Co's understanding of the boundaries is stated and Christie & Co is entitled to assume that such understanding shows the true extent of the Property and that there are no potential or existing boundary or other disputes or claims outstanding. Site areas are not derived from physical site surveys, are approximate unless otherwise indicated and are as advised by a third party.

Unless stated to the contrary in the Report, the valuation therein is based on the assumption that the trade furnishings, fixtures and fittings, plant and equipment (the "Trade Items") are free from hire purchase, credit sale, leasing, rental, free loan, service agreements or other third party rights. Furthermore no guarantees or warranties are given or can be implied that the Trade Items are in good working order. The valuation excludes any exceptional value beyond the current use value of Trade Items.

Unless indicated to the contrary, title deeds and / or lease documents have not been inspected and the Report assumes that the estate in the Property is as described to Christie & Co and as referred to in the Report. Christie & Co have assumed that there is good and marketable title to the estate or interest which has been valued and have assumed that all covenants (including leasehold covenants where relevant) stipulations and restrictions have been strictly complied with.

Unless indicated to the contrary, Christie & Co have assumed that the Property is not subject to any under-lettings or other rights of occupation.

Other than as revealed by enquiries made by Christie & Co and set out in the Report, Christie & Co have assumed that the Property complies with all statutory and other requirements including (but without limitation) the requirements of the Fire Precautions Act 1971, the Food Safety Act 1990, Town and Country Planning Acts, Building Control Regulations, Licensing Acts, the Registered Homes Act, Environmental Health Act, the Care Standards Act 2000, the Control of Asbestos at Work Regulations 2002 and all other relevant legislation.

No local land charges, searches or enquiries have been undertaken and Christie & Co have assumed that there are no onerous or adverse proposals affecting the Property. Furthermore, Christie & Co have assumed that neither the Property nor its construction or use is in any way unlawful and unless otherwise specified, the Report does not make any allowance for alternative use.

Christie & Co have not taken into account the value of stock in trade, motor vehicles, trade debtors or creditors, other assets or liabilities or contingent liabilities.

Christie & Co have relied upon the information supplied including (but without limitation) trading information, plans, projections, Reports on Title, licenses and permissions and

have assumed that such information is correct and could be substantiated by independent audit if required.

Any future change in the trading potential or actual level of trade from that indicated by the information and assumptions made available to Christie & Co for the purposes of the valuation could cause the valuation to vary.

No allowance has been made for the cost of realising the asset value on the open market to include professional fees, possible tax liabilities and redundancy or any other compensation payments that could be incurred or for the effect of any election made, or which might be made, in connection with VAT.

The valuation does not take into account the effect of wholly unforeseen and catastrophic events upon the property market and assumes that neither the Property nor the business are subject to any abnormal terrorist risk.

Christie & Co have assumed that all and any necessary computer systems are robust, secure and compatible with current industry standards, including antivirus protection, and are able to deal with any necessary currency conversions, including the conversion of GB Pounds to Euros and vice versa.

Christie & Co have assumed that the Property and Trade Items are free and clear of all mortgages and / or other charges which might be secured thereon.

7. BASIS OF VALUATION

Unless otherwise stated the Report assumes that the Property constitutes, and will constitute, a single trading entity and does not, and will not, form part of a group or portfolio.

Unless stated to the contrary the valuations provided are made on the basis of Market Value (subject to Special Assumptions where appropriate) which is defined in the Red Book as:

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

8. CONFIDENTIALITY AND RELIANCE

The Report is provided for the stated purposes and for the sole and exclusive use of the Client. It should not be published or reproduced in any way and is governed by English Law and any dispute arising therefrom shall be adjudicated on only by the English Courts. This Report is prepared in good faith on the basis of any enquiries made and the information supplied to Christie & Co who reserve the right to claim qualified privilege in respect of any part of this Report should the contents be subsequently challenged and any party claim to be aggrieved at anything stated herein. 7.2.22

Appendix 3: Statutory Enquiries

Fire Safety

The Regulatory Reform (Fire Safety) Order 2005 came into force on 1 October 2006 across England and Wales. This Order replaces and consolidates past fire legislation (including the Fire Precautions Act 1971, Fire Precautions (Workplace) Regulations 1997/99 and the Management of Health & Safety in the Workplace Regulations 1999).

The system of issuing Fire Certificates has been ended by the Order and is replaced with a requirement for a Fire Risk Assessment and a Fire Management Plan to be completed. Property and business owners are now solely responsible for fire safety within their workplaces. The Order does not apply to domestic dwellings and a small number of very specialist property types.

In Scotland, fire safety is legislated by Part 3 of the Fire (Scotland) Act 2005, supported by the Fire Safety (Scotland) Regulations 2006. These laws came into force on 1 October 2006 and impose the following requirements on property and business owners: the completion of a Fire Safety Risk Assessment, identifying and implementing necessary fire safety measures, using risk reduction principles, ongoing control and review of such measures, complying additionally with the specific requirements of the Fire Safety regulations, keeping the Fire Safety Risk Assessment and outcome under review and record keeping.

Regulated Mortgages

From 31 October 2004 mortgage applications by private individuals relating to commercial property, where more than 40% of the area of a property is used for residential purposes, are treated as Regulated Mortgage Contracts by the Financial Services Authority.

The Equality Act 2010

The Equality Act 2010 brings together; harmonises and in some respects extends the current equality law. It aims to make it more consistent, clearer and easier to follow in order to make society fairer. The law merged several different pieces of legislation into one place which cover race, sex, sexual orientation, age, religion or belief and disability. Detailed guidance on the new legislation is located at www.equalities.gov.uk.

The Equality Act replaced the Disability Discrimination Acts 1995 and 2005 (DDA) and includes new provisions on direct discrimination, discrimination arising from disability, harassment and indirect discrimination. Service providers are required to make changes, where needed, to improve service for disabled customers or potential customers.

There is a legal requirement to make reasonable changes to the built environment, such as making changes to the structure of a building to improve access. What is reasonable will depend on all the circumstances, including the cost of an adjustment, the potential benefits it might bring to other customers (ramps and automatic doors benefit customers with small children or heavy luggage, for example), the resources an organisation has and how practical the changes are.

The Equality Act 2010 requires that service providers must think ahead and take steps to address barriers that impede disabled people. In doing this, it is a good idea to consider the range of disabilities that actual or potential service users might have. You should not wait until a disabled person experiences difficulties using a service, as this may make it too late to make the necessary adjustment.

Previously, adjustments to premises and to policies, practices and procedures had to be made by service providers only where it would otherwise be 'impossible or unreasonably difficult' for a disabled person to use the service. Now, under the new Equality Act, adjustments must be made where disabled people experience a 'substantial disadvantage'.

This means that service providers may have to make more adjustments. Also, it was previously possible for a service provider to legally justify failing to provide a reasonable adjustment in certain circumstances. Now, the only reasonable question is whether the adjustment is a reasonable one to make.

Failure to comply with the Equality Act could result in civil proceedings. Christie & Co has not carried out or commissioned any investigations to determine whether or not the Properties comply with the requirements of the Equality Act, nor have they made any allowance for the cost of compliance works.

Asbestos Containing Materials (ACM)

From 21 May 2004 new legislation requires property owners, occupiers and managers to identify and control Asbestos Containing Material ("ACM") in their property. If potential ACM is in good condition and undisturbed the Health & Safety Executive ("HSE") recommends that the ACM is identified and a management plan formulated as follows:

- Identify its position
- Inspect its condition regularly
- Take a precautionary approach to maintenance and minimising disturbance that could cause fibre release

HSE sees removal as a last resort unless the material is in poor condition or at risk of damage.

Energy Performance Certificates (EPC)

Since January 2009 all sellers and landlords are required by law to provide an Energy Performance Certificate (EPC) for all buildings or parts of buildings when they are sold or rented. Those carrying out the construction of a building will be required to provide an EPC to the owner.

An EPC gives prospective buyers or tenants information on the energy efficiency and carbon emissions of a building. The certificate provides energy efficiency A-G ratings and recommendations for improvement. EPCs were first introduced for the marketed sale of domestic homes, as part of the Home Information Pack, although from April 2008 this was extended to newly built homes and large commercial properties. The ratings - similar to those found on products such as fridges - are standard so the energy efficiency of one building can easily be compared with another building of a similar type.

The seller or landlord is responsible for ensuring that an EPC is available to a prospective purchaser or tenant at the earliest opportunity and no later than when a viewing is conducted or when written marketing information is provided about the building, or in any event before entering into a contract to sell or let. EPCs are produced by accredited energy assessors and for commercial properties are valid for a period of 10 years, or until a newer EPC is prepared. 2.1.2019

Appendix 4: Financial Information

Coatbridge - Y1 model, Acquisition Feb 24, site start May 24

| | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | YEARLY | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| Revenue (Sales) | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | | |
| Occupancy (Net rates used) | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 70% | 60% | 11% | 84% Occ in regional submarket over 12 months, Costar |
| 1 x Grand suite (56 sq m) ADR £135 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,441 | 2,093 | 4,534 | 113 |
| 7 x Luxury suites (19-26 sq m) sqm) ADR £105 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,041 | 11,178 | 24,219 | 88 |
| 3 x Luxury studios (13.5-19 sqm) ADR £100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,323 | 4,563 | 9,885 | 83 |
| 1 x Boutique studio (12 sqm) ADR £65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,153 | 989 | 2,142 | 54 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Total Revenue (Sales) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21,959 | 18,822 | 40,780 | |
| Cost of Sales | | | | | | | | | | | | | | |
| Commission Payable - 15% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,294 | 2,823 | 6,117 | OTA & Voucher Commissions |
| | | | | | | | | | | | | | 0 | |
| Total Cost of Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,294 | 2,823 | 6,117 | |
| Gross Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,665 | 15,999 | 34,663 | |
| Expenses | | | | | | | | | | | | | | |
| Business Rates | | | | | | | | | 833 | 833 | 833 | 833 | 3,332 | Bus Rates - NLC |
| Repairs and maintenance 3% t/0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 659 | 565 | 1,223 | Property Improvements (excludes intial capex) |
| Accountancy | | | | | | | | | | | | 1,500 | 1,500 | Assumed |
| Cleaning & Linens | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,004 | 3,432 | 7,436 | 2 hrs and £25 laundry, 2 turns a week |
| Telephone / IT / Licences | | | | | | | | | | 120 | 120 | 120 | 360 | Expert IT |
| Insurance | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 4,200 | Broker |
| Utilities | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 1,200 | 1,200 | 1,200 | 6,300 | Best in market |
| Bank Charges/Streamline/accts | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 200 | 200 | 200 | 870 | First data |
| Waste | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 200 | 200 | 200 | 600 | BIFFA |
| Sundries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 700 | 600 | 1,300 | Room toiletries and welcome gifts |
| Marketing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 300 | 300 | 300 | 300 | 300 | 1,500 | Outsourced to professional mktg agency |
| Total Expenses | 680 | 680 | 680 | 680 | 680 | 680 | 680 | 980 | 1,813 | 3,203 | 8,566 | 9,300 | 28,621 | |
| EBITDA | -680 | -680 | -680 | -680 | -680 | -680 | -680 | -980 | -1,813 | -3,203 | 10,100 | 6,699 | 6,042 | 15% |

Coatbridge - Y2 model

| | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | YEARLY | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--|
| Revenue (Sales) | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | | |
| Occupancy | 60% | 60% | 65% | 72% | 75% | 80% | 80% | 80% | 80% | 75% | 70% | 60% | 71% | 84% Occ in regional submarket over 12 months, Costar |
| 1 x Grand suite (56 sq m) ADR £135 | 2,093 | 2,093 | 2,267 | 2,511 | 2,616 | 2,790 | 2,790 | 2,790 | 2,790 | 2,616 | 2,441 | 2,093 | 29,888 | 113 |
| 7 x Luxury suites (19-26 sq m) sqm) ADR £105 | 11,178 | 11,178 | 12,110 | 13,414 | 13,973 | 14,904 | 14,904 | 14,904 | 14,904 | 13,973 | 13,041 | 11,178 | 159,661 | 88 |
| 3 x Luxury studios (13.5-19 sqm) ADR £100 | 4,334 | 4,334 | 4,696 | 5,201 | 5,418 | 5,779 | 5,779 | 5,779 | 5,779 | 5,418 | 5,057 | 4,334 | 61,909 | 79 |
| 1 x Boutique studio (12 sqm) ADR £65 | 989 | 989 | 1,071 | 1,186 | 1,236 | 1,318 | 1,318 | 1,318 | 1,318 | 1,236 | 1,153 | 989 | 14,120 | 54 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Total Revenue (Sales) | 18,594 | 18,594 | 20,144 | 22,313 | 23,243 | 24,792 | 24,792 | 24,792 | 24,792 | 23,243 | 21,693 | 18,594 | 265,578 | |
| | | | | | | | | | | | | | | |
| Cost of Sales | | | | | | | | | | | | | | |
| Commission Payable - 13% | 2,417 | 2,417 | 2,619 | 2,901 | 3,022 | 3,223 | 3,223 | 3,223 | 3,223 | 3,022 | 2,820 | 2,417 | 34,526 | OTA & Voucher Commissions |
| | | | | | | | | | | | | | 0 | |
| Total Cost of Sales | 2,417 | 2,417 | 2,619 | 2,901 | 3,022 | 3,223 | 3,223 | 3,223 | 3,223 | 3,022 | 2,820 | 2,417 | 34,526 | |
| | | | | | | | | | | | | | | |
| Gross Profit | 16,177 | 16,177 | 17,525 | 19,412 | 20,221 | 21,569 | 21,569 | 21,569 | 21,569 | 20,221 | 18,873 | 16,177 | 231,052 | |
| | | | | | | | | | | | | | | |
| Expenses | | | | | | | | | | | | | | |
| Business Rates | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 9,996 | Bus Rates - NLC |
| Repairs and maintenance 3% t/o | 558 | 558 | 604 | 669 | 697 | 744 | 744 | 744 | 744 | 697 | 651 | 558 | 7,968 | Property Improvements (excludes intial capex) |
| Accountancy | | | | | | | | | | | | 1,500 | 1,500 | Assumed |
| Cleaning & Linens | 2,964 | 2,964 | 3,211 | 3,557 | 3,705 | 3,952 | 3,952 | 3,952 | 3,952 | 3,705 | 3,458 | 2,964 | 42,336 | 1.5 hrs and £25 laundry, 2 turns a week |
| Telephone / IT / Licences | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 1,440 | Expert IT |
| Insurance | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 5,400 | Broker |
| Utilities | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 14,400 | Best in market |
| Bank Charges/Streamline/accts | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 | First data |
| Waste | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 | BIFFA |
| Sundries | 600 | 600 | 650 | 720 | 750 | 800 | 800 | 800 | 800 | 750 | 700 | 600 | 8,570 | Room toiletries and welcome gifts |
| Marketing | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 3,000 | Outsourced to professional mktg agency |
| Total Expenses | 7,375 | 7,375 | 7,718 | 8,199 | 8,405 | 8,749 | 8,749 | 8,749 | 8,749 | 8,405 | 8,062 | 8,875 | 99,409 | |
| | | | | | | | | | | | | | | |
| EBITDA | 8,802 | 8,802 | 9,807 | 11,213 | 11,816 | 12,820 | 12,820 | 12,820 | 12,820 | 11,816 | 10,811 | 7,302 | 131,643 | 50% |

Coatbridge - Y3 model

| | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 | Sep-26 | Oct-26 | Nov-26 | Dec-26 | YEARLY | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--|
| Revenue (Sales) | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | F/CAST | | |
| Occupancy | 65% | 65% | 70% | 75% | 84% | 84% | 84% | 84% | 84% | 75% | 70% | 60% | 75% | 84% Occ in regional submarket over 12 months, Costar |
| 1 x Grand suite (56 sq m) ADR £135 | 2,183 | 2,183 | 2,351 | 2,519 | 2,821 | 2,821 | 2,821 | 2,821 | 2,821 | 2,519 | 2,351 | 2,015 | 30,225 | 108 |
| 7 x Luxury suites (19-26 sq m) sqm) ADR £105 | 12,110 | 12,110 | 13,041 | 13,973 | 15,649 | 15,649 | 15,649 | 15,649 | 15,649 | 13,973 | 13,041 | 11,178 | 167,672 | 88 |
| 3 x Luxury studios (13.5-19 sqm) ADR £100 | 4,943 | 4,943 | 5,323 | 5,703 | 6,388 | 6,388 | 6,388 | 6,388 | 6,388 | 5,703 | 5,323 | 4,563 | 68,438 | 83 |
| 1 x Boutique studio (12 sqm) ADR £65 | 1,071 | 1,071 | 1,153 | 1,236 | 1,384 | 1,384 | 1,384 | 1,384 | 1,384 | 1,236 | 1,153 | 989 | 14,828 | 54 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Total Revenue (Sales) | 20,307 | 20,307 | 21,869 | 23,431 | 26,243 | 26,243 | 26,243 | 26,243 | 26,243 | 23,431 | 21,869 | 18,745 | 281,163 | |
| | | | | | | | | | | | | | | |
| Cost of Sales | | | | | | | | | | | | | | |
| Commission Payable - 12.5% | 2,538 | 2,538 | 2,734 | 2,929 | 3,280 | 3,280 | 3,280 | 3,280 | 3,280 | 2,929 | 2,734 | 2,343 | 35,146 | OTA & Voucher Commissions |
| | | | | | | | | | | | | | 0 | |
| Total Cost of Sales | 2,538 | 2,538 | 2,734 | 2,929 | 3,280 | 3,280 | 3,280 | 3,280 | 3,280 | 2,929 | 2,734 | 2,343 | 35,146 | |
| | | | | | | | | | | | | | | |
| Gross Profit | 17,768 | 17,768 | 19,135 | 20,502 | 22,962 | 22,962 | 22,962 | 22,962 | 22,962 | 20,502 | 19,135 | 16,402 | 246,017 | |
| | | | | | | | | | | | | | | |
| Expenses | | | | | | | | | | | | | | |
| Business Rates | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 833 | 9,996 | Bus Rates - NLC |
| Repairs and maintenance 3% t/0 | 609 | 609 | 656 | 703 | 787 | 787 | 787 | 787 | 787 | 703 | 656 | 562 | 8,435 | Property Improvements (excludes intial capex) |
| Accountancy | | | | | | | | | | | | 1,500 | 1,500 | Assumed |
| Cleaning & Linens | 2,958 | 2,958 | 3,185 | 3,413 | 3,822 | 3,822 | 3,822 | 3,822 | 3,822 | 3,413 | 3,185 | 2,730 | 40,950 | 1.25 hrs and £25 laundry, 2 turns a week |
| Telephone / IT / Licences | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 1,440 | Expert IT |
| Insurance | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 4,200 | Broker |
| Utilities | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 14,400 | Best in market |
| Bank Charges/Streamline/accts | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 | First data |
| Waste | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 | BIFFA |
| Sundries | 650 | 650 | 700 | 750 | 840 | 840 | 840 | 840 | 840 | 750 | 700 | 600 | 9,000 | Room toiletries and welcome gifts |
| Marketing | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 | Outsourced to professional mktg agency |
| Total Expenses | 7,320 | 7,320 | 7,644 | 7,968 | 8,552 | 8,552 | 8,552 | 8,552 | 8,552 | 7,968 | 7,644 | 8,495 | 97,121 | |
| | | | | | | | | | | | | | | |
| EBITDA | 10,449 | 10,449 | 11,491 | 12,534 | 14,410 | 14,410 | 14,410 | 14,410 | 14,410 | 12,534 | 11,491 | 7,906 | 148,896 | 53% |

Appendix 5: Market Commentary

Overview

There were positive signs of recovery across the UK hotel sector in 2022, amidst challenging trading conditions. The rebound in consumer demand from March onwards gave hoteliers a much-needed boost as they emerged from the pandemic. In the first half of 2023, most markets have seen significant ADR increases, albeit at the cost of occupancy in some.

However, the sector is facing a new wave of challenges in 2023, with a confluence of headwinds exerting pressure on hotel owners and operators, including not just the well-publicised increasing operational costs but also the cost of debt and a squeeze on consumer spending given repeated interest rate rises.

Margins are under significant pressure, a key area to keep under review and one which investors are watching closely.

National Living Wage and Workplace Pension

The National Living Wage (NLW) was launched in April 2016 and supplements the National Minimum Wage (NMW) system.

On 1 April 2023 the NLW rose to £10.42 per hour, an increase of 9.7% on the prior year, for those aged 23 and above. The NMW system remains in place for those aged below 23. 21 and 22-year-olds must be paid a minimum of £10.18 per hour (a rise of 10.9%), and 18 to 20-year olds £7.49 (9.7%), effective from 1 April 2023. Apprentices and those aged under 18 years must be paid a minimum of £5.28.

Under the Pensions Act 2008, every employer in the UK must put their qualifying employees into a pension scheme and, where appropriate, pay contributions - often described as "automatic enrolment" into a "workplace pension". Qualifying employees means all staff who: are aged between 22 and the State Pension age; earn at least £10,000 a year; and normally work in the UK. The minimum contributions are 3% payable by employers and 5% by employees (source: www.gov.uk).

The Government is also considering plans to extend auto-enrolment to 18 to 21-year-olds, but no firm date for this change has been set yet.

Since the UK left the European Union (on 31 January 2020), the main lingering impact has been staff shortages – particularly for lower skilled positions.

Our assessment of FMOP and opinions of value take into account the current NLW/NMW and the workplace pension.

2022 Review

The UK hotel market was certainly a tale of two halves in 2022. H1 saw a buoyant recovery from the pandemic, but was followed by political and economic volatility in H2 as various factors including the war in Ukraine, inflation and political instability combined to negatively impact sentiment.

During H1, occupancy levels recovered at a much faster rate than first anticipated, backed by a strong rebound in consumer demand. This drove a healthy level of transactional activity to be recorded. Overall performance neared or surpassed 2019 levels from May onwards, and regional UK markets such as Edinburgh, Birmingham and Liverpool saw the highest increase in RevPAR, surpassing 2019 levels. In comparison, London was slower to recover as the capital relies on international source markets and business travellers.

At the same time, hoteliers were forced to navigate intensifying operational headwinds and a period of political flux. The effects of this uncertainty began to creep in and slowed transactional activity in Q4, with many hotel operators choosing to hold off on selling and buyers adopting a 'wait and see' approach, hoping for a price correction and an increased volume of distressed assets coming to market in 2023.

Domestic buyers were far more active in the market in 2022 compared to 2021, where cross-border investors represented 52% of buyers. Yet this number dropped to 23% in H1 2022, likely due to international coronavirus travel restrictions imposed over the past few years. However, in H2 the fall in the value of sterling positively impacted international travel and stronger buying power, especially for American funds.

Throughout the year, operators were generally able to maintain high ADRs to offset some of the growing cost pressures and protect their profit conversions. This has continued through the first half of 2023. It appears that rate rises have been widely accepted by consumers, however successive interest rate rises and persistent inflation are likely to dampen consumer spending in the short to medium term.

Not all levels of the market will be impacted to the same degree. The luxury segment will fare better as affluent consumers are generally less focused on price. So too will the economy segment, as less affluent travellers may choose to trade down. Therefore, mid-market hotels are likely to be most impacted, albeit there will be an opportunity for these hotels to capture the many consumers who choose to holiday in the UK over a trip abroad, in order to spend less.

A further positive is the business rates revaluation which came into effect in April 2023. New rateable values are benchmarked to 1 April 2021. This was in the midst of the pandemic and in many cases the cost of business rates for hotels will fall when compared to the prior period.

Staffing remained a critical issue in the hospitality industry. The availability of staff, particularly in rural locations presents an operational challenge. Unprecedented increases in payroll are likely to fundamentally change operational structures and margins, reshaping our industry.

Key Trends

- Various economic and operational challenges such as inflation, staffing, supply chain disruptions impacting revenues and squeezing profit margins
- Generally strong levels of ADR growth, for both leisure and corporate hotels in response to inflationary pressures
- An occupancy differential between leisure destinations capitalising on the staycation boom and corporate hotels seeing a relatively slow return of domestic business travel
- The likelihood of a greater focus on the budget and economy sectors as the cost of living crisis impacts on household and corporate budgets
- A significant imbalance between buyers and opportunities, often driving price competition
- The beginnings of some distress in the sector, as margins are squeezed and debt finance becomes more costly due to higher interest rates

- 12% of Christie & Co's hotel transactions included an element of distress in 2022

Market Predictions

The hotel sector is procyclical and RevPAR growth will slow in the remainder of 2023 as increasing living costs impact discretionary spending and hamper corporate activity. The market will become more polarised with luxury and economy faring better compared to the mid-market which will be squeezed.

Pricing will have to adjust to reflect increasing debt costs and eroding profits. The softening in yields observed in H1 2023 will continue. A wall of capital is waiting for distressed opportunities to emerge; however, based on historical evidence, there may be a lag of up to 24-36 months.

Sustainability & Development

Sustainable buildings, renewable energy and carbon offset schemes will be highly sought-after and are expected to be increasingly reflected in yields. Development will be challenged by the limited debt financing, rising interest rates, and volatility of construction costs.

Our Activity

On average, we sold two hotel businesses per week in 2022, a level slightly behind 2021, maintaining our position as the market-leader for hotel transactions by volume. We also observed a notable increase in closed assets being sold – about a third of all transactions compared to less than a fifth pre-coronavirus, albeit the vast majority of transactions are for continued hotel use.

UK Hotel Investment Volume Over Time (£M)



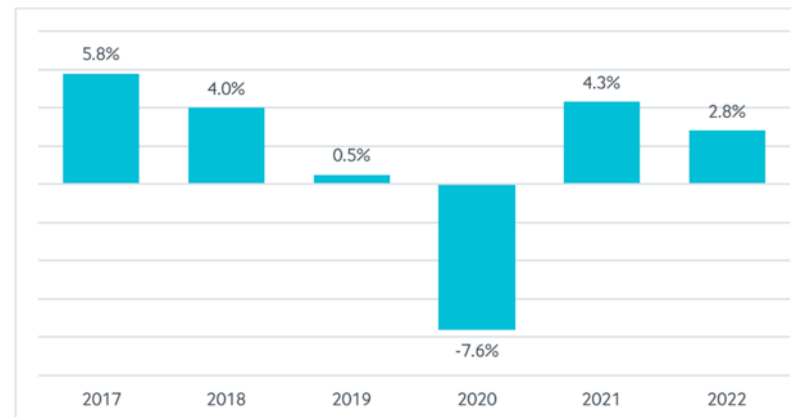
Source: Christie & Co Business Outlook 2023

Our market activity was dominated by individual asset sales across the regions due to more liquidity in the regional market. The buyer appetite for quality assets in regional cities, semi urban or coastal locations remains strong, and we noticed that buyers have been expanding their radius search to find the right opportunities. There was little in the way of corporate transactions, particularly post summer 2022 due to the challenges around debt financing and the unsettled economic environment.

Price Index

2022 was a story of two halves. Strong appetite, low stock and good prospects were positively impacting pricing during H1 but the deteriorating climate and the increasing cost of financing impacted in H2.

Movement in Average Hotel Prices (%)



Source: Christie & Co Business Outlook 2023

Economic Uncertainty

We are valuing in a period of economic uncertainty and flux. Russia's invasion of Ukraine in February 2022 caused two problems: higher energy prices, and higher food prices. Significant resulting inflation has adversely affected many economies. The Bank of England has increased the base interest rate markedly, to control inflation; the period of historically low interest rates is over.

Most households are scaling back their discretionary spending and protecting essential costs; low and middle-income households are worst hit. Businesses are enduring higher costs, tighter cash flow and staff recruitment shortages (caused by near full employment) and have variable scope to counter these issues by raising prices without adversely affecting customer demand.

After a problematic September in 2022, the new Chancellor introduced many spending cuts and tax rises. The public sector has been affected by striking workers and disrupted services (with some pay deals emerging). The public finances are in a poor state.

The hotel sector is at high risk from the aforementioned issues.

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